

**HASTINGS COLLEGE OF THE LAW—Continued**

Putting student health services on a self-supporting basis would (1) allocate the cost of providing student health services only to those students who actually require these services, and (2) encourage greater use of private sector alternatives for meeting the students' health care needs. Consequently, we recommend that the Legislature adopt the following supplemental report language directing Hastings to prepare a plan for funding student health services on a self-supporting basis:

"Hastings shall prepare a plan for funding student health services on a user-fee basis, beginning in 1984-85. The plan shall be submitted to the fiscal committees, the Joint Legislative Budget Committee, and the Department of Finance by December 1, 1983."

**CALIFORNIA STATE UNIVERSITY**

Item 6610 from the General  
Fund and various funds

Budget p. E 104

Requested 1983-84 .....	\$924,663,000
Estimated 1982-83 .....	938,770,000
Actual 1981-82 .....	962,150,000
Requested decrease (excluding amount for salary increases) \$14,107,000 (-1.5 percent)	
Total recommended reduction .....	\$17,164,000

**1983-84 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
6610-001-001—Support		General	\$914,570,000
6610-001-146—Instructional Equipment and Special Repairs		COFPHE	10,093,000
6610-001-890—Student Services		Federal Trust	(48,296,000)
Total			\$924,663,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

*Analysis  
page*

1. Enrollment Funding. Recommend the Legislature direct the Department of Finance to explain the rationale for underfunding anticipated enrollment. 1623
2. Applicant Redirection Report. Recommend adoption of supplemental report language eliminating the requirement that CSU submit a biennial report on the applicant redirection program because the report is no longer needed. 1626
3. State-Funded Summer Quarter. Withhold recommendation on proposed elimination of state-funded summer quarter pending receipt of additional information from the Department of Finance which explains planning assumptions and basis on which expected dollar reduction was calculated. 1630
4. Foreign Graduate Student Enrollment. Recommend adoption of supplemental report language directing the 1632

- Chancellor's office to develop a policy on enrollment of foreign students in graduate engineering and computer science programs.
5. Instructional Equipment. Recommend adoption of supplemental report language requiring CSU, UC, and the Department of Finance to develop a new funding model for high-technology instructional equipment. 1623
  6. *Avocational, Personal Development, and Recreational Courses—Reduce Item 6610-001-001 by \$3,224,000.* Recommend adoption of Budget Bill language and deletion of funding for specified courses that, pursuant to a legislative directive, are no longer eligible for state support when offered by community colleges. 1634
  7. Computing Support. Recommend adoption of supplemental report language directing CSU to report on the role of the Division of Information Systems and the cost-effectiveness of centrally-developed administrative computing systems. 1643
  8. Computing Support. Recommend adoption of supplemental report language directing CSU to provide the Legislature with an analysis of alternative methods for allocating computer resources. 1645
  9. Student Fees. Recommend adoption of Budget Bill language directing the Trustees to assess a single student fee—the State University Fee—with reimbursements from the fee being used as an offset to CSU's General Fund appropriation and requiring that the fee be assessed on a two-tier basis wherein part-time students pay less than full-time students. 1649
  10. Student Health Services. Recommend adoption of supplemental report language requiring the Chancellor's office to submit a plan for providing student health services through auxiliary organizations, beginning in 1984-85. 1650
  11. State University Fee Increase. Withhold recommendation, pending receipt of additional information from the Department of Finance which explains the assumptions used in determining the appropriate fee level for CSU students and the calculations related to the proposed fee level. 1651
  12. *Graduate Tuition. Reduce Item 6610-001-001 by \$4,688,000.* Recommend adoption of Budget Bill language requiring the Trustees to increase the annual student charge for graduate students by \$70, to more fully reflect (1) the cost to the state of providing graduate education and (2) the direct benefit graduate students derive from it. 1653
  13. *Financial Aid for Graduate Students. Augment Item 6610-001-001 by \$159,000.* Recommend additional funds be appropriated for financial aid to graduate students so that low-income students continue to have access to CSU graduate programs. 1653
  14. *State University Grant Program. Reduce Item 6610-001-001 by \$4,300,000.* Recommend deletion of \$4,300,000 in the State University Grant program because the proposed 1655

**CALIFORNIA STATE UNIVERSITY—Continued**

- amount exceeds the need, according to the CPEC model.
15. Student Affirmative Action Programs. Recommend adoption of supplemental report language directing CSU to consolidate the Educational Opportunity Program, the Core Student Affirmative Action Program, and the Relations With Schools program into a single program. Further recommend that CSU review existing policy on eligibility for EOP grants. 1666
  16. *Mathematics, Engineering, Science Achievement (MESA) Program. Reduce Item 6610-001-001 by \$273,000. Augment Item 6100-005-001 by \$273,000.* Recommend transfer of \$273,000 related to the MESA program from CSU to the State Department of Education so that state support for MESA can be accounted for centrally. 1668
  17. *Chancellor's Discretionary Account. Reduce Item 6610-001-001 by \$287,000.* Recommend deletion of funds requested for the Chancellor's Discretionary Account because the activities to be funded from this source do not warrant an increase in General Fund support above baseline levels. 1670
  18. *State-Owned Housing. Reduce Item 6610-001-001 by \$62,000.* Recommend that employee rental rates for state-owned housing be increased to existing market values, as called for by existing law, for a General Fund savings of \$62,000 and a corresponding increase in reimbursements. 1672
  19. Collective Bargaining. Recommend enactment of legislation requiring CSU to submit for legislative approval memoranda of understanding (MOU) and detailed cost estimates on provisions contained in each MOU. 1677
  20. *Public Safety. Reduce Item 6610-001-001 by \$296,000.* Recommend that part of the cost for Directors of Public Safety be shifted from the General Fund to the Dormitory Revenue Fund: Parking Account, to more accurately reflect the type of services being provided, for a General Fund savings of \$296,000. 1681
  21. *Contra Costa Site. Reduce Item 6610-001-001 by \$4,193,000.* Recommend legislation be enacted requiring CSU to sell the surplus Contra Costa campus site because it is not needed based on population and enrollment projections and an alternative off-campus center has been established which fills the regional need, for a General Fund revenue increase and corresponding savings of \$4,193,000. 1682
  22. Disabled Students—Technical Adjustment. Recommend unspecified reduction in the disabled students program because federal money is available for this purpose through the Department of Rehabilitation. 1687

**Summary of Legislative Analyst's  
Recommended Fiscal Changes to the  
1983-84 CSU Budget**

	<i>Program Changes</i>	<i>Impact on General Fund</i>
Avocational courses .....	-\$3,224,000	-\$3,224,000
Graduate student fees .....		-4,688,000 <sup>a</sup>
Financial aid for graduate students .....	\$159,000	159,000
State university grants .....		-4,300,000
MESA program .....		-273,000 <sup>a</sup>
Chancellor's discretionary account .....	-287,000	-287,000
State-owned housing .....	-62,000	-62,000
Public safety .....		-296,000 <sup>a</sup>
Contra Costa Campus site .....		-4,193,000
Totals .....	\$3,414,000	-\$17,164,000

<sup>a</sup> Funding shift.

### Recommendation Overview

We are recommending reductions to the CSU budget totaling \$17.2 million. Of this amount, however, \$13.8 million can be achieved without cutting programs or reducing services. Specifically, we have identified the following funds that could be used in place of General Fund support to support CSU's programs during 1983-84: (1) \$4.7 million in increased student fee and tuition revenue resulting from increased student charges, (2) \$4.2 million in General Fund revenue to be generated by the sale of a surplus campus site, (3) \$.3 million in external funds to support discretionary activities, and (4) \$.3 million in parking fee revenue to fund a portion of the public safety program. In addition, we have identified an overbudgeting error of \$4.3 million in the State University Grant program. The remaining \$3.2 million represents a reduction to the program levels in avocational course offerings and an increase in student financial aid.

### GENERAL PROGRAM STATEMENT

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

**Governance.** The CSU system is governed by a 24-member board of trustees. The Trustees appoint the Chancellor who, as the chief executive officer of the system, assists the Trustees in making policy decisions, and provides for the administration of the system.

The system includes 19 campuses with an estimated 1982-83 full-time equivalent (FTE) enrollment of 242,274. In the current year, the system has 33,694 authorized personnel-years.

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

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



**CALIFORNIA STATE UNIVERSITY—Continued****ANALYSIS AND RECOMMENDATIONS****1983-84 Budget Overview**

The budget proposes General Fund expenditures of \$914,570,000 for support of the CSU system in 1983-84. This is a decrease of \$14,380,000, or 1.6 percent, from estimated current-year General Fund expenditures. This reduction, however, makes no allowance for the cost of any salary or staff benefit increase that may be approved for the budget year.

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

	<i>Actual</i> <i>1981-82</i>	<i>Estimated</i> <i>1982-83<sup>a</sup></i>	<i>Proposed</i> <i>1983-84</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
<b>Program</b>					
Instruction .....	\$653,612	\$650,699	\$681,453	\$30,754	4.7%
Public Service .....	753	770	810	40	5.2
Academic Support .....	116,030	118,759	124,150	5,391	4.5
Student Service .....	137,587	138,598	154,119	15,521	11.2
Institutional Support .....	283,638	289,965	316,321	26,356	9.1
Independent Operations .....	43,251	49,298	49,806	508	1.0
Auxiliary Organizations .....	202,900	214,200	222,300	8,100	3.8
Total, Programs .....	\$1,437,771	\$1,462,289	\$1,548,959	\$86,670	5.9%
Reimbursements .....	—\$174,287	—\$217,648	—\$288,909	—\$71,261	32.7%
Net Totals .....	\$1,263,484	\$1,244,641	\$1,260,050	\$15,409	1.2%
<b>Funding Source</b>					
General Fund .....	\$955,683	\$928,950	\$914,570	—\$14,380	—1.6%
Federal Trust Fund .....	52,027	46,960	48,296	1,336	2.8
Capital Outlay Fund for Public Higher Education .....	5,788	9,820	10,093	273	2.8
Energy and Resources Fund .....	679	—	—	—	—
Dormitory Revenue Fund:					
Housing .....	15,787	17,103	20,004	2,901	17.0
Parking .....	5,974	5,917	6,984	1,067	18.0
Continuing Education Revenue Fund .....	24,646	21,691	37,803	16,112	74.3
Auxiliary Organizations:					
Federal .....	43,280	46,000	46,000	—	—
Other .....	159,620	168,200	176,300	8,100	4.8
Personnel Years .....	33,838	33,694	33,800	106	.3

<sup>a</sup> Does not include \$18.6 million reduction made pursuant to the Governor's Executive Order D-1-83.

**Table 2**  
**Adjusted Change in**  
**CSU's Total Expenditures**  
**(dollars in thousands)**

	<i>1982-83</i>	<i>1983-84</i>	<i>Amount</i>	<i>Percent</i>
General Fund appropriation .....	\$928,950	\$914,570	—\$14,380	—1.6%
Student fee offset <sup>a</sup> .....	41,722	116,698	74,976	179.7
Adjusted Expenditure Level .....	\$970,672	\$1,031,268	\$60,596	6.2%

<sup>a</sup> Revenue collected from State University Fee. Does not include additional assessment made in the spring term, 1983.

**Table 3**  
**California State University**  
**Source of Funds in 1983-84, by Subprogram**  
**(in thousands)**

	General Fund			Special Funds								
	Net	Reimburse- ments	Totals	Continuing Education	Dormitory	Parking	COFPHE	Federal Trust	Total Special Funds	Foundations and Auxiliary Organizations	Grand Totals	
1. Instruction												
Regular instruction.....	\$626,495	\$26,274	\$652,769	—	—	—	\$4,368	—	\$4,368	—	\$657,137	
Special session instruction .....	—	—	—	\$18,589	—	—	—	—	18,589	—	18,589	
Extension instruction.....	—	—	—	4,894	—	—	—	—	4,894	—	4,894	
Totals, Instruction .....	\$626,495	\$26,274	\$652,769	\$23,483	—	—	\$4,368	—	\$27,851	—	\$680,620	
2. Public Service												
Campus community service.....	—	\$810	\$810	—	—	—	—	—	—	—	\$810	
3. Academic Support												
Libraries .....	\$57,647	3,194	60,841	\$26	—	—	—	—	\$26	—	60,867	
Audiovisual services .....	12,287	499	12,786	39	—	—	—	—	39	—	12,825	
Computing support .....	35,111	1,467	36,578	72	—	—	—	—	72	—	36,650	
Ancillary support .....	12,463	530	12,993	—	—	—	—	—	—	—	12,993	
Totals, Academic Support .....	\$117,508	\$5,690	\$123,198	\$137	—	—	—	—	\$137	—	\$123,335	
4. Student Services												
Social and cultural development .....	—	\$4,645	\$4,645	—	—	—	—	—	—	—	\$4,645	
Supplemental educational services—EOP .....	\$14,499	—	14,499	—	—	—	—	—	—	—	14,499	
Counseling and career guidance .....	—	20,851	20,851	\$26	—	—	—	—	\$26	—	20,877	
Financial aid .....	113	34,143	34,256	—	—	—	—	\$48,296	48,296	—	82,552	
Student support.....	3,103	23,959	27,062	58	\$3,845	—	—	—	3,903	—	30,965	
Totals, Student Services .....	\$17,715	\$83,598	\$101,313	\$84	\$3,845	—	—	\$48,296	\$52,225	—	\$153,538	
5. Institutional Support												
Executive management .....	\$12,630	\$9,840	\$22,470	\$10,026	—	—	—	—	\$10,026	—	\$32,496	
Financial operations.....	9,093	12,570	21,663	656	\$1,500	\$812	—	—	2,968	—	24,631	
General administrative services .....	18,339	22,906	41,245	255	—	—	—	—	255	—	41,500	
Logistical services.....	26,415	17,421	43,836	2,379	1,641	3,803	—	—	7,823	—	51,659	
Physical plant operations .....	73,755	48,705	122,460	41	13,018	1,451	\$5,725	—	20,235	—	142,695	
Faculty and staff services .....	10,444	6,896	17,340	—	—	—	—	—	—	—	17,340	
Community relations.....	2,176	1,854	4,030	742	—	—	—	—	742	—	4,772	
Totals, Institutional Support .....	\$152,852	\$120,192	\$273,044	\$14,099	\$16,159	\$6,066	\$5,725	—	\$42,049	—	\$315,093	
6. Independent Operations												
Institutional operations .....	—	\$48,888	\$48,888	—	—	\$918	—	—	\$918	—	\$49,806	
Auxiliary organizations .....	—	—	—	—	—	—	—	—	—	\$222,300	\$222,300	
Totals, Support Budget Expenditures .....	\$914,570	\$285,452	\$1,200,022	\$37,803	\$20,004	\$6,984	\$10,093	\$48,296	\$123,180	\$222,300	\$1,545,502	

**CALIFORNIA STATE UNIVERSITY—Continued**

Table 1 provides a budget summary for the CSU system, by program, for the past, current, and budget years. This table indicates that, while General Fund support will decrease in 1983-84, *total funds* available to CSU will be \$1.5 billion, which is \$86.6 million, or 5.9 percent, more than estimated total expenditures in the current year. This is primarily due to the fact that, as shown in Table 2, CSU will use revenue from increased student fees to more than offset the reduction in General Fund support.

Table 3 shows total expenditures proposed in the budget for the CSU system in 1983-84, by program and source of funds.

**1983-84 Budget Changes.** As detailed in Table 4, CSU's proposed budget for 1983-84 contains several offsetting increases and decreases. The table shows that increases for *baseline* adjustments total \$52.8 million, including \$13.4 million for increases to offset the effects of inflation on the prices that CSU must pay, and \$8.9 million for merit salary increases and faculty promotions. An increase of \$26.9 million reflects, in part, the restoration of funding for the employer's retirement contributions after a one-time reduction in the contribution rate in the current year.

**Program maintenance proposals** result in a net decrease of \$67.2 million, reflecting, in part, the impact of (1) a net \$8.4 million decrease in funding for enrollment due to the proposed elimination of the state-funded summer quarter at four campuses, (2) an increase of \$11.6 million for the State University Grant program and (3) an increase of \$73.6 million in reimbursements from student fees.

**Table 4**  
**Proposed 1983-84 General Fund Budget Changes**  
(in thousands)

1982-83 Adjusted General Fund Expenditures .....	\$928,950
I. Baseline Adjustments	
A. Increase in Existing Personnel Costs	
1. Salary adjustments .....	\$7,808
2. Full-year funding .....	887
3. Faculty promotions .....	1,075
4. OASDI .....	437
5. Retirement .....	-12
6. Dental care .....	1,452
7. Worker's compensation .....	200
8. Unemployment .....	550
9. Industrial disability leave .....	75
10. Nonindustrial disability leave .....	50
Subtotal, increase in existing personnel costs .....	\$12,922
B. Nonrecurring Items	
1. Retirement .....	31,967
2. Library staff .....	-3,449
3. Custodial .....	-1,350
4. Chancellor's office (legal) .....	-251
5. Other .....	-61
Subtotal, nonrecurring items .....	\$26,856
C. Price Increase .....	13,444

Total, Baseline Adjustments .....		\$52,822
II. Program Maintenance Proposals		
A. Enrollment/Population/Caseload		
1. Enrollment increase (2,560 FTEs) .....	\$4,899	
2. Elimination of summer quarter enrollment (6,210 FTEs) .....	-13,264	
Subtotal, Enrollment/Population/Caseloads .....		-\$8,365
B. Special Cost Factors: Campuses		
Instruction:		
1. Master teachers .....	-49	
2. Change in mix .....	24	
3. Other .....	15	
Academic Support:		
1. Computing .....	2,077	
2. Ancillary support .....	28	
Student Services:		
1. Financial aid .....	-1,517	
2. Health services .....	142	
3. Placement .....	3	
4. State university grants .....	11,600	
Institutional Support:		
1. Executive management .....	29	
2. Financial operations .....	-135	
3. Student admissions and records .....	307	
4. Employee personnel .....	99	
5. Communications .....	-173	
6. Plant operations .....	-643	
Reimbursements:		
1. Student Services Fee .....	\$103	
2. Nonresident fees .....	3,615	
3. State University Fee .....	-73,600	
4. Applications fees .....	-25	
5. Catalog fees .....	-54	
6. NDSL cancellation allowance .....	25	
7. Other .....	786	
Systemwide:		
1. Systemwide offices .....	-28	
2. Systemwide provisions .....	-1,466	
Subtotal, Special Cost Factors .....		-\$58,837
Total, Program Maintenance Proposals .....		-\$67,202
Total, 1983-84 Support .....		\$914,570
Total Change:		
Amount .....		-\$14,380
Percent .....		1.5%

**Budget Presentation.** The CSU budget is divided into seven program classifications. The first two—Instruction, and Public Service—encompass the primary educational functions of the system. The remaining five—Academic Support, Student Services, Instructional Support, Independent Operations, and Foundations and Auxiliary Organizations—provide support services to the two primary programs (see Table 3 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 consists of enrollment and three instruction elements: regular, special session and extension.

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

## CALIFORNIA STATE UNIVERSITY—Continued

Table 5

## CSU

Instruction Program Costs  
(dollars in thousands)

	<i>Actual</i> 1981-82	<i>Estimated</i> 1982-83	<i>Proposed</i> 1983-84	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
<b>Program</b>					
Regular instruction .....	\$638,721	\$637,196	\$657,970	\$20,774	3.3%
Special session instruction .....	9,244	8,971	18,589	9,618	107.2
Extension instruction .....	5,647	4,532	4,894	362	8.0
Totals.....	\$653,612	\$650,699	\$681,453	\$30,754	4.7%
<b>Funding Source</b>					
General Fund .....	\$606,123	\$603,454	\$627,378	\$23,924	4.0%
Reimbursements .....	23,488	29,374	26,224	-3,150	-12.0
Continuing Education Revenue Fund .....	14,891	13,503	23,483	9,980	73.9
Capital Outlay Fund for Public Higher Education .....	4,110	4,368	4,368	—	—
<b>Personnel</b>					
Regular instruction .....	18,569.2	17,895.9	18,075.0	179.1	1.0%
Extension and special session ..	802.1	706.0	721.4	15.4	3.6
Totals.....	19,371.3	18,601.9	18,796.4	194.5	1.1%

**A. Regular Enrollment**

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

As shown in Table 6, the revised estimate of CSU enrollment in the current year (1982-83) is 242,274 FTE students. This is 2,374 FTE (1.0 percent) more than the number *budgeted* for in 1982-83, and 1,887 FTE (0.8 percent) above actual 1981-82 FTE enrollment. As discussed later in this analysis, Control Section 28.90 of the 1982 Budget Act (Section 24.40 of the 1983 Budget Bill) permits the Director of Finance to authorize the accelerated expenditure of budgeted funds by CSU and UC (not to exceed \$5 million) when actual statewide enrollments exceed budgeted enrollments by at least 2 percent. Because CSU actual enrollment exceeds the budgeted level by only 1.0 percent, a deficiency appropriation cannot be requested for the current year and CSU will have to absorb the additional costs associated with the unanticipated enrollment.

Based on the current-year revised estimate, the budget proposes FTE enrollment of 242,460 in 1983-84, an increase of 2,560 FTE over the budgeted 1982-83 FTE. (Note: The budget enrollment table for 1983-84 also includes an estimate of 6,210 FTE students in summer quarter enrollment. As we discuss later in this *Analysis*, however, the budget proposes to eliminate state funding for the summer quarter.)

**Table 6**  
**Annual Full-Time Equivalent Students**  
**1981-82 to 1983-84**

Campus	1981-82 Actual	1982-83		1983-84 Proposed <sup>b</sup>
		Budget	Revised Estimate <sup>a</sup>	
Bakersfield .....	2,358	2,430	2,362	2,420
Chico .....	12,581	12,300	12,736	12,500
Dominguez Hills .....	5,565	5,700	5,804	5,800
Fresno .....	13,124	13,280	13,440	13,500
Fullerton .....	15,964	15,600	16,143	15,600
Hayward .....	9,132	9,730	9,446	9,710
Summer Quarter .....	(993)	(1,070)	(987)	(1,050)
Academic Year .....	(8,139)	(8,660)	(8,459)	(8,660)
Humboldt .....	6,565	6,680	6,474	6,580
Long Beach .....	21,972	21,500	22,213	22,000
Los Angeles .....	16,383	16,220	16,441	16,390
Summer Quarter .....	(2,474)	(2,500)	(2,588)	(2,590)
Academic Year .....	(13,909)	(13,720)	(13,853)	(13,800)
Northridge .....	19,002	19,100	19,540	19,100
Pomona .....	13,887	14,180	14,429	14,300
Summer Quarter .....	(1,303)	(1,380)	(1,206)	(1,300)
Academic Year .....	(12,574)	(12,800)	(13,223)	(13,000)
Sacramento .....	16,958	16,600	16,811	16,900
San Bernardino .....	3,504	3,700	3,672	3,850
San Diego .....	24,698	24,600	23,697	24,600
San Francisco .....	17,355	17,400	17,704	17,700
San Jose .....	17,694	17,600	18,175	18,000
San Luis Obispo .....	16,028	15,500	15,250	15,470
Summer Quarter .....	(1,268)	(1,300)	(1,054)	(1,270)
Academic Year .....	(14,760)	(14,200)	(14,196)	(14,200)
Sonoma .....	4,135	4,180	4,367	4,400
Stanislaus .....	3,031	3,150	3,170	3,220
Systemwide Totals:				
Summer Quarter .....	6,038	6,250	5,835	6,210
Academic Year .....	233,888	233,200	236,039	235,830
College Year .....	239,926	239,450	241,874	242,040
International Programs .....	461	450	400	420
Grand Totals .....	240,387	239,900	242,274	242,460

<sup>a</sup> Based on Fall, 1982 opening term enrollment.

<sup>b</sup> Includes projected summer quarter enrollment.

### **Funding for Enrollment-Related Costs Is Not Adequate**

*We recommend that the Legislature direct the Department of Finance to explain its rationale for underfunding enrollment.*

In last year's *Analysis*, we pointed out that the Governor's Budget did not fully fund CSU's projected enrollment for 1982-83. The budget provided for 2,000 FTE less than the enrollment projected by the Trustees, which resulted in an unfunded cost of \$3,677,744. The Legislature directed CSU to work with the Department of Finance and our office during budget hearings to develop a plan whereby resources could be reallocated from within CSU's 1982-83 base budget to fund the enrollment.

In recognition of the state's fiscal constraints, the budget for 1982-83 did not contain sufficient funds to fully offset the \$3.7 million enrollment-related costs. Instead, full funding was provided only for instructionally-related costs and student services programs. Funding was not included for academic support (libraries, audio-visual services) or institutional support (administration, custodial services). The total amount provided for the

**CALIFORNIA STATE UNIVERSITY—Continued**

added enrollment was \$3,232,824, which is \$444,920 less than the amount justified by the regular budget formulas.

The Legislature, in providing less than the amount called for by the regular budget formulas, indicated that it was doing so *on a one-time basis*.

Our review of the budget for 1983-84 indicates that funding for the academic support and institutional support associated with the 2,000 FTE students has not been provided. As a result, the CSU budget is underfunded by \$467,166. We recommend that the Department of Finance be directed to explain its rationale for not providing the full amount called for by the regular budget formulas.

**B. Self-Support Enrollment**

Enrollment other than that referred to as "regular" occurs in special session and extension courses. This enrollment is shown in Table 7. The special session category consists of enrollment in self-supporting courses which grant credit towards a degree, including external degree programs and summer sessions. Extension courses, also self-supporting, are predominantly noncredit. To the extent that the budget proposal to eliminate state funding for the summer quarter is approved, special session enrollment probably will increase.

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

	<i>Net Enrollent</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>
1980-81 .....	76,482	59,338	135,820	9,188.2	5,533.1	14,721.3
1981-82 .....	75,488	64,138	139,626	9,069.2	5,980.8	15,050.0
1982-83 (budgeted) .....	71,367	58,733	130,100	8,433.0	5,477.0	13,910.0
1983-84 (projected) .....	72,182	60,288	132,470	8,530.0	5,546.0	14,076.0

**State Support of Off-Campus Instruction—Report Overdue.** In May 1976, the Board of Trustees adopted a policy on off-campus instruction. This policy provided 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.

As a result of this policy change and subsequent funding requests, the Legislature directed the California Postsecondary Education Commission (CPEC) to study the issue of off-campus instruction in all three segments of higher education.

The first CPEC report on this matter, submitted in March 1980, recommended that, in providing funding for UC and CSU off-campus programs, 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 served by accredited institutions. With respect to CSU, 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.

Table 8 shows FTE enrollment in state-funded off-campus instruction in the past, current, and budget years. As this table shows, FTE enrollment

is projected to reach 1,261 FTE in 1983-84, an increase of 267 FTE, or 27 percent, above 1982-83 estimated enrollment.

Language contained in the 1980 Budget Act directed that state support for off-campus courses in the CSU system be provided in accordance with the CPEC recommendations. In addition, the Legislature directed that CSU report, by January 1, 1983, on its progress in directing General Fund support to off-campus programs within the limitations and guidelines recommended by the CPEC report. The CPEC is directed to review this report and provide recommendations to the legislative budget committees by March 1, 1983.

At the time this *Analysis* was prepared, CSU had not submitted its report on off-campus instruction. CSU officials indicated, however, that the report will be available for review prior to budget hearings. We will comment on the findings of the report at that time.

**Table 8**  
**State-Funded CSU Off-Campus Instruction FTE**

Campus	1981-82 Actual	1982-83 Estimated	1983-84 Proposed	Change from 1982-83	
				Amount	Percent
Bakersfield .....	—	—	—	—	—
Chico .....	—	—	—	—	—
Dominguez Hills .....	3.2	4	10	6	150.0%
Fresno .....	9.8	10	15	5	50.0
Fullerton .....	—	—	—	—	—
Hayward .....	151.6	220	320	100	45.4
(Contra Costa Center) .....	—	—	(320)	—	—
Humboldt .....	—	—	—	—	—
Long Beach .....	35.6	36	40	4	11.1
Los Angeles .....	31.6	32	40	8	25.0
Northridge .....	80.7	78	87	9	11.5
(Ventura Center) .....	—	—	(87)	—	—
Pomona .....	—	—	—	—	—
Sacramento .....	35.0	35	40	5	14.3
San Bernardino .....	14.3	15	18	3	20.0
San Diego .....	238.5	210	289	79	37.6
(North County Center) .....	—	—	(184)	—	—
San Francisco .....	76.5	75	90	15	20.0
(Downtown Center) .....	—	—	(90)	—	—
San Jose .....	80.1	80	90	10	12.5
San Luis Obispo .....	—	—	—	—	—
Sonoma .....	4.8	5	7	2	40.0
Stanislaus .....	159.9	194	215	21	10.8
(Stockton Center) .....	—	—	(215)	—	—
Totals, Campuses .....	921.6	994	1,261	267	26.8%
Totals, Centers .....	—	—	(896)	—	—

\* 1983-84 is the first year in which enrollment in off campus centers is separately reported.

### C. Budget Bill Section 24.40—Enrollment Adjustments

#### *We recommend approval.*

Budget Bill control section 24.40 permits the Director of Finance to authorize the accelerated expenditure of budgeted funds by the California State University and the University of California when actual systemwide enrollments exceed budgeted enrollments by at least 2 percent. This



**CALIFORNIA STATE UNIVERSITY—Continued**

would be done in anticipation of a supplemental General Fund appropriation. The increased expenditure, however, may not exceed \$5 million.

In addition, section 24.40 authorizes the Director of Finance to withhold appropriations when actual enrollments in either system decline by more than 2 percent below budgeted enrollments. The Director of Finance may use these funds to preclude layoffs, provided the Legislature is given 30 days' prior notice. (The section also restricts the use of funds withdrawn from CSU campuses due to fluctuations in student enrollment.)

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

Because section 24.40 has been effective in adjusting the level of state support to enrollment fluctuations, we recommend that it be approved.

**D. Student Ethnicity**

As shown in Table 9, the proportion of CSU students that are Hispanic, black, or members of other minority groups has increased, while the proportion of whites has declined. Hispanics accounted for 9.0 percent of CSU enrollment in the fall of 1981—an increase of 2.7 percentage points over the fall of 1972.

Two factors appear to explain the increase in minority enrollment since 1972: (1) the increasing proportion of minority group members among those eligible to attend CSU and (2) increased affirmative action efforts by CSU (discussed later).

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

<i>Ethnic Group</i>	<i>1972</i>	<i>1974</i>	<i>1976</i>	<i>1978</i>	<i>1979</i>	<i>1980</i>	<i>1981</i>
Hispanic <sup>b</sup> .....	6.3%	6.5%	7.6%	8.6%	8.9%	9.2%	9.0%
Black .....	6.1	6.1	6.8	7.7	7.4	7.0	6.9
Other minority .....	8.7	8.0	9.2	9.8	10.3	10.7	12.4
White .....	78.9	79.4	76.4	73.9	73.4	73.1	71.7
Totals.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

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

The proportion of black students increased from 6.1 percent to 7.7 percent during the 1972-78 period. There has, however, been a decline in the proportion of black students since 1978. CSU has been unable to determine the specific causes for this decrease.

**E. Student Redirection Report**

*We recommend that the Legislature adopt supplemental report language to eliminate the requirement for a biennial report on CSU's applicant redirection program because the report is no longer needed.*

In 1976-77, CSU implemented an applicant redirection program which diverts applicants from overcrowded campuses to campuses with excess space. The *Supplemental Report to the 1978 Budget Act* requires CSU to report every two years on the status of this program.

Subsequent to the 1978-79 academic year, CSU fully implemented a comprehensive applicant redirection program that responded to the

Legislature's concern regarding underutilized campus facilities. In addition, CSU has submitted two reports since 1978 which document the effectiveness of the redirection program in ensuring that California students have access to higher education opportunities.

The CSU has requested that the requirement for the biennial report be deleted because the report is time-consuming and costly to prepare. It has assured us that staff will continue to monitor redirection activity and report to the Legislature as needed.

We agree that a formal report is no longer necessary for purposes of legislative oversight, and recommend that the Legislature adopt the following supplemental report language to eliminate the requirement for the report:

"CSU shall no longer be required to report to the legislative budget committees on the impact of the applicant redirection program as required by the Budget Act of 1978."

## F. Regular Instruction

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

### 1. Student Workload

During most of the past decade, student workload in the CSU system was declining. In 1978-79, however, this trend was reversed, and the average student workload has continued to increase since that year. Simply put, students have been taking more course units per academic year. Table 10 shows the trend in student workload.

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

	<i>Annual FTE</i>	<i>Average Term Enrollment</i>	<i>Student Workload</i>	
			<i>Academic Year<sup>a</sup></i>	<i>Per Term</i>
1977-78 .....	227,679	303,946	22.47	11.24
1978-79 .....	223,000	296,875	22.53	11.26
1979-80 .....	226,793	299,987	22.68	11.34
1980-81 .....	232,740	307,456	22.71	11.36
1981-82 .....	233,888	308,545	22.74	11.37

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

### 2. 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.

**CALIFORNIA STATE UNIVERSITY—Continued**

As Table 11 shows, in 1976-77 the number of CSU faculty was budgeted on the basis of a student-faculty ratio equal to 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 student-faculty ratio of 17.87:1 budgeted for 1983-84 primarily reflects the impact of a decrease in faculty positions resulting from shifts in student demand.

**Table 11**  
**CSU Student-Faculty Ratio**

	<i>Faculty Positions</i>		<i>Student-Faculty Ratio</i>	
	<i>Budgeted</i>	<i>Actual</i>	<i>Budgeted</i>	<i>Actual</i>
1976-77 .....	13,427.0	13,157.9	17.80	17.58
1977-78 .....	13,364.5	13,211.2	17.66	17.23
1978-79 .....	13,431.0	13,090.2	17.63	17.49
1979-80 .....	12,918.6	12,930.4	17.72	17.98
1980-81 .....	13,034.2	13,075.5	17.67	18.25
1981-82 .....	13,320.3	13,196.7	17.75	18.18
1982-83 .....	13,400.8	—	17.87	—
1983-84 <sup>a</sup> (proposed) .....	13,200.4	—	17.87	—

<sup>a</sup> The budget for 1983-84 was prepared using a method that relies on the mode and level student credit unit (SCU) distribution reported for the 1981-82 academic year. This yields a student-faculty ratio of 17.87:1.

**3. Shift in Student Demand**

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

The Budget Acts of 1978 and 1979 continued the policy by providing additional faculty positions to reflect shifts in student demand toward the more expensive disciplines. The 1980 Budget Act, however, reflected the impact of a shift in student demand back toward the lower-cost disciplines. Because this trend is projected to continue in 1983-84, the budget provides for a faculty reduction of 0.7 positions related to this factor.

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

	<i>Budgeted</i> <i>1981-82</i>	<i>Budgeted</i> <i>1982-83</i>	<i>Requested</i> <i>1983-84</i>
Prior year base .....	13,034.2	13,320.3	13,400.8
Enrollment change adjustment <sup>a</sup> .....	+343.3	+167.0	-199.7
Student demand adjustment .....	-57.2	-69.0	-0.7
Reduction in summer quarter support level .....	—	-17.5	—
Total Budgeted .....	13,320.3	13,400.8	13,200.4

<sup>a</sup> Includes the effects of changes in joint doctoral enrollment and proposed elimination of the state-funded summer quarter.

Table 12 shows the effects of these adjustments on faculty positions since 1981-82. The table also shows that a total of 13,200.4 faculty positions are budgeted in 1983-84. This is a net reduction of 199.7 positions from 1982-83, caused primarily by the proposed elimination of the state-funded summer quarter.

#### 4. Faculty Workload Data

Some of the basic measures of faculty workload are average class size, the number of student-faculty contact hours, the number of weighted teaching units (WTU) taught by faculty, and the number of student credit units (SCU) generated. Table 13 shows these measures which, for the most part, remained relatively constant during the 1979-81 period.

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

<i>Indicator</i>	<i>Fall 1979</i>	<i>Fall 1980</i>	<i>Fall 1981</i>	<i>Change 1981 from 1980</i>
Faculty FTE <sup>a</sup> .....	12,459.8	12,641.6	12,963.0	+321.4
Percent of regular faculty with Ph.D. ....	71.3%	71.9%	71.3%	-0.6%
Enrollment FTE <sup>b</sup> .....	231,395	237,832	240,952	+3,120
Lecture and laboratory sections per faculty FTE .....	4.0	4.0	4.1	+0.1
Lecture and laboratory contact hours faculty FTE .....	12.8	13.7	13.2	-0.5
Independent study contact hours per faculty FTE .....	4.5	3.9	3.8	-0.1
Total contact hours per faculty FTE .....	17.3	17.6	17.0	-0.6
Average lecture class size .....	27.6	28.1	27.8	-0.3
Average laboratory class size .....	20.0	19.9	19.4	-0.5
Lecture and laboratory WTU <sup>c</sup> per faculty FTE .....	11.3	11.4	11.3	-0.1
Independent study WTU per faculty FTE .....	1.7	1.6	1.6	—
Total WTU per faculty FTE .....	13.0	13.0	12.9	-0.1
SCU <sup>d</sup> per WTU .....	21.47	21.74	21.61	-0.31
SCU per faculty FTE .....	278.7	282.2	278.8	-3.4

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

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

<sup>c</sup> Weighted Teaching Units.

<sup>d</sup> Student Credit Units.

**Faculty Salary Schedule—Legislative Intent Violated.** The *Supplemental Report to the 1982 Budget Act* included the following statement on the CSU faculty salary schedule:

“Step advancement procedures. It is the intent of the Legislature that CSU shall not add additional steps or change step advancement procedures for current employees to the 1982-83 faculty salary schedule because specific funds for such purpose have not been provided by the Legislature. It is further the intent of the Legislature that proposed alternatives to the current faculty pay schedule be determined through the appropriate collective bargaining process.”

Despite this language, the Chancellor of the CSU issued Executive Order No. 402, authorizing campus presidents to grant additional salary step advancements to faculty members in the disciplines of engineering, busi-

**CALIFORNIA STATE UNIVERSITY—Continued**

ness administration, and computer science. According to CSU, the intent of this directive was to avert a crisis in retaining faculty in these "hard to hire" disciplines.

CSU estimates that implementation of this executive order will result in increased step advancements for 11 faculty members and added costs of \$13,656 in 1982-83. These costs must be absorbed by campuses electing to use this procedure. CSU states that if an exclusive collective bargaining representative for the faculty is determined in 1983-84, this issue will be subject to negotiation. To the extent, however, that faculty subject to the order are not part of a collective bargaining unit, additional costs associated with this executive order will be incurred in 1983-84.

We believe that the chancellor's executive order is contrary to the Legislature's intent, as expressed in the 1982 supplemental report, because it changes the step advancement procedures for current CSU employees. During budget hearings, CSU will be prepared to explain its rationale for issuing this executive order and the extent to which the system has complied with legislative intent.

**5. Elimination of State-Funded Summer Quarter Proposed**

*We withhold recommendation on the proposed elimination of the state-funded summer quarter, pending receipt of additional information which explains (1) the planning assumptions upon which the elimination of the state-funded summer quarter were based and (2) the basis on which the dollar amount of the proposed reduction was calculated.*

Four of the 19 CSU campuses offer a state-supported summer quarter—Hayward, Los Angeles, Pomona, and San Luis Obispo. Year-round operations (YRO) at these campuses stems from recommendations contained in the 1960 Master Plan for Higher Education which called for "state funds (to) be provided for the state colleges and the University of California to offer during the full summer period academic programs . . . for regular degree and credential candidates who have met basic admission requirements." This recommendation was made at a time when the pressure of student enrollment growth was great and year-round operations was seen as a method to reduce the need for the construction of additional classrooms and laboratories on existing campuses, and to minimize the demands for the establishment of new colleges and universities.

As a result, legislation was enacted which requires that (1) the four campuses cited above continue year-round operations and (2) year-round programs be instituted at campuses with more than 10,000 FTE enrollment within two years of the effective date of an appropriation for this purpose.

The budget for 1983-84 proposes to eliminate the state-funded summer quarter at the four CSU campuses which have year-round operations, for a proposed savings of \$13,600,000 (348.7 FTE faculty positions). Statutory changes necessary to implement this proposal are included in the companion bill to the Budget Bill.

Our review indicates that this proposal raises major policy and technical issues.

***Implications of Eliminating the State-Funded Summer Quarter in 1983-84.*** Implementation of this proposal in an abrupt manner would present major problems for enrollment planning, student degree progress, faculty personnel practices, and curricular offerings at the four campuses.

- **Enrollment Planning.** In 1979, the CSU completed a study entitled "Calendaring of Academic Programs", wherein it evaluated the elimination of the state-funded summer quarter. The report concluded that although immediate, short-term savings could be achieved by eliminating the summer quarter, these savings would be offset by increased enrollment during the academic year. The report estimated that up to 50 percent of the summer quarter FTE would enroll in subsequent academic terms, thereby resulting in unknown long-term added costs.
- **Student Degree Progress.** In the 1979 study, CSU conducted a student survey on the four YRO campuses. The reason for attending the summer quarter cited most often by students was a desire to accelerate completion of a degree objective which, on average, takes more than four years. At the San Luis Obispo campus, which is classified as impacted, in that up to 4,000 qualified students are annually redirected to other CSU campuses due to facility limitations, students enrolled in courses during the summer quarter to complete their degrees in a timely manner.

CSU concluded that elimination of the state-funded summer quarter would extend the time necessary for a student to complete degree requirements and result in added long-term costs.

The student surveys also showed that elimination of the summer quarter would have a disproportionate effect on nontraditional students—that is, disadvantaged, ethnic minority, and older, working students—because the proportion of total students in these categories is greater during the summer quarter.

- **Faculty Personnel Practices.** Termination of the state-funded summer quarter in the summer of 1983, would require the elimination of 348.7 FTE (approximately 1,395 individuals) faculty positions. This would result in layoffs on these four campuses.

In addition, while faculty are required to teach three of the four quarters, they are paid in equal installments over a 12-month period. Consequently, there is an unknown number of faculty on these four campuses who have elected to teach in the summer quarter for 1983 and not teach in one of the other terms—fall, winter or spring—and who, by the end of the 1982–83 academic year, will have been paid for their expected service during the summer quarter. Termination of the summer quarter on July 1, 1983 will mean these faculty will have to either repay the state out of their own pockets for funds already received that will not be earned or commit themselves to future service. Otherwise, the state will have to stop paying these individuals during 1982–83. (By statutory definition, this would constitute a lay-off.)

- **Curricular Offerings.** In the 1979 study, it was noted that YRO enabled the San Luis Obispo (SLO) campus to accommodate 10 percent more FTE than it could if it operated only during the three regular quarters, because of physical facility limitations. Of particular benefit to SLO, as well as to the three other YRO campuses, is the ability to offer laboratory courses in engineering and the sciences during the summer. At SLO, the proportion of enrollment in lab courses during the 1979 summer quarter ranged from 16 percent to 41 percent in the most impacted subject areas. These courses cannot be accommodated in the regular academic year, due to facility limitations.

Elimination of the state-funded summer quarter would require

**CALIFORNIA STATE UNIVERSITY—Continued**

course sequencing adjustments at all campuses. This creates added problems at San Luis Obispo and Pomona which offer unique programs in engineering, agriculture, and architecture that currently are impacted. The nursing programs at Hayward and Los Angeles are also impacted. This proposal could result in denial of access to these programs.

- **Technical Calculation of Savings Needs Explanation.** Our analysis indicates that summer quarter enrollment is funded at the same marginal rate—\$1,914 per FTE student—as academic year enrollment. In 1983–84, summer quarter FTE enrollment is projected to be 6,210. At a marginal rate of \$1,914, the total cost of state-funded summer quarter is \$11,885,940, or \$1,714,060 less than the amount projected as savings by the Department of Finance. We cannot reconcile this difference.

Consequently, pending receipt of additional information related to the assumptions proposed by the Department of Finance regarding (1) enrollment planning, (2) student degree progress, (3) faculty personnel practices, (4) curricular offerings, and (5) expected dollar savings, we withhold recommendation on the proposed elimination of the state-funded summer quarter.

**6. Engineering and Computer Science**

As discussed in the postsecondary education overview included in this *Analysis*, engineering and computer science programs at UC and CSU are characterized by (1) high levels of student demand, (2) high levels of enrollment by foreign graduate students, (3) shortages of permanent faculty, and (4) lack of up-to-date instructional equipment and facilities. In the overview section, we discuss these issues and suggest some options for addressing them. There are two specific issues concerning CSU, however, that warrant legislative attention—foreign enrollments and funding for instructional equipment.

**Foreign Student Enrollment Policy Needed**

*We recommend that the Legislature direct CSU to develop a policy on the enrollment of foreign students in graduate programs in engineering and computer science.*

The proportion of foreign student enrollment in engineering programs offered by UC and CSU is considerably higher than the proportion of foreign students on UC and CSU campuses. For example, although foreign students represent 9.2 percent of all CSU graduate students, *they repre-*

**Table 14**  
**Percentage of Foreign Students Enrolled in Various Programs**  
**California State University**  
**1981**

<i>Foreign Students As A Percent of:</i>		<i>CSU</i>
Undergraduate enrollment .....		9.3
Undergraduate engineering degrees awarded.....		20.1
Graduate enrollment .....		9.2
Graduate engineering Masters degrees awarded .....		44.2

Source for number of degrees awarded: CPEC.

*sent 44 percent of graduate engineering students.* Table 14 shows the proportion of degrees awarded to foreign students in relation to the percentage of the student population.

Table 14 shows that far greater numbers of foreign students receive degrees in engineering than would be expected based on the numbers of foreign students on campus. The CPEC found that this was also the case with respect to computer science programs in both UC and CSU.

The overrepresentation of foreign students in engineering and computer science would not be a source of concern were it not for the shortage of engineers and computer scientists in the state and national workforce, and the surplus of students from California desiring to enroll in these courses. Foreign students are less likely than domestic students to take jobs in California or other states. For example, a National Science Foundation study found that only 10 percent of foreign students awarded doctorates in science and engineering planned to remain in the United States. Consequently, it is evident that a substantial portion of the state's investment in UC and CSU graduates is lost when foreign students leave the country.

Because of the importance of this issue, we recommend that the Legislature adopt the following supplemental report language directing CSU to develop a policy on the enrollment of foreign students in engineering and computer science programs:

"CSU shall develop a policy on the enrollment of foreign students in graduate programs in engineering and computer science. CSU shall submit a policy, along with a plan for implementing the policy, to the legislative budget committees by December 1, 1983."

#### **Instructional Equipment Funding Model Needed**

*We recommend that the Legislature direct UC and CSU and the Department of Finance to develop a new funding model for instructional equipment for high-technology education.*

As we discuss in the postsecondary education overview, (1) the lack of up-to-date instructional equipment is a threat to the quality of instructional programs in high-technology fields and (2) the current method of funding the purchase of instructional equipment does not make allowance for the need to *modernize* equipment on a regular basis in high-technology fields. For these reasons, we conclude that a new funding approach is needed.

At the same time, however, we recognize that in the near future, state resources are not likely to permit the level of funding needed to establish and maintain state-of-the-art laboratories in all programs. We conclude that efforts designed to allow students an opportunity to use equipment owned by private industry would be desirable.

With this in mind, we recommend that the Legislature adopt the following supplemental report language directing UC, CSU, and the Department of Finance to develop a new funding model for instructional equipment in high-technology programs:

"UC, CSU and the State Department of Finance shall jointly develop a new funding model for instructional equipment for high-technology education. The new model shall take into account (1) the need for equipment modernization, as well as replacement and (2) the opportunity for increased student use of industry equipment as regular part of the curricula in high-technology programs. The new funding model should be submitted to the Legislature for review during budget hear-



**CALIFORNIA STATE UNIVERSITY—Continued**

ing on the 1984–85 budget.”

**7. Avocational, Recreational, and Personal Development Courses**

*We recommend that state support for avocational, recreational, and personal development courses offered by CSU be deleted because state funding for courses of this type offered by community colleges has been terminated, for a General Fund savings of \$3,224,000. (Reduce Item 6610-001-001 by \$3,224,000).*

*Review by CPEC and Action by the Community Colleges.* As we pointed out in the postsecondary education overview, ACR 81 of 1982 directed the California Postsecondary Education Commission (CPEC) to conduct a study of financial support for public postsecondary education. Based on its findings, CPEC concluded that major savings could be achieved in the community colleges (CCC) budget if state support for avocational, recreational, and personal development courses were eliminated. CPEC stated that such a directive would ensure that courses or programs having the highest priority to the state would receive funding. Subsequently, the Legislature reduced the CCC budget by \$30 million as a means of withdrawing state support from courses of this type, and directed that such courses be fee supported in the future.

In response to the Legislature's action, the CCC Board of Governors adopted a list of courses which are no longer eligible for state support. In its report to the Legislature, however, the board pointed out that (1) CSU and UC continue to offer courses that are similar to those on its list, for which they receive state support and (2) credits earned from these courses are transferable to the senior segments and may count towards graduation requirements established by these segments.

*Avocational, Recreational, and Personal Development Courses Offered by CSU.* Following submission of the Board of Governors' report, we asked CSU to identify similar courses which it offered and for which it received state General Fund support. In response, CSU stated that guidelines and categories developed by the community colleges could not appropriately be applied to another segment of higher education because:

- The purpose of a given course depends on the degree program or context in which it is offered.
- The mission and purpose of the CSU, as defined by the Master Plan, are different from those of the community colleges.
- The policies on courses and curricula traditionally are set by the faculty who teach them.

CSU did, however, provide us with a list of courses which it offers that have *titles* similar to those on the board's list. Table 15 provides a summary of these courses.

*Inconsistent State Policy on Funding Courses.* Given the action taken by the Legislature in 1982 Budget Act, we can find no basis for continuing to provide state support for transferable avocational, recreational, and personal development courses offered by CSU—particularly, given that state support is no longer provided for these courses in the community colleges, and students interested in taking such courses must now pay a fee. The current policy results in the anomaly that a full-time, matriculated sophomore student in the community colleges who enrolls in a badminton course must pay a fee for that course, while a full-time, matriculated

Table 15

## CSU Avocational, Recreational, or Personal Development Courses

<i>Categories<sup>a</sup></i>	<i>Number of FTE CSU Students Enrolled in Similar Courses in 1980-81</i>	<i>General Fund Expenditure<sup>b</sup></i>
Single semester or single quarter conversational foreign language courses which have no prerequisite or which are designed for travelers .....	14.34	\$27,447
Private Pilot's Ground School .....	None	
Ham radio construction, operation, and licensure .....	1.53	2,928
Self-help home sewing and needlecraft courses, except a single introduction course in clothing construction .....	None	
Self-help specialized cooking courses, except a single introductory course in cultural foods .....	None in 1980-81	
Self-help courses in home gardening, home livestock production, home and appliance repair and maintenance, antique and furniture repair, refinishing, and upholstering, and woodworking .....	13.31	25,475
Self-help courses in pet selection, care, and grooming .....	None	
Self-help courses in consumer maintenance of automobiles, motorcycles, bicycles, recreational vehicles, and boats .....	33.79	64,674
Self-help courses in personal finance, personal income tax preparation, law for the layman, and real estate for the consumer .....	176.71	338,223
Self-help personal development courses except for orientation to college, career planning, study skills, and group assessment of academic preparation, aptitudes, and interests .....	3.52	6,737
The following physical education courses: bicycling, Far Eastern martial arts, yoga, jazzercise, scuba and skin diving, camping, backpacking, rockclimbing, mountaineering, and orienteering, ballroom, belly, square, ethnic, tap, and disco dancing, roller and ice skating, flycasting, rafting, soaring and gliding, surfing and windsurfing, recreational sailing, water ballet, and horsemanship, jogging, figure and weight control, archery, and badminton .....	974.60	1,865,384
The following fine arts courses: jewelry and lapidary, crafts, stained glass, calligraphy, tole painting, enameling, intaglio, avocational or recreational instrumental study, and performance or gallery attendance courses in art, music, drama, or cinema without significant classroom work or academic content .....	185.08	354,243
International study/travel courses .....	None	
Avocational photography .....	None	
Courses related to specific avocations such as stamp or coin collecting .....	None	
Genealogy .....	None	
Real estate courses except those courses designed to lead to the sales license .....	281.36	538,523
Total .....	1,684.24	\$3,223,635

<sup>a</sup> Represents the categories of courses identified by the CCC Board of Governors for which community colleges can no longer receive state support.

<sup>b</sup> Based on marginal cost of \$1,914/FTE student.

sophomore student in CSU can enroll in a badminton course without charge. A further anomaly is created because that same fee-supported community college badminton course carries transfer credit to the public four-year institutions, thus signifying that the course carries baccalaureate standing comparable to UC and CSU courses.

**CALIFORNIA STATE UNIVERSITY—Continued**

The CPEC takes the position that personal development courses offered by CSU should continue to receive state support because these students already pay fees (\$441 in 1982-83). There is, however, no relationship between the fees charged by CSU and the courses offered on CSU campuses. These fees pay for specific student services and institutional support costs and bear no relationship to instructional costs.

In conclusion, current policy toward avocational and recreational courses is not consistent among the three segments. If the Legislature approves the list recommended by the Board of Governors, we believe the same funding policy should be applied on a consistent basis to the other segments of higher education (UC and CSU), wherein comparable courses must be offered on a self-supporting fee basis.

Consequently, we recommend that state support for avocational, recreational, and personal development courses offered by CSU be deleted, for a General Fund savings of \$3,224,000, and that the following budget bill language be adopted:

"This item is reduced by \$3,224,000 related to avocational, recreational and personal development courses. CSU shall identify courses in these categories which are more appropriately offered on a self-supporting basis and report to the fiscal committees and the Joint Legislative Budget Committee on the implementation of this item by December 15, 1983."

**Replacement of Instructional Equipment (Item 6610-001-146(a))***We recommend approval.*

The 1983-84 budget proposes an expenditure of \$4,368,000 from the Capital Outlay Fund for Public Higher Education (COFPHE Fund) for instructional equipment replacement. This is the same amount provided in 1982-83 for replacement of instructional equipment. According to the Department of Finance, no price increase adjustment was made to any equipment budgets.

The purpose of these funds is to replace old, obsolete, or missing equipment required for instructional programs. The funds are allocated to the campuses under a process developed by a Task Force on Equipment Inventory. The method considers the book value of campus inventories, adjusted to reflect movements in the price index, and a set of factors intended to estimate wear, obsolescence and student utilization. Consistent with the policy set in the 1982 Budget Act, the proposed funding source for equipment replacement is the COFPHE fund. The proposal is consistent with current budget policy, and we recommend approval.

**II. PUBLIC SERVICE**

The Public Service program contains all program elements which benefit groups or individuals who are not formally associated with the CSU system. This program is supported entirely by outside funding. It consists primarily of two major types of services—continuing education and general public service.

The continuing education element offers "mini-courses" in a variety of general interest and professional growth subjects as an educational service to members of the community.

The general public service element extends to the community various CSU resources—conferences, seminars and institutes on subjects such as

urban and international affairs, general advisory services, and reference bureaus.

Table 16 shows expenditures for Public Service in the prior, current, and budget years.

**Table 16**  
**Public Service Expenditures**  
(dollars in thousands)

	<i>Actual</i> 1981-82	<i>Estimated</i> 1982-83	<i>Proposed</i> 1983-84	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Expenditures.....	\$753	\$770	\$810	\$40	5.2%

### III. ACADEMIC SUPPORT

The Academic Support program is composed of those functions which directly aid and support the CSU's primary program of instruction. The budget identifies four subprograms: (1) libraries, (2) audiovisual services and television services, (3) computing (EDP) support, and (4) ancillary support.

Expenditures for the Academic Support program in the past, current, and budget years are shown in Table 17.

**Table 17**  
**Academic Support Program Expenditures**  
(dollars in thousands)

	<i>Actual</i> 1981-82	<i>Estimated</i> 1982-83	<i>Proposed</i> 1983-84	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Program					
Libraries .....	\$58,503	\$61,147	\$61,521	\$374	0.6%
Audiovisual services.....	12,437	12,448	12,986	538	4.3
Computing support .....	33,611	32,858	36,650	3,792	11.5
Ancillary support .....	11,479	12,306	12,993	687	5.6
Totals.....	\$116,030	\$118,759	\$124,150	\$5,391	4.5%
Funding Source					
General Fund .....	\$110,593	\$112,459	\$118,273	\$5,814	5.2%
Reimbursements.....	5,308	6,145	5,740	-405	-7.1
Continuing Education Revenue Fund .....	129	155	137	-18	-13.1
Personnel:					
Libraries .....	1,673.0	1,658.2	1,530.0	-128.2	-8.4%
Computing support .....	639.5	613.2	619.5	6.3	1.0
Other .....	777.8	757.8	766.6	8.8	1.2
Totals.....	3,090.3	3,029.2	2,916.1	-113.1	-3.9%

#### A. Library Services

##### 1. Library Automation—Proposed Personnel Reduction

The budget proposes total expenditures of \$61.5 million for library services in 1983-84. This proposal reflects a reduction of 152 library positions, for a savings of \$3,449,000. According to the Department of Finance, the proposed staffing reduction reflects efficiencies which have been achieved as a result of the recent library automation program. The proposal is based on the results of a study of library operations at nine CSU campuses performed by the Program Evaluation Unit (PEU) of the De-

**CALIFORNIA STATE UNIVERSITY—Continued**

partment of Finance (DOF). The proposed reduction is a net figure which reflects the following seven offsetting adjustments (summarized in Table 19):

- a. ***Technical processing staff savings due to automation (-\$1,552,000).*** All CSU campuses now contract with Online Computer Library Center (OCLC) for cataloging support services. These services include computerized cataloging for over 85 percent of the library volumes acquired by CSU. The study conducted by PEU revealed that the current technical processing formula should be revised to reflect the savings resulting from this contract. Consistent with the revised formulas, the budget proposes a reduction of 64.7 positions for a savings of \$1,552,000.
- b. ***Cataloging maintenance costs (\$1,007,000).*** In the feasibility study for the library automation program, CSU acknowledged that this program would result in staff savings. It also noted, however, that equipment maintenance costs would increase. Consequently, CSU was allowed to fund maintenance costs by redirecting savings from personnel reductions made possible by automation. Because the 1983-84 budget proposes a *permanent* formula adjustment to reflect personnel savings in this area, the budget also proposes an augmentation of \$1,007,000 to fund ongoing cataloging maintenance costs on all CSU campuses.
- c. ***Circulation staff savings due to automation (-\$480,000).*** All CSU campuses now have circulation control transactors which automate many routine library functions, especially in the area of checking out library materials. The PEU study found that the budget formula which generates positions for the circulation function had not been revised to reflect these savings. Based on an evaluation conducted at the Sacramento campus which reported a savings of from three to five student assistants, the budget proposes to adjust the circulation formulas, for a reduction of 20 positions at a cost of \$480,000. This proposal relates to eight campuses in 1983-84. The formula for the remaining campuses would be adjusted in 1984-85.
- d. ***Circulation system maintenance costs (\$193,000).*** A similar agreement for funding circulation maintenance costs from personnel savings was reached with the Department of Finance. Because the 1983-84 budget also proposes a *permanent* budget formula change to reflect personnel savings in the circulation area, the budget proposes an augmentation of \$193,000 to fund circulation maintenance costs at eight campuses. Maintenance costs for the remaining costs presumably will be included in 1984-85.
- e. ***Adjustment for change in the mix of staff (-\$1,000,000).*** The budget proposes a change in the distribution of CSU library positions among the categories of academic-related (librarians), clerical/secrretarial, and blanket (student assistants) so as to achieve a less expensive personnel mix, for a savings of \$1,000,000. Table 18 shows the current distribution of positions among these categories, as well as the proposed distribution.
- f. ***Change in library circulation activity (-\$1,101,000).*** The budget proposes a reduction of 45.9 positions to reflect a reported change in library circulation activity from 1973-74 to 1980-81, for a savings of \$1,101,000.

**Table 18**  
**CSU Library Formulas**  
**Distribution of Positions**

<i>Position Category</i>	<i>Current Formula</i>	<i>Proposed Formula</i>
Academic-Related.....	31%	25%
Clerical/Secretarial.....	46	42
Blanket (Student assistants).....	23	33

g. **Public service formula adjustment (-\$516,000).** The budget proposes to reduce 21.5 positions by eliminating the marginal staffing complement provided for graduate students in the public service staffing formula, for a savings of \$516,000. The public service staff is responsible for reference services, interlibrary loans, and computerized literature searches.

**Comments and Recommendations on DOF Proposals.** CSU concedes that there is merit in some of the DOF proposals, but disagrees with most of them. Our analysis of workload funding requirements leads us to conclusions that differ from both CSU's and Finance's. All three sets of conclusions are summarized in Table 19.

**Table 19**  
**Summary of Proposed Library Reductions**  
**From 1982-83 Base Budget**  
**(dollars in thousands)**

<i>Component</i>	<i>Department of Finance Proposal</i>		<i>CSU Position</i>		<i>LAO Recommendation</i>	
	<i>Positions</i>	<i>Amount</i>	<i>Positions</i>	<i>Amount</i>	<i>Positions</i>	<i>Amount</i>
a. Technical Processing Staff Savings Due to Automation.....	-64.7	-\$1,552	-64.7	-\$1,552	-64.7	-\$1,552
b. Cataloging Maintenance Costs.....	—	1,007	—	1,007	—	1,007
c. Circulation Staff Savings Due to Automation.....	-20.0	-480	-17.0	-408	-34.5	-760
d. Circulation Maintenance Costs.....	—	193	—	498	—	498
e. Change in Mix of Staff.....	—	-1,000	—	—	—	-1,000
f. Change in Circulation Activity.....	-45.9	-1,101	30.0	467	Withhold	
g. Public Service Adjustment.....	-21.5	-516	—	—	Withhold	
Totals.....	-152.1	-\$3,449	-51.7	\$12	-99.2	-\$1,807

As the table indicates, all parties agree on changes in the first two areas—*processing staff* and *cataloging costs*.

Concerning the third category of changes—*circulation staff savings*, the budget proposes to eliminate five student assistant positions at eight campuses, for a savings of \$480,000. The CSU believes that only four student assistant positions at eight campuses should be eliminated, for a savings of \$408,000.

As pointed out earlier, the study that formed the basis for this proposal was conducted at the Sacramento campus. It identified savings which ranged from three to five student assistant positions. The library staff at CSU, Sacramento, however, informed the Department of Finance evaluators during their field visits that the actual reduction was five student assistant positions. We concur with the Department of Finance that the reduction should be based on actual experience, and recommend that five positions at eight campuses (\$480,000) be reduced. We recommend,

**CALIFORNIA STATE UNIVERSITY—Continued**

however, that the position reduction be extended to all 19 campuses because in 1983–84 all campuses will experience staff savings due to library automation, for a savings of \$760,000 and that the additional savings (\$280,000) be used to offset systemwide increased maintenance costs.

Concerning the fourth category of changes—*circulation maintenance costs*—the budget proposes \$193,000 to cover these costs at eight campuses only. CSU requests that \$498,000 be provided to fund these costs at all 19 campuses. Since all 19 campuses experience these costs, we agree with CSU's position. As noted above, systemwide funding for maintenance costs (\$498,000) could be provided if the circulation staff savings are also applied systemwide, and we so recommend.

Concerning the fifth category of changes—*the change in mix of staff*—CSU disagrees with the proposed \$1 million reduction on the basis that budget formulas should not be used to establish classification levels. Our analysis indicates, however, that the budget proposal would not result in specific assignment of classification. Rather, it would budget positions in categories which reflect the *actual* use of these positions, as reported in a CSU report, *Library Staffing Formulas in CSU Libraries*. (January 1981), which reported actual hours worked by library staff on 12 CSU campuses. Consequently, we agree with the changes proposed in the budget.

Concerning the remaining two categories of change—*library circulation activity* and *public service marginal complement for graduate students*—CSU and the Department of Finance disagree over the methodology that should be used in calculating these formulas.

- **Library Circulation.** The Department of Finance based its findings on a recalculation of existing formulas, using the input variable "total circulation of *books and bound periodicals*". The Department of Finance reports that it was advised to use this approach by CSU library staff in the Chancellor's office. The CSU asserts that a more accurate measurement would be this input variable plus "recorded circulation for *other print* items" and "recorded circulation for *nonprint* items". If this broader variable were used, CSU believes that it would justify an additional 30 positions and \$467,000 over the 1982–83 budget.

We believe that this is a factual dispute over the appropriate methodology. We withhold recommendation on this element pending reconciliation of the facts.

- **Public Service Marginal Complement for Graduate Students.** The Department of Finance proposes a reduction of \$516,000 because it states that the existing formula double-counts graduate students. The existing formula is:

$$\frac{\text{AY FTE Students}}{725} + \frac{\text{IN 15}}{500}$$

AY FTE Students = all full-time equivalent students

IN 15 = total number of graduate and post-baccalaureate students

The CSU asserts that this formula does not double-count graduate students, but merely recognizes the added demand that graduate students, who participate heavily in research and thesis projects, place on public service staffing. Here again, there is a factual dispute over the appropriate methodology and withhold recommendation at this time.

In summary:

- all parties are in agreement with the first two changes—*processing*

*staff reduction* and *cataloging maintenance* costs—which result in a savings of \$545,000.

- The CSU and the Department of Finance disagree on *circulation staff savings* and *circulation maintenance* costs and we recommend an alternative which recognizes offsetting staff savings and maintenance costs at all campuses.
- We concur with the DOF budget proposal regarding the *change in staffing mix*, which results in savings of \$1,000,000.
- CSU and DOF disagree on the remaining two components—*circulation activity* and *public service* staffing—on which we offer no recommendation at this time.

As noted earlier, if the budget is approved, it would result in a reduction of 152.1 positions, and a savings of \$3,449,000 from the current year level. Alternatively, if CSU's position is upheld it would require an augmentation to the budget of \$3,461,000.

## **B. Audiovisual Services**

### **1. Report on Media Services Overdue**

In last year's *Analysis*, we pointed out that a plan which would combine the independent functions of instructional television and the traditional audiovisual services was adopted by the Trustees in 1978. The plan reflects the responsibility of instructional development and media services programs to encourage and assist in the development of instructional techniques and resources. It was an effort to respond to the direction for new policy in this area and to (1) expand instructional services for the faculty and (2) functionally integrate instructional television services and audiovisual services.

We noted, however, that the plan had not been implemented and that the campuses were still operating under program standards adopted in 1956. As a result, language was placed in the *Supplemental Report to the 1982 Budget Act* requiring CSU to report to the legislative budget committees by December 1, 1982 concerning implementation of the plan. At the time this *Analysis* was written, this report had not been submitted.

## **C. Computing Support**

### **1. Funding**

The budget proposes \$38.3 million for computing support activities in 1983–84. This is an increase of \$4.0 million or 12 percent, above the 1982–83 expenditure level. Of this amount, \$2.1 million is for *instructionally-related* computing equipment purchase, rental, and maintenance. The remaining \$1.9 million in additional funds is associated with increases in existing personnel costs.

The increased instructionally-related equipment costs include:

- **Communications rental for main campus computers** (\$573,000). This is necessary to fulfill a contractual commitment and to provide state-of-the-art instructional computing.
- **Port access increase** (\$296,000). This increase will provide the number of "ports" or access points to the campus computers which were specified in the original Feasibility Study Report prepared by CSU to justify their major computer upgrade.
- **Instructional terminals and printers** (\$424,000). These are proposed to accommodate the increasing number of students who are required to



CALIFORNIA STATE UNIVERSITY—Continued

use the computer as part of their coursework.

- **Communications maintenance and local timesharing** (\$785,000). These costs are required to minimize computer down-time, and to provide port selectors which allow students to select the most cost-effective computer.

No increases were provided for improvements to *administrative* computing systems.

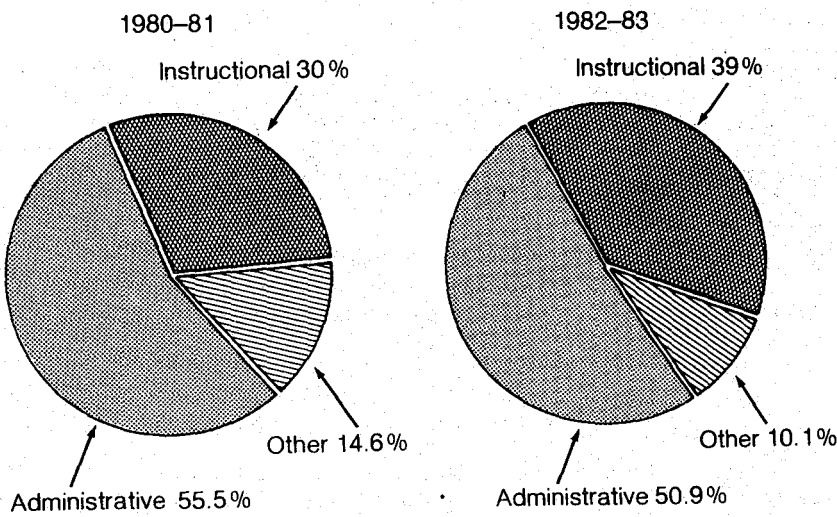
Table 20 shows that \$16.3 million (43 percent) of the 1983–84 request is for instructional computing, and \$21.2 million (57 percent) is for administrative computing.

Table 20  
1983–84 Cost of Computing Support in the CSU  
(dollars in thousands)

Function	Personnel Costs	Equipment and Maintenance		Dollar Totals	Percent	Personnel Years
			Other			
Instructional Computing .....	\$7,863	\$6,097	\$2,294	\$16,254	43.4%	266.9
Administrative Computing .....	10,255	7,951	2,991	21,197	56.6	348.0
Totals.....	\$18,118	\$14,048	\$5,285	\$37,451	100.0%	614.9
Percent.....	48.4%	37.5%	14.1%			

Chart 1 shows that between 1980–81 and 1982–83 the distribution of computing costs among the three primary components shifted somewhat, with administrative computing declining as a percent of the total, and instructional computing increasing. This trend is expected to continue in 1983–84.

Chart 1  
CSU Computing Cost Components  
1980–81 Compared to 1982–83



In view of the budgeted increase in academic year enrollment of 2,630 FTE students and the related increased demand on computing support, we believe the increase proposed for this program is justified.

## **2. Delivery System for Computing Support in the CSU**

*We recommend the adoption of supplemental report language directing CSU to review the role of the Division of Information Systems (DIS), with the aim of placing more emphasis on systemwide coordination and policy development. We further recommend that CSU reevaluate the continued development and installation of systemwide administrative systems to determine the extent to which they meet individual campus requirements in a cost-effective manner.*

**Role of the Division of Information Systems (DIS).** The CSU has computing facilities on each of the 19 campuses and a central computing facility—the State University Data Center (SUDC)—which is located in Los Angeles and managed by the Division of Information Systems (DIS).

The CSU's current approach to systemwide computing provides for a strong central role. The DIS, which is responsible for the development of both systemwide computing policies and administrative systems, acts much like the Statewide Office of Information Technology (SOIT) in the Department of Finance with respect to the EDP activities of the 19 CSU campuses. The division emphasizes the central control of campus computing equipment acquisitions and meeting the requirements for computing support in a cost-effective manner. This approach was best illustrated in the recent procurement which replaced the central computers on each campus with new, modern EDP equipment, at a cost of \$47.5 million over a seven-year contract period.

The emphasis of the CSU during the late 1970s and early 1980s was on upgrading its computing resources. This has now been accomplished. Consequently, we believe that now the time has come for the system to review the role that the DIS should play during the remainder of this decade and beyond.

More and more, it appears that the traditional emphasis on *controlling* the use of computing technology is not going to be cost-effective in the 1980s. Instead, the emphasis will have to shift to *managing* information and providing adequate computing and communications resources to meet the requirements of those who must work with the information. The objective of this approach is to facilitate the *use* of modern information management technology, where the emphasis on control is replaced with an emphasis on *standards* and *policies* within which the technology can be used effectively. This shift in emphasis is evident in other states. For example, the National Association for State Information Systems indicates that in many states, there has been a trend away from having an all-inclusive central authority toward having a central *coordinating* body for EDP.

Our analysis of systemwide computing use indicates that the tendency to emphasize the *control* of computing technology has resulted in considerable effort being expended on protracted discussions between those who have a requirement for a computer-based system and those who have the authority to approve such systems. In many instances, it is not appar-

**CALIFORNIA STATE UNIVERSITY—Continued**

ent that the cost associated with the delay in meeting user requirements has been offset by the presumed savings attained by the control function.

We believe that a more productive expenditure of state resources will occur in an environment which minimizes disputes over how information processing technology is applied, and instead facilitates the satisfaction of user requirements within generally-accepted standards and reasonable policies. It is not unreasonable to assume that DIS, which operates on a traditional basis—strong central control—could be more effective were it to focus on those areas where there is a demonstrated need through the establishment of (1) standards, (2) systemwide policies, and (3) support services which respond to campus-initiated requests. For this reason, we recommend that CSU be directed to review the role of Division of Information Systems relative to systemwide computing.

***Centrally-Developed Administrative Systems.*** The Chancellor's office, through DIS, is in the process of developing major information systems for installation on the campus computing center equipment. These systems include the Student Information Management System (SIMS) and the Integrated Business Systems (IBS). Major components of SIMS, the Computer Assisted Registration System and the Student Records System, have been installed on several campuses, with additional installations scheduled for 1983-84. The Integrated Business Systems (IBS) project was initiated based on the findings of a CSU task force that there was a critical need to improve all aspects of business operations by designing and implementing computer-based systems for accounting, budgeting, payroll, procurement, property control, general financial management, and other business functions. Phase I of IBS currently is scheduled for systemwide operation beginning July 1, 1983.

During our field visits to various campuses, it became apparent that there existed among the campuses mixed opinions as to the usefulness of centrally-developed systems. In fact, three campuses have elected *not* to have modules of SIMS installed on their campus computing centers. Further, among campuses which are scheduled for installation, questions have been raised as to whether a system designed for all campuses, from the largest to the smallest, is going to be cost-effective for each campus. The DIS believes that systems such as SIMS and IBS will have a net benefit to the CSU system. This belief is based on the principle that it is less costly to develop and maintain a uniform system than independently develop and maintain separate systems for each campus.

As important corollary to this principle, however, is that the presumed net benefit is dependent on the actual effectiveness of the uniform system in meeting the varying requirements of each installation. California State College, Stanislaus, a small campus in a rural location, does not have the same information processing requirements that the San Francisco campus has. Some campus officials question the practicality of installing comprehensive information systems at campuses which they believe could operate more effectively through the use of a system tailored to the information processing requirements of the particular campus.

In addition to questions regarding the cost-effectiveness of centrally-developed systems, questions have arisen regarding the effect of these systems on campus personnel and computing center resources. One campus, for example, was expected to provide a team of up to five persons, some on an 80-percent-time basis, to plan for and coordinate the installation of IBS on that campus. Due to resource constraints, the campus did

not form the team or even designate a project leader, despite having been informed in late 1981 that a project leader and team would be required. This (1) raises a question as to the lack of demonstrated campus support for IBS and (2) points out that implementation of a *systemwide* information system of this size requires a considerable redirection of *campus* resources.

An additional area of concern involves the impact of these new systems on campus computing equipment resources. During the testing of the Student Information Management System at CSU, Fresno, for example, it was learned that additional disk storage capacity would be required. The adequacy of existing disk storage capacity is already an issue on campuses because of the continuous increase in demand for campus computing resources in general. Added requirements imposed by SIMS resulted in a Trustees' request for two additional disk drives *per campus*. In addition, each new system installed at a campus computing center consumes that much more computer capacity, thus accelerating the point in time when campus computers must be upgraded.

For all these reasons, we recommend that the continued development and installation of systemwide information systems be reevaluated to determine the extent to which they are likely to meet individual campus requirements in a cost-effective manner, including consideration of the effect of these systems on campus computing resources.

In order to implement these recommendations, we recommend that the Legislature adopt the following supplemental report language:

"The CSU shall review the computing support activities in the CSU with particular emphasis on the role of the Division of Information Systems (DIS) and submit a report to the legislative budget committees by December 15, 1983. This review shall include, but not be limited to (1) the desirability of shifting the DIS's emphasis from a control function to a coordinating and policy-making function; and (2) reevaluating the cost-effectiveness of centrally-developed administrative systems."

### **3. Chargeback Mechanisms for Computing Support**

*We recommend that CSU provide the Legislature with an analysis of alternative methods for allocating computer resources.*

The cost of CSU's computing resources are not supported by the users of those resources through a charging system (with the exception of certain specially-funded projects). There is a *pseudo*-charging system for some computer support, based on the redirection of *positions* by some users ostensibly to cover the cost of added computer support services to meet unique user requests. The extent to which these positions allocations actually cover added computer support costs, however, appears to vary.

We have discussed the lack of a charging system for CSU computer resources with DIS and also with campus computing center directors. Campus computer center directors have mixed views as to the desirability of a charging system. One believed that a charging system was essential to proper management of the computing resource. Another indicated that a charging system was a useful management tool, but that the cost to establish, maintain, and operate a billing system might exceed the value of presumed benefits.

We note that other state facilities, such as the Teale Data Center and the Health and Welfare Data Center, currently charge their clients for computing services. This is done on the premise that an effective charging system is the most valuable management tool available to the executive

**CALIFORNIA STATE UNIVERSITY—Continued**

responsible for computer operations. Further, charging for computer service based on usage encourages the user to manage the use of the resource in a cost-effective manner.

We think that careful analysis of the alternative methods available for managing the CSU computing resource allocation should be completed. According to DIS, no such analysis has been made. For this reason, we recommend that the Legislature adopt the following supplemental report language:

"CSU shall analyze alternative methods of allocating computer resources, and provide the Legislature its analysis, including findings and recommendations, by December 15, 1983."

**4. Report on Long-Term Financing of Computing Support Has Not Been Submitted**

The *Supplemental Report to the 1982 Budget Act* required CSU and the Department of Finance to submit to the legislative budget committees by December 1, 1982 a report which addresses long-term issues associated with financial support for computing activities.

As of this writing, this report has not been submitted. It is our understanding that a draft was prepared by CSU and transmitted to the Department of Finance in mid-December. The Department of Finance should be prepared to comment on the status of this report during budget hearings.

**Table 21**  
**Student Services Program Expenditures**  
(dollars in thousands)

Programs:	Actual 1981-82	Estimated 1982-83	Proposed 1983-84	Change	
				Amount	Percent
Social and cultural development .....	\$4,890	\$4,398	\$4,750	\$352	8.0%
Supplemental educational services—					
EOP .....	14,118	14,678	14,301	-377	2.6
Counseling and career guidance .....	20,912	20,264	21,190	926	4.6
Financial aid <sup>a</sup> .....	70,420	69,938	82,552	12,614	18.0
Student support .....	27,247	29,320	31,128	1,808	6.2
Special Adjustment—COLA .....	—	—	198	198	100.0
Totals .....	\$137,587	\$138,598	\$154,119	\$15,521	11.2%
Funding Source:					
General Fund .....	\$16,743	\$21,443	\$32,715	\$11,272	52.6%
Reimbursements .....	67,532	66,706	69,179	2,473	3.1
Federal Trust Fund .....	50,261	46,960	48,296	1,336	2.8
Dormitory Revenue Fund .....	2,969	3,374	3,845	471	14.0
Continuing Education Fund .....	82	115	84	-31	-36.9
Personnel:					
Social and cultural development ....	177.1	148.4	150.6	2.2	1.5
Supplemental educational services					
—EOP .....	344.2	366.2	344.7	-21.5	-6.2
Counseling and career guidance ....	694.4	658.0	660.2	2.2	0.3
Financial aid .....	363.9	398.6	417.2	18.6	4.6
Student support .....	1,048.4	1,086.4	1,134.6	48.2	4.4
Totals .....	2,628.0	2,657.6	2,707.3	49.7	1.9%

<sup>a</sup> Includes awards and administrative costs.

#### IV. STUDENT SERVICES

The Student Services program is funded partially from revenues generated by the Student Services Fee. Additional support is furnished by reimbursements and the state General Fund. Several elements of the program are tied to special funds, and are wholly supported by revenues produced by those funds. Program services include social and cultural development, supplementary educational services, counseling and career guidance, financial aid and student support. Table 21 shows Student Services program expenditures and personnel for the past, current, and budget years.

##### A. Tuition and Fees

##### 1. Student Fees and Their Use

CSU students pay two mandatory fees—the Student Services Fee and the State University Fee. Both fees are levied on a systemwide basis, and the fee level for each is established by the Board of Trustees. Table 22 shows the fees charged students for the past, current, and budget years. Table 23 shows the revenue derived from the systemwide fees during the same time period.

**Table 22**  
**CSU Student Fee Levels**

	<i>1981-82 Actual</i>	<i>1982-83 Estimated</i>	<i>1983-84 Proposed</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Student Services					
Fee .....	\$205.50 (Full-Time) 175.50 (Part-Time)	\$216	\$216	—	—
State University					
Fee .....	46.00	150 (Full-Time) <sup>b</sup> 48 (Part-Time)	380 (Full-Time) <sup>c</sup> —	\$230	153.3%
Other required					
fees <sup>a</sup> .....	65.00	75	75	—	—
Totals, Full- Time Stu- dents .....	\$316.00	\$441 <sup>b</sup>	\$671	\$230	52.1%

<sup>a</sup> Average fee charged by 19 campuses.

<sup>b</sup> Does not include one-time surcharge of \$64.00/semester or \$44.00/quarter imposed by CSU Board of Trustees in January, 1983.

<sup>c</sup> Budget proposes a \$230 increase for *all* students. Amount shown is fee for full-time students.

**Table 23**  
**Revenue Collected from Systemwide  
Student Fees <sup>a</sup>**  
(dollars in thousands)

	<i>1981-82 Actual</i>	<i>1982-83 Budgeted</i>	<i>1983-84 Proposed</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Student Services Fee .....	\$61,372	\$66,736	\$66,815	\$79	0.1%
State University Fee .....	13,967 <sup>b</sup>	41,722	116,698	74,976	179.7
Totals .....	\$75,339	\$108,458	\$183,513	\$75,055	69.2%

<sup>a</sup> Estimated.

<sup>b</sup> Emergency surcharge assessed in spring term, 1981.

**CALIFORNIA STATE UNIVERSITY—Continued**

**Student Services Fee.** The Student Services Fee funds the following programs:

- Counseling
- Testing
- Career planning and placement
- Health services
- Financial aid administration
- Housing administration
- Dean of students (50 percent of total costs)

**State University Fee.** The State University Fee was established in 1982–83, in response to legislative action which reduced the CSU budget by \$27 million. Fee revenue from this source is a direct offset to the total General Fund appropriation. Revenue from this fee is not earmarked to fund specific programs, but, by agreement, it is not used to offset instructional costs.

## 2. Problems With Existing Structure

As we point out in the postsecondary education overview included in this *Analysis*, under the state's current "no-tuition" policy, revenue from student fees cannot be used to support "instructional costs." As a result of this policy, CSU uses student fee revenue to (1) fund specific student service programs and activities and (2) as an offset to state General Fund appropriations for activities other than instruction. We note in the overview that the state's adherence to a "no-tuition" policy has resulted in the following problems:

- It places emphasis on *what students pay for*, rather than on *how much they pay*.
- It creates funding inconsistencies between UC and CSU, because UC fee revenues are used to fund student financial aid programs while CSU student fee revenue is not used for this purpose.
- It protects fee-funded student service programs from budget reductions during periods of fiscal constraints, requiring funding cutbacks to fall more heavily on the system's *primary* activity: instruction. Additionally, because student service programs are categorically funded, spending levels for these programs can be determined outside the regular legislative priority-setting process.

Table 24 shows the growth in expenditures for student service programs compared with the growth in the instruction program.

**Table 24**  
**Student Services Expenditures**  
**Versus Instruction Expenditures**  
**(dollars in thousands)**

Program	1981–82 Actual	1982–83 Estimated	1983–84 Proposed	Change from 1981–82	
				Amount	Percent
Instruction .....	\$653,612	\$650,699	\$681,453	\$27,841	4.3%
Student services .....	137,587	138,598	154,119	16,532	12.0

Table 24 shows that expenditures for instruction increased by 4.3 percent from 1981–82 to 1983–84, while expenditures for the fee-supported student services programs increased by 12 percent, a rate which is almost

three times as great as the rate of increase in the instruction program.

### 3. Change in Fee Policies Recommended

*We recommend that beginning in 1983-84, (1) CSU students be charged a single fee—the State University Fee—and (2) revenue collected from the fee be used as an offset to the state General Fund. We further recommend that this consolidated fee be assessed on a two-tier basis, wherein part-time students pay less than full-time students.*

Our analysis indicates that the current policy of restricting fee revenue can result in an inefficient use of resources. This is because both the Legislature and the system itself are prevented from using available revenues to fund priority activities such as instruction, while ancillary activities continue to expand. Removing the restrictions on use of student fee revenues, therefore would both increase the efficiency of the system and make it more responsive to statewide priorities as determined by the Legislature. In effect, current fee-funded programs would have to compete for scarce resources along with other university programs. It would also place student services programs in the regular budget, and subject them to the legislative priority-setting process.

In the ACR 81 Phase II study, The California Postsecondary Education Commission (CPEC) recommends that the higher education segments have the flexibility to use student fee revenue to fund activities that are necessary to maintain the state's commitment to access and quality in higher education. Consequently, we recommend that CSU students be charged a single fee and that revenue collected from the fee be budgeted as a General Fund offset. We recommend, however, that in 1983-84, student health services continue to be fee-funded from State University Fee revenue. We make this recommendation because, as we describe later in the *Analysis*, we believe student health services should be funded as an auxiliary organization in the long term and we recommend that 1983-84 be a planning year.

Adoption of this policy would not necessarily mean that revenue from fees would be used to support the cost of instruction (although, as we indicate in the overview, we find nothing inherently wrong with using fee revenue in this manner). This is because the fee level of \$671 proposed in the budget would generate revenue of \$207.4 million—far short of the \$594.6 million needed to fully fund CSU's noninstructional programs. This is shown in Table 25.

Table 25  
CSU Program Expenditures

Program	1983-84 Proposed
Instruction .....	\$681,453
Other Institutional Activities:	
Academic support .....	124,150
Student service .....	154,119
Institutional support .....	316,321
Total, Other .....	\$594,590

**Part-Time Versus Full-Time Students.** In 1982-83, the budget proposed that each student be charged a \$216 Student Services Fee, regardless of the number of units he or she takes. The Legislature rejected the proposal, and instead adopted a budget that assumed CSU would



**CALIFORNIA STATE UNIVERSITY—Continued**

continue using a two-tier Student Services Fee system whereby part-time students pay less than full-time students. The Board of Trustees ignored the Legislature's action, and implemented a one-tier Student Services Fee. The new State University Fee, however, subsequently was established on a two-tier basis, with full-time students paying \$150 and part-time students paying \$48.

We can find no analytical basis for assessing these two fees in different ways. Consequently, we recommend that the Trustees be directed to assess the consolidated fee we recommend on a two-tier basis.

Supplemental language was also added which stated the Legislature's intent that fee-supported student services be available on an equitable basis to full-time and part-time students. The supplemental report directed CSU to report to the legislative budget committees by December 1, 1982, regarding the use of student services by part-time students. At the time this *Analysis* was prepared, the report had not been submitted.

**4. Change in Funding for Health Services Recommended**

*We recommend that the Legislature direct CSU to prepare a plan for funding student health services as an auxiliary organization on a fee-for-service basis, beginning in 1984-85.*

All campuses are required by Board of Trustee policy to provide basic health services to currently-enrolled students. These services are currently funded by the Student Services Fee. Table 26 shows expenditures for student health services for the past, current, and budget years.

**Table 26**  
**CSU Student Health Services**  
(dollars in thousands)

	1981-82	1982-83	1983-84	Change from	
	Actual	Estimated	Budgeted	1981-82	Percent
Student health services.....	\$20,239	\$21,296	\$22,671	\$2,432	12.0%

As this table shows, expenditures for student health services are expected to increase by 12 percent from 1981-82 to 1983-84.

We believe that student health services are most appropriately funded as auxiliary organizations, rather than under the current method as a student fee-supported activity.

***Fee-Funded Programs versus Auxiliary Organizations.*** There is a major difference between the Student Services Fee and an auxiliary organization fee, in terms of who pays and who benefits. In the case of an auxiliary organization, one pays only if one uses the services, and the payment covers the full cost of these services. There is no subsidy from one group of students to another. An example of an auxiliary organization that uses this funding system is campus food service. Those students who eat on campus pay for the food service privileges and the proceeds cover the full cost of the service. Those students who do not eat on campus contribute nothing toward the food service operations.

In contrast, all students pay the Student Services Fee, regardless of the extent to which they take advantage of student services fee-supported services. As a result, some students end up subsidizing others.

The services now funded as auxiliary organizations share two important characteristics:

- The benefit from the service accrues directly to the user, rather than to students generally.
- There are alternative sources of these services available to the students.

For example, students can choose to live and eat on-campus or off-campus. Those who live on-campus benefit directly from student housing services; those who live off-campus derive no benefits from these services. By contrast, the availability of cultural activities on campus benefits students as a whole. Students may choose not to attend such activities but they are not paying twice for the same service, as they would if they had to pay for student housing while living off-campus.

Our analysis indicates that student health services have the same two characteristics that are common to auxiliary organization-type services. First, health services are of direct benefit to the person seeking the service. Second, students need not obtain needed services from campus-based programs. For example, many students are covered under private health insurance policies. Consequently, they (or their parents) are paying twice for the same service.

On our campus visits, we were told that student health services have become extremely costly, and are requiring an increasing share of Student Services Fee revenue (22%). In part, this reflects the fact that the current system of funding health services encourages students who are covered by private insurance to use campus services anyway, increasing the costs of health care for all students.

Reorganizing these student health services as auxiliary organizations would (1) encourage greater use of private-sector health care resources (resources that in many cases have already been paid for), and (2) prevent students from having to pay twice for services.

We recognize that it would take time to convert student health services to self-support, and to devise a fee structure for funding these services. Consequently, rather than recommend that CSU convert immediately to the auxiliary organization method, we recommend that CSU prepare a plan for funding student health services as auxiliary organizations, beginning in 1984-85. To accomplish this, we recommend that the Legislature adopt the following supplemental report language:

"The CSU shall prepare a plan for funding student health services through auxiliary organizations, beginning in 1984-85. This plan shall be submitted to the legislative budget committees and the Department of Finance by December 1, 1983."

##### **5. Fee Increase Proposed in the Budget—State University Fee**

*We withhold recommendation on the proposed increase in the State University Fee, pending receipt of additional information which explains (1) the assumptions used in determining the State University Fee level and (2) the calculations related to the proposed level.*

As Table 22 indicates, CSU full-time students currently pay \$441 in student fees (\$216 in the Student Services Fee, \$150 in the State University Fee, and \$75 in other fees). The budget proposes no increase in the Student Services Fee or other fees, but an increase in the State University Fee of \$230, bringing total student fees to \$671. The budget estimates that this increase in fees would generate an additional \$73.6 million in reimbursements, thereby reducing the General Fund cost by this amount.

We have several concerns about this proposal. First, our analysis indi-

**CALIFORNIA STATE UNIVERSITY—Continued**

cates that reimbursements resulting from a \$230 fee increase for all students would be \$69,258,750, or \$4,341,250 *less* than the amount proposed in the budget. Our calculation is based on an estimate of 301,125 fee-paying students, effective in the fall term, 1983. Reflected in that estimate are 3,719 individuals receiving fee waivers and an expected enrollment loss of 4,286 which CPEC's student charges model (Version 4) indicates would occur if fees are increased by \$230.

Second, we do not know whether the fee increase of \$230 will be applied to all students equally or if part-time students will pay less than full-time students. If part-time students are to pay less than full-time students, we do not know what the dollar differential would be. If a smaller fee increase is imposed on part-time students, it would further reduce projected reimbursements.

As stated in the overview, we know of no analytical basis for determining the "appropriate" level of undergraduate fees. The recommended increase of \$230, however, can be viewed from three different perspectives. One focuses on the fee differential between UC and CSU. The Legislature has endorsed a policy which calls for higher fees at UC than at CSU, but has also adopted supplemental language calling for the size of the gap to be reduced. Because the budget proposes that fees at CSU be increased by \$230, and that fees at UC be increased by \$150, the proposed increases would not be inconsistent with the Legislature's policy toward the UC-CSU fee differential. A second way of assessing the proposed fee increase is to compare the resulting fee with the average fee level charged by CSU's comparison institutions. As shown by Chart 4 in the postsecondary education overview, current fees at CSU are \$874 below the average for the comparison group. Thus, assuming that the average fee for the comparison group does not increase by \$230 or more in 1983-84, the proposed increase would move CSU fees closer to the comparison group level. Third, the proposed fee level can be compared to the standard recommendation by CPEC in its ACR 81 report and endorsed by the Legislature. This standard calls for CSU student charges to be set at a level that is equal to 10-to-20 percent of the state support per student. The CPEC estimates that using this methodology, CSU student charges should be no higher than \$594 in 1983-84. If the proposed increase of \$230 is adopted, CSU students will be paying \$671.

Because the budget document does not contain sufficient information on the proposed fee increase, we withhold recommendation on this issue. To facilitate legislative review of the proposal, we recommend that the Department of Finance explain the assumptions on which the fee proposal is based.

**6. No Change in Student Services Fee Proposed**

Currently, the Student Services Fee is adjusted annually using a methodology that has been approved by the Legislature. This methodology uses data on past-year actual expenditures and current-year estimated expenditures for student services programs. Projections of budget year costs are *not* incorporated in the fee-setting methodology.

Because current-year program expenditures were significantly reduced on a one-time basis as a result of the temporary reduction in the employer's contribution toward retirement benefits, use of the accepted methodology results in a *decrease* of \$6 (from \$216 to \$210) in the Student Services Fee, and a corresponding decrease in projected reimbursements of \$1,991,436.

The budget proposes to suspend the fee-setting methodology on a one-time basis in 1983-84, thereby eliminating the need for a General Fund augmentation to replace the \$1,991,436. Instead, the budget proposes to leave the fee level at \$216.

We believe this element of the budget proposal is reasonable. This is because (1) students already are paying \$216, so the proposal would not increase out-of-pocket expenses for this fee and (2) given the condition of the General Fund, an augmentation for this purpose would require a corresponding cut elsewhere in the budget. (We note that if our previous recommendation relating to elimination of categorically-funded programs is adopted, the Student Services Fee methodology will no longer be needed.)

## **7. Graduate Fee Differential Recommended**

*We recommend that the Legislature direct the Board of Trustees to increase charges to graduate students by \$70 in 1983-84, for a General Fund savings of \$4,688,000. We further recommend that \$159,000 from the General Fund be appropriated for financial aid, so as to minimize the impact of the fee increase on CSU low-income students. (Reduce Item 6610-001-001 by \$4,688,000. Augment Item 6610-001-001 by \$159,000.).*

Last year in the *Analysis*, we recommended that the Legislature direct the Trustees to plan to increase charges imposed on graduate students. We continue to believe that such an increase is warranted, based on the following three considerations:

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

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

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

As Table 27 shows, since we made our recommendation last year, CSU's graduate charges have fallen further behind the charges imposed by comparison institutions. In 1982-83, CSU graduate charges were \$1,011 less than the average of the comparison institutions.

In the ACR 81 Phase II report, CPEC recommends that resident graduate students be charged between 5 percent and 10 percent more than undergraduate students. CPEC states that graduate and professional students derive a greater personal benefit from their education than do undergraduates. They believe that this increased benefit warrants a higher charge.

We agree with CPEC, and for the reasons given above, we recommend that the Legislature direct the Trustees to charge resident graduate students \$70 (10.4 percent) more than undergraduate students. This would

**CALIFORNIA STATE UNIVERSITY—Continued**

result in an increase of \$4,688,000 in reimbursements, thereby lowering General Fund support requirements by the same amount. In order to implement this policy, we recommend that the following language be included in the Budget Bill.

"The Trustees shall charge graduate students a differential fee of \$70 in 1983-84. the Trustees shall adjust this fee annually thereafter to maintain a graduate differential which is equal to 10 percent of the undergraduate fee.

We further recommend that \$159,000 be appropriated for financial aid to needy graduate students. This amount, which is based on financial aid requirements estimated by the CPEC student charges model, Version 4, would ensure that needy graduate students continue to have access to CSU.

**8. Nonresident Tuition**

CSU students who are not residents of California pay an annual tuition in addition to the student fees paid by all students. The budget proposes a nonresident tuition level of \$3,240, \$90 more than the 1982-83 level of \$3,150.

Prior to 1981-82, a student could be classified as a California resident after one year of residence in the state. In 1981-82, the residency requirement was changed, making it more difficult to obtain resident status. In addition to one year of residency, a student now must show financial independence from parental support for three prior years, in order to be designated a California resident.

**Table 27**  
**Comparison of CSU Graduate Resident Charges**  
**To Comparable Institutions**

	1981-82	1982-83
CSU .....	\$265 <sup>a</sup>	\$441
State University of New York (Albany) .....	1,660	1,725
SUNY College, Buffalo .....	1,700	1,725
University of Hawaii .....	578	582
University of Wisconsin (Milwaukee) .....	1,370	1,601
University of Nevada .....	896	620
University of Oregon .....	1,653	2,043
Portland State University .....	1,404	2,019
University of Colorado .....	1,151	1,291
Illinois State University .....	894	1,103
Northern Illinois University .....	916	1,138
Southern Illinois University .....	975	1,025
Indiana State University .....	1,217	1,164
Iowa State University .....	1,080	1,200
Wayne State University .....	1,642	1,720
Western Michigan University .....	1,348	1,428
Bowling Green State University .....	1,608	2,090
Virginia Polytechnic Institute .....	1,086	1,422
Miami University (Ohio) .....	1,740	2,240
Average, Comparable Institutions .....	\$1,273	\$1,452
CSU Difference .....	\$1,008	\$1,011

<sup>a</sup> Includes incidental fees such as parking.

Table 28 shows the nonresident tuition charge, the nonresident enrollment, and the tuition revenues generated, for the past three years. For 1982-83, the table also shows the budget as proposed by the Governor, the budget as adopted by the Legislature, and CSU's estimates as of December 31, 1982. Table 28 shows that:

- the CSU's revised estimate for 1982-83 indicates that the number of nonresidents will be less than anticipated, and that the amount of nonresident tuition revenue will fall short of the budgeted level by \$5.5 million, and
- the proposed 1983-84 budget is \$3.9 million less than the 1982-83 budget, but reflects a slight increase in the number of nonresidents above CSU's revised estimate for 1982-83.

**Table 28**  
**Nonresident Tuition and Enrollment**

	<i>Actual</i> <i>1981-82</i>	<i>Proposed</i> <i>Budget</i>	<i>1982-83</i> <i>Adopted</i> <i>Budget</i>	<i>Revised</i> <i>Estimate</i>	<i>Proposed</i> <i>1983-84</i>
Tuition:					
Annual tuition.....	\$2,835	\$3,150	\$3,150	\$3,150	\$3,240
Tuition revenue *.....	29,937	37,419	34,820	29,359	30,880
Enrollment (FTE):					
Total FTE.....	240,388	237,900	239,900	242,274	242,460
Nonresident FTE.....	10,560	11,879	11,054	9,321	9,531
Percent nonresident .....	4.4%	5.0%	4.6%	3.8%	3.9%

\*Tuition dollars in thousands.

**Current Year Deficit.** As noted above, CSU is projecting a current-year deficit of \$5.5 million in nonresident tuition reimbursements. As a result, it requested a deficiency appropriation from the Department of Finance to fund this shortfall. CSU's request was denied and CSU has implemented a savings program to meet this shortfall.

**1983-84 Budget.** As shown in Table 28, the budget projects \$30,880,000 in nonresident tuition reimbursements during 1983-84. Relative to the amount reflected in the 1982 Budget Act, this requires an additional \$3.9 million from the General Fund to maintain current services. This increase appears to be justified, given the decline in nonresident enrollment since 1980-81.

## 9. State University Grants Overbudgeted

**We recommend that the budget for financial aid be reduced by \$4,300,000 to correct for overbudgeting of state university grants. (Reduce Item 6100-001-001 by \$4,300,000.)**

The Legislature appropriated \$3.4 million in the 1982 Budget Act for a State University Grant program. The purpose of the program was to provide financial assistance to needy CSU students as an offset to the \$100 fee increase assumed in the 1982-83 final budget. In making this appropriation, the Legislature adopted language in the *Supplemental Report to the 1982 Budget Act* which states:

"It is the intent of the Legislature that funds provided in this item for financial aid shall be considered a one-time emergency appropriation in the CSU budget."

The budget proposes to continue the \$3.4 million appropriation in 1983-

**CALIFORNIA STATE UNIVERSITY—Continued**

84 and requests *an additional \$11.6 million* to be used to fund financial aid required as a result of the proposed \$230 fee increase.

We fully agree that financial aid funds should be provided to offset the effects on access of the proposed fee increase. Based on the CPEC student charges model, however, a fee increase of \$230 in the CSU would generate a need for additional financial aid of only \$7.3 million. Thus, our analysis indicates that, based on the CPEC model, the budget includes \$4.3 million more than necessary to meet financial aid requirements. Therefore, we recommend that the financial aid budget be reduced by \$4,300,000 to more accurately reflect actual financial need. (If a fee increase of less than \$230 is adopted, then the aid reduction would be greater.)

**B. STUDENT AFFIRMATIVE ACTION PROGRAMS****1. Overview of CSU's Student Affirmative Action Programs**

There are two systemwide student affirmative action programs in the CSU system: the Educational Opportunity Program (EOP) and Core Student Affirmative Action (SAA) program. Both EOP and SAA are aimed at increasing the enrollment of students from underrepresented low-income, ethnic minority groups and, in SAA's case, women students.

**2. Summary of Programs**

Student affirmative action programs provide two types of services for the target population—outreach and support services. Similar services are provided to all CSU students, including students in the target population groups, through the student services program financed by student fees. Table 29 displays funding for these programs in 1982–83.

**Table 29**  
**Summary of Outreach and Retention Expenditures**  
**1982–83**  
**(in thousands)**

	<i>Outreach</i>	<i>Support Services</i>	<i>Total</i>
Targeted Programs			
EOP .....	\$1,905	\$12,747 <sup>a</sup>	\$14,652
SAA .....	1,483 <sup>b</sup>	989	2,472
MESA .....	262	N/A	262
Subtotals .....	\$3,650	\$13,736	\$17,386
Non-targeted Programs .....	1,430 <sup>c</sup>	55,511 <sup>d</sup>	56,941
Totals .....	\$5,080	\$69,247	\$74,237
Percent of Total .....	(6.9%)	(93.1%)	(100.0%)

<sup>a</sup> Includes \$7.1 million in financial aid.

<sup>b</sup> Includes educational enhancement component.

<sup>c</sup> Relations with Schools (RWS) function.

<sup>d</sup> Fee-supported student services programs.

**3. Educational Opportunity Program (EOP)**

The EOP was established by Ch 1336/69 to provide outreach activities and support services to students from low-income or disadvantaged educational backgrounds who are not qualified for regular admission to CSU but who have the potential to succeed academically if admitted. These

students are generally enrolled through special admissions procedures. Although the program focuses on students who are not qualified for admission to CSU through the regular admission process, some regularly admissible students can be accepted into EOP. Currently, approximately 60 percent of EOP students were admitted through the special admissions procedure, and 40 percent were admitted through the regular process.

**Selection.** High school and community college transfer students are selected to participate in the EOP, based on the following criteria:

- Income requirements and history of economic disadvantage—an applicant must be economically disadvantaged according to the income ceilings shown in Table 30.
- Undergraduate status—an applicant cannot be pursuing a second bachelor's degree or a graduate degree.
- California residency—an applicant must meet residence requirements outlined in the Education Code.
- Nomination by a California high school or a CSU president.

**Table 30**  
**Maximum Parental Income for EOP**  
**Eligibility**

<i>Family Size</i>	<i>1982-83 Parental Income</i>
2.....	\$14,750
3.....	16,125
4.....	18,875
5.....	21,625
6.....	24,875
7.....	27,125
8.....	29,375
9.....	31,375
10.....	33,625

Admission to the EOP is based on factors which seek to identify the student's (1) potential for success, (2) level of disadvantage and (3) background. These factors are defined below:

- (1) Potential for Success
  - Self-perception
  - Perception by others
  - Experience/maturity
  - Motivation
  - Academic performance (GPA)
  - Test scores
  - Academic skills assessment
  - Support service needs
- (2) Level of Disadvantage
  - History of low family income
  - Current economic condition
  - Educationally disadvantaged
  - Environmentally disadvantaged
- (3) Background
  - Cultural/linguistic diversity
  - Race

**Outreach Activities.** In order to identify and attract potential EOP students, campus EOPs engage in a variety of outreach activities including:



**CALIFORNIA STATE UNIVERSITY—Continued**

- Recruitment—typical recruitment activities include presentations to high school classes and general assemblies regarding admissions procedures and academic programs; individual conferences with counselors and students; campus tours; home visits with parents and students.
- Application follow-up—these services range from follow-up telephone calls for additional information to placement of EOP staff on high school campuses to assist students in completing application.
- Diagnostic testing—EOP assesses applicants' level of development in reading, writing, comprehension, and math. The test results are used as a measure of potential for success, and in determining the support services needs of students admitted to the program.
- Financial aid counseling—individual and group sessions are conducted which are designed to provide students with information on financial aid availability and application procedures.

**Retention/Support Services.** Campus EOPs are required to provide tutoring and counseling for EOP students. In addition, the following support services are offered on most campuses:

- Summer programs
- Orientation
- Academic advising
- Peer counseling
- Personal counseling
- Career counseling
- Direct instructional activities
- Cultural events

All EOP students are required to retain "bona fide" student status, and may participate in the program for up to five years. A full-time "bona fide" student is defined as one admitted through the EOP process who attempts a minimum of 12 units per academic term and completes a minimum of 24 semester/36 quarter units during a 12-month period.

Newly-admitted EOP students are required to participate in a full range of support services. Continuing EOP students may participate in these services at the EOP Director's discretion. Although non-EOP students are not precluded from participating in services provided by the EOP, these services must be provided on a space-available basis, or by using non-state funding.

**Table 31**  
**Educational Opportunity Program**  
**Students Served**

	<i>1981-82</i> <i>Students</i> <i>Served</i>	<i>1982-83</i> <i>Students</i> <i>Served</i>	<i>1983-84</i> <i>Students</i> <i>Served</i>
1st Year Students .....	5,750	6,679	6,111
2nd Year Students .....	3,790	4,155	3,805
3rd Year Students .....	2,647	2,164	1,981
4th Year Students .....	1,553	801	764
5th Year Students .....	1,399	—	—
Totals .....	15,139	13,799	12,661

Table 31 shows the number of students served by EOP support services. It indicates that between 1981-82 and 1983-84, the number of students served is expected to decrease by 20 percent. This is primarily the result of a recent program change which excludes fifth year students from the resource allocation formula.

**Financial Aid.** Bona fide EOP students are eligible for financial assistance grants ranging from \$200 to \$1,000 per academic year. EOP students may receive annual grants for up to five years.

EOP grant funds are allocated to each campus based on a formula of EOP enrollment and systemwide EOP grant averages. Table 32 shows the number and average dollar level of EOP grants for the three years covered by the budget. This table shows that the number of grants awarded is expected to decrease by 11% between 1981-82 to 1983-84. Again, the decrease results from fewer fifth-year students receiving grants. (Although excluded from the resource allocation formula, fifth year students may still receive grants.) The table also shows that in 1983-84 the average dollar grant is expected to increase as a result of the 3% cost-of-living adjustment proposed in the Governor's Budget.

**Table 32**  
**Educational Opportunity Program**  
**Financial Aid Awards**

	1981-82		1982-83		1983-84	
	Number of Grants	Average Dollar Grant	Number of Grants	Average Dollar Grant	Number of Grants	Average Dollar Grant
1st Year Students .....	3,755	\$740	4,884	\$740	4,470	\$760
2nd Year Students .....	2,227	740	2,222	740	2,034	760
3rd Year Students .....	1,923	640	1,738	640	1,589	665
4th Year Students .....	1,775	530	966	530	921	553
5th Year Students .....	867	530	432	530	490	553
Totals.....	10,547		10,242		9,504	

**Funding.** Table 33 shows the EOP's funding history for the period from 1980-81 to 1983-84. The CSU-EOP is funded entirely by the state General Fund.

**Table 33**  
**EOP Funding**  
**1980-81 to 1983-84**  
**(in thousands)**

	1980-81	1981-82	1982-83 (Estimated)	1983-84 (Proposed)
Total expenditures .....	\$13,496	\$14,117	\$14,652	\$14,499
(Financial aid grant component) .....	(\$6,947)	(\$7,070)	(\$7,112)	(\$6,776)

**EOP Audit.** An audit of EOP was conducted by the CSU internal audit staff in February, 1982. This audit found that:

- The EOP Regulations and Guidelines issued by the Chancellor's office are internally inconsistent in form and content.
- Campus EOP expenditures and the cost per student have increased while EOP enrollment has decreased.
- The number of regularly admissible students in EOP often exceeded the quota, and the low income criterion was not applied in a uniform manner.

**CALIFORNIA STATE UNIVERSITY—Continued**

- Although economic disadvantage is a mandatory criterion for EOP, a substantial number of first year EOP students did not receive financial aid during 1980–81.

As a result of these findings, the Chancellor's Office has convened a committee to review and revise the existing Regulations and Guidelines governing the program. The committee is expected to complete its work by June, 1983. *The Supplemental Report to the 1982 Budget Act* prohibits structural administrative changes to EOP until this advisory committee submits its recommendations to the CSU Board of Trustees.

**4. Core Student Affirmative Action (SAA)**

The objective of CSU's Core SAA is to increase the representation at the undergraduate and graduate levels of ethnic minorities, low-income individuals, and, in some cases, women who are *regularly admissible*. The program was established in response to Resolution Ch 151/74, which directed the governing boards of the three segments of higher education to prepare a plan for addressing ethnic, sexual, and economic underrepresentation in the student population.

The Core SAA program was initiated in 1978–79 with pilot programs at three CSU campuses. In 1980–81, Core SAA programs were implemented at all 19 campuses. The Core program has three main components:

- Outreach activities at senior high schools and community colleges.
- Campus retention efforts for targeted students.
- Educational enhancement in counselor and teacher preparation.

**Outreach.** Core SAA encourages nontraditional outreach activities including:

- Home visits with students and parents
- Campus tours
- Cultural events
- Special presentations.

Table 34 shows the number of Core SAA outreach events, the number of participants and the applications generated and accepted by an institution of higher education.

**Table 34**  
**Core Student Affirmative Action**  
**Outreach Activity**

	1980-81	1981-82
Outreach events.....	1,392	1,139
Number of district participants .....	48,991	41,913
Number of applications generated <sup>a</sup> .....	6,930	7,530
Number of applications accepted <sup>a</sup> .....	4,444	5,103

<sup>a</sup> Includes applications to all segments of higher education.

**Retention Efforts.** Retention activities vary from campus to campus. For reporting purposes, CSU identifies the following activities as falling within this program component:

- Academic advising
- Counseling
- Tutoring
- Peer mentoring

- Faculty mentoring
- Orientation
- Workshops
- Cultural events
- Referrals
- Learning assistance
- Testing

In 1980-81 and 1981-82, 13,074 and 12,018 individuals, respectively, participated in retention activities.

**Educational Enhancement.** Activities undertaken to improve the institutional environment and make it more sensitive to underrepresented students include:

- Campus in-service sessions
- Field in-service sessions
- Campus class presentations
- Field class presentations
- Campus organization presentations
- Community organization presentations

The number of individuals that participated in these activities during 1980-81 and 1981-82 was 6,581 and 7,254, respectively.

## 5. MESA

The Mathematics, Engineering, Science Achievement (MESA) program is a statewide program administered from the Lawrence Hall of Science in Berkeley. It attempts to increase the number of high school students from underrepresented minority groups who complete the mathematics, science, and English preparation necessary to pursue a math-based discipline at the university level. Within CSU, the MESA program is administered through Core SAA. MESA has nine centers affiliated with CSU campuses. These centers provide the following services to MESA students:

- Tutoring
- Independent study groups
- Advising
- Field trips
- Summer enrichment/employment programs
- Scholarship incentive awards

**Funding.** In 1982-83, CSU's budget included \$262,000 to serve 2,750 students in local MESA centers. In addition, \$246,000 was provided through the Investment in People program to fund Minority Engineering Programs (MESA/MEP) at five CSU campuses.

**Table 35**  
**Core SAA Funding**  
**(in thousands)**

	1980-81 (Actual)	1981-82 (Actual)	1982-83 (Estimated)	1983-84 (Proposed)
Core SAA:				
Outreach .....	\$685	\$959	\$865	\$634
Retention .....	343	959	989	1,268
Educational enhancement .....	115	480	618	634
Total .....	\$1,143	\$2,398	\$2,472	\$2,536
MESA/CSU .....	\$232	\$250	\$262	\$273

**CALIFORNIA STATE UNIVERSITY—Continued**

Table 35 shows prior funding levels for Core SAA and MESA, for the period 1980–81 to 1983–84. Core SAA is funded entirely from the General Fund. MESA is funded by the General Fund and private sources. As this table indicates, the emphasis in Core SAA is shifting from outreach activities to retention and educational enhancement efforts.

**6. Outreach and Support Programs for Non-targeted Students**

**Outreach.** The programs described above provide outreach and support services solely to targeted low-income and ethnic minority students. Similar services are provided to targeted and non-targeted students alike, as follows:

**Relations with Schools.** The Relations with Schools (RWS) program was established in the mid-1960's by the four year-round CSU campuses for the purpose of informing high schools and community colleges of the new campus calendars. In early 1972, CSU received funding for RWS on the remaining 15 campuses.

According to CSU, the objective of the RWS outreach effort is to provide prospective students, their parents and faculty and staff from other educational institutions with information and guidance concerning postsecondary educational opportunities in the CSU system. Typical activities of RWS outreach include:

- High School and community college visits
- "College information day" programs
- Counselor conferences

**Articulation.** RWS also serves as the campus and systemwide liaison with other educational institutions in a defined geographical service area. In this role, RWS staff develop articulation agreements with community colleges which specify courses acceptable for transfer credit to CSU campuses.

**Funding.** Table 36 displays funding for this program for the years 1980–81 to 1983–84. RWS is supported entirely from the General Fund.

**Table 36**  
**Relations with Schools Funding**

	1980-81 (Actual)	1981-82 (Actual)	1982-83 (Estimated)	1983-84 (Proposed)
Total Expenditures .....	\$603,643 <sup>a</sup>	\$755,276 <sup>a</sup>	\$1,430,414	\$1,488,000 <sup>b</sup>

<sup>a</sup> Figures for 1980–81 and 1981–82 are budgeted amounts and do not include campus contributions. In 1982–83, \$733,668 was budgeted for this activity and campuses contributed an additional \$696,746, for a total budget of \$1,430,414.

<sup>b</sup> Estimated.

**Support Services for Non-Targeted Students.** All CSU campuses provide student services programs that are open to all students. These programs, which are funded from student fees, include counseling, testing, career guidance, health services, and financial aid administration. On some campuses, study skills or learning assistance centers are fee-supported as well. In 1982–83, approximately \$55.5 million is budgeted for these student service programs. CSU students pay an annual fee of \$216 to fund these programs. Although these services are available to *all* students, the EOP and Core SAA programs provide an augmented service level to

targeted students which is supported by the General Fund.

### 7. Problems with Existing Programs

Our review of existing programs focused on the programs from the standpoint of administrative efficiency, accountability, and funding source. We did not evaluate the effectiveness of the programs in increasing the enrollment of minority and low-income students because the California Postsecondary Education Commission (CPEC) has been charged with that responsibility by the Legislature.

In our review, we identified a number of problems associated with CSU's affirmative action programs. These problems tend to result from the fact that (1) numerous programs serve the same targeted population and (2) these programs often parallel separate programs available to targeted and non-targeted student populations alike.

**Poorly-defined and Overlapping Target Populations.** Our review found that there is considerable overlap between target populations served by EOP and SAA and some overlap in the target population served by RWS.

Table 37 provides a summary of existing outreach programs and the target student population of each.

**Table 37**  
**Student Outreach Programs**  
**Target Student Groups**

<i>Program</i>	<i>Target Group</i>	<i>Admissions Category</i>
EOP	Minority and low-income students	Predominately exceptional admits; can include regularly admissible students
SAA	Minority, low-income and women students	Regularly admissible
RWS	All students	All admissions categories

The problem stems from a lack of consensus as to the goal of postsecondary outreach programs. To the extent the goal is defined narrowly—that is, to increase the enrollment of students from underrepresented groups at a single campus—considerable overlap is almost unavoidable, since the programs will then compete among themselves for the same students.

**Table 38**  
**Services Provided by CSU Outreach Programs**

<i>Activity</i>	<i>EOP</i>	<i>SAA/ MESA</i>	<i>RWS</i>
Information to parents .....	X	X	X
Campus tours .....	X	X	X
Pre-admission counseling .....	X	X	X
Pre-admission tutoring .....		X	
Recruitment .....	X	X	X
Summer programs .....	X	X	X
Financial aid .....	X		X
Post-admission counseling .....	X	X	
Post-admission tutoring .....	X	X	
Follow-up .....	X	X	X
Testing .....	X		
Articulation .....			X
Study skills .....	X	X	
Educational Enhancement .....		X	

**CALIFORNIA STATE UNIVERSITY—Continued**

**Duplication of Services.** Our review also found significant duplication of services provided by the outreach units located on the various campuses. During our field visits, we found examples where representatives of two, and sometimes all three, units were visiting the same high schools for essentially the same purpose.

Table 38 shows the types of outreach and retention activities conducted by the three programs. As this table indicates, the same services are being provided by the three separate programs in almost every category. This duplication wastes funds that otherwise could be used to increase services to the target population.

**Inconsistent Administrative and Budgetary Structure.** As each program was established, a separate administrative structure, reporting relationship, and budgeting structure was developed. As a result, there is a considerable disparity between the administration and budget structures of these programs. This is illustrated in Table 39.

**Table 39**  
**Student Outreach Programs**  
**Administrative and Budgetary Structure**

<i>Program</i>	<i>Administrative Officer</i>	<i>Reports To</i>	<i>Budgetary Program</i>
EOP	Director	Dean of Students	Student Services
SAA/MESA	Coordinator	VP-Academic Affairs	Institutional Support—General Administrative Services
RWS	RWS Officer	Director of Admissions	Institutional Support—Community Relations

Our review indicates that there is no single campus office responsible for all outreach activities, which results in a lack of coordination among outreach programs.

Furthermore, because funding for these programs is budgeted in three separate cost centers, it is difficult for the Legislature to track the expenditures associated with CSU's outreach effort. This is especially true of the RWS program because expenditures for RWS are not identified separately within the Community Relations program.

**Inconsistent Funding Sources.** As noted earlier, the student affirmative action programs, including both the outreach and retention components, are funded entirely from the General Fund. Table 40 shows the funding levels for these programs in 1982–83.

**Table 40**  
**1982–83 Student Outreach Programs**  
**(dollars in thousands)**

<i>Program</i>	<i>1982–83 Budget</i>
EOP .....	\$14,652
SAA/MESA .....	2,472
RWS .....	1,430
Total .....	\$18,554

Of the \$18.6 million budgeted for outreach, \$14,652,000, or 79 percent is earmarked for support services including counseling, tutoring, testing,

and financial aid administration for *targeted* students. These same services are available for *non-targeted* students, but when provided to these students the services are funded by student fees.

### 8. Analysis and Recommendations

In seeking ways to ameliorate the problems identified above, we have focused our attention on developing responses to three questions:

- What services should CSU be providing?
- How should the provision of these services be organized?
- How should these services be funded?

#### What Services Should CSU Be Providing?

In our overview of postsecondary education, we recommended changes to the current system for providing outreach services.

Specifically, we recommend that:

- Tutoring, academic skills development, and programs to increase educational aspirations of minority and low-income secondary school students (developmental outreach) be made the sole responsibility of the K-12 segment. Specifically, local school districts should be given the responsibility for making all students aware of college and university course requirements for various majors, so that high school students can take the necessary courses.
- Funding for MESA, a developmental outreach program, be consolidated in the State Department of Education (SDE), instead of continuing to be provided separately through SDE, UC, and CSU.
- The three postsecondary segments provide *informational* outreach services only.
- The Legislature establish as the goal of postsecondary outreach programs increasing the enrollment of students from underrepresented groups in postsecondary institutions *generally*, rather than at individual institutions or campuses. To increase the effectiveness of efforts to achieve this goal, and to assure that resources are used most efficiently, postsecondary outreach programs should be organized and funded on an intersegmental basis, and not carried out separately by each segment.
- CPEC evaluate postsecondary affirmative action programs on a regular basis.

These recommendations stem from our assessment of the appropriate missions of each educational segment and are intended to promote program effectiveness in the most cost-effective way possible. The basis for them is discussed more extensively in the postsecondary education overview.

If these policy elements were adopted by the Legislature, CSU would (1) transfer funding for MESA to SDE, (2) cooperate with the other segments in providing informational outreach services, and (3) continue its special support service programs. In the overview section, we recommend that CPEC and the education segments develop a plan for the implementation of these policy changes.

#### How Should Outreach and Retention Programs Be Organized?

*We recommend that the CSU's EOP and SAA programs be combined into a single program with two components—outreach and support services—and that Relations With Schools (RWS) be consolidated with the*



**CALIFORNIA STATE UNIVERSITY—Continued**

*outreach component. We further recommend that CSU conduct a comprehensive personnel audit to determine the appropriate classification and funding level for staff in the newly-created unit. In addition, we recommend that the current statutory policy of providing grants only to EOP students be reviewed in the context of a consolidated program, and that legislative policy regarding incentives for increasing the enrollment of underrepresented students be clarified.*

**Consolidated Program.** As pointed out earlier, the existence of three separate student outreach programs located in three different administrative units creates structural barriers to coordination, and contributes to duplication of effort. Accordingly, we recommend that these three programs be combined into a single unit responsible for outreach activities directed at all students, both targeted and non-targeted, and for providing support services for targeted students.

In its most recent evaluation ("The Core Student Affirmative Action Program of the California State University: A Second Review", December 13, 1982), CPEC points out that better coordination of outreach programs is needed. The commission notes that San Diego State University (SDSU) has combined EOP, SAA and RWS into a single Outreach Services unit, and it suggests that this unit should serve as a model for other CSU campuses. Our review of SDSU's program indicates that the consolidated unit has been effective in eliminating duplication of services. Staff within the Outreach Services unit are trained to provide outreach functions to *all* students. As a result, SDSU reports it is able to serve more schools and students than previously possible.

Consolidating these programs will result in (1) increased effectiveness of the outreach and support services effort by increasing the number of students served and (2) reduction of administrative costs associated with the maintenance of three separate programs.

**Employee Classifications.** Our review of the three outreach programs indicates that there is significant disparity in the classification and salary levels of individuals who have comparable responsibilities for administering these similar programs. This is shown in Table 41.

**Table 41**  
**Student Outreach Classifications**  
**(1982-83 Salary Levels)**

<i>Program</i>	<i>Typical Classification</i>	<i>Annual Salary</i>
EOP	Student Affairs Officer V	\$34,860-\$42,120
SAA	Student Affairs Assistant III	\$21,852-\$26,316
RWS	Student Affairs Officer IV	\$27,576-\$33,252

If these programs are combined, as we recommend, a comprehensive personnel audit should be conducted to determine the appropriate classification and salary level for all outreach staff particularly the program directors. It is likely that the results of such an audit would result in significant savings. We are not able to estimate these potential savings at this time.

**EOP Grants.** When the EOP was established, the program was intended to provide postsecondary educational opportunities to disadvantaged students with the potential to succeed academically in the CSU. An integral part of this program was and continues to be the financial assistance

grant provided to each qualified student.

With the introduction of Resolution Ch 151/74, the objective of student affirmative action was broadened to include increasing the enrollment of regularly-admissible underrepresented ethnic minority, low-income, and in some cases, women students. Core SAA, which was established to help achieve this objective, however, does not have a financial assistance component similar to EOP. We believe that the Legislature should consider expanding eligibility for financial assistance to increase the effectiveness of efforts designed to increase the enrollment of students from under-represented groups.

In 1981-82, approximately 10,547 EOP students received EOP grants as part of their financial aid package. If the eligibility criteria for these grants had been broadened to encompass all SAA students, a maximum of 12,000 more students would have been eligible for financial assistance. If we assume that all SAA students would be eligible for financial assistance, broadening the eligibility criteria without providing additional funding would lower the average grant per student from \$670 to about \$315. On the other hand, maintaining the current \$670 average grant level and the current General Fund financing structure in the face of expanded eligibility for financial aid would require up to an additional \$8 million from the General Fund. We believe the existing EOP eligibility criteria should be evaluated within the context of a consolidated EOP & SAA program.

In order to implement our recommendation to consolidate these programs and review systemwide eligibility criteria, we recommend that the Legislature adopt the following supplemental report language:

"It is the intent of the Legislature that, beginning 1983-84, (1) the existing Educational Opportunity Program (EOP) and Student Affirmative Action (SAA) program at CSU be consolidated into a new student affirmative action program having two components—outreach and support services and (2) the Relations with Schools function be consolidated with the outreach component of the new program. This consolidation should include a comprehensive personnel classification audit. It is the further intent of the Legislature that CSU review existing policy of eligibility for EOP grants.

#### **How Should Outreach and Retention Programs Be Funded?**

In our discussion of student fees, we recommend that the existing limitations on the use of fee revenue be removed. If this recommendation is approved, student fee revenue would be combined with the state General Fund appropriations *prior to* being allocated for specific purposes. Our reasons for making this recommendation are set forth in the overview section and in the preceding tuition and fees section.

Approval of this recommendation would mean that specific programs would no longer be identified as fee-funded or state-funded. Rather, all programs would be jointly supported by the state and the students. In addition to addressing the problems previously discussed, this recommendation would address the problems we have identified concerning the lack of a logical and consistently applied funding strategy for support services for targeted and non-targeted students. The newly consolidated program would be funded from one source, and this source would be the same as that supporting similar programs for *all* students.

**CALIFORNIA STATE UNIVERSITY—Continued****MESA—Technical Recommendation**

*We recommend that state support for the MESA program contained in the CSU budget be transferred to the budget for the State Department of Education so that these funds can be accounted for on a central basis. (Reduce Item 6610-001-001 by \$273,000 and increase Item 6100-005-001 by \$273,000).*

Currently, state funds for MESA are provided through three different budgets for UC, CSU, and SDE. As noted above, we recommend that funding for developmental outreach programs, such as MESA be made the responsibility of SDE alone. Consequently, we recommend that state funds to be allocated to MESA through the CSU budget be transferred to the budget for the SDE. (In our analysis of the UC budget, we make a similar recommendation.)

This recommendation would not change the operation of the MESA program but would provide for better legislative oversight and control of state support for developmental outreach efforts.

**V. 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 42**  
**Institutional Support Program Expenditures**  
(dollars in thousands)

<i>Elements</i>	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1981-82</i>	<i>1982-83</i>	<i>1983-84</i>	<i>Amount</i>	<i>Percent</i>
Executive Management.....	\$30,330	\$27,650	\$32,814	\$5,164	18.7%
Financial Operations .....	25,976	22,918	24,962	2,044	8.9
General Administrative Services.....	40,330	39,711	41,857	2,146	5.4
Logistical Services.....	48,150	47,039	51,841	4,802	10.2
Physical Plant Operations.....	127,314	133,272	142,735	9,463	7.1
Faculty and Staff Services.....	6,026	14,945	17,340	2,395	16.0
Community Relations.....	5,512	4,430	4,772	342	7.7
Totals .....	\$283,638	\$289,965	\$316,321	\$26,356	9.1%
Funding Source:					
General Fund.....	\$222,597	\$191,594	\$136,204	-\$55,390	-41.0%
Reimbursements .....	31,085	66,213	138,068	71,855	108.5
Parking Account, Dormitory Revenue Fund.....	5,281	5,059	6,066	1,007	19.9
Dormitory Revenue Fund .....	12,818	13,729	16,159	2,430	17.7
Capital Outlay Fund for Public Higher Education .....	1,678	5,452	5,725	273	5.0
Energy and Resources Fund .....	679	—	—	—	—
Continuing Education Revenue Fund .....	9,500	7,918	14,099	6,181	78.0
Personnel:					
Executive Management.....	751.5	657.1	673.3	16.2	2.5%
Financial Operations .....	891.6	878.7	883.3	4.6	.5
General Administrative Services....	1,471.6	1,503.9	1,522.7	18.8	1.3
Logistical Services.....	1,122.1	1,109.5	1,118.7	9.2	.8
Physical Plant Operations.....	3,239.6	3,521.4	3,453.8	-67.6	-2.0
Community Relations.....	113.9	83.8	84.2	.4	.5
Totals .....	7,590.3	7,754.4	7,736.0	-18.4	-.2%

Table 42 shows estimated personnel and expenditures for Institutional Support in the prior, current, and budget years.

### A. Chancellor's Office

The Chancellor is the chief executive officer of the CSU Board of Trustees and, is responsible for the implementation of all policies enacted by the board. Table 43 shows the major divisions in the Chancellor's office, and the expenditures proposed by these divisions in the current and budget years.

**Table 43**  
**Chancellor's Office Expenditures<sup>a</sup>**  
**(dollars in thousands)**

	<i>Estimated</i> <i>1982-83</i>		<i>Proposed</i> <i>1983-84</i>		<i>Change</i>	
	<i>Positions</i>	<i>Amount</i>	<i>Positions</i>	<i>Amount</i>	<i>Positions</i>	<i>Amount</i>
<b>General Fund</b>						
Chancellor's Office Personnel:						
Executive Office .....	13.0	\$581,383	13.0	\$631,720	0.0	\$50,339
Legal Services .....	20.5	869,295	16.9	730,579	-3.6	-\$138,716
Academic Affairs .....	50.6	2,031,096	50.6	2,144,262	0.0	113,166
Faculty and Staff Affairs .....	30.4	1,146,579	30.4	1,169,509	0.0	22,930
Collective Bargaining .....	13.0	529,063	13.0	534,536	0.0	5,475
Business Affairs .....	51.9	1,812,454	51.9	1,938,254	0.0	125,800
Physical Planning .....	13.0	626,109	14.0	628,914	1.0	2,805
Government Affairs .....	6.0	280,734	6.0	232,929	0.0	-47,805
Institutional Research .....	9.0	390,536	9.0	408,371	0.0	17,835
Public Affairs .....	6.0	200,767	6.0	245,638	0.0	44,871
Administrative Office .....	57.1	1,213,224	57.1	1,333,016	0.0	119,792
Faculty and Staff Services .....	0.0	34,375	0.0	35,491	0.0	1,116
Subtotals .....	270.5	\$9,715,615	267.9	\$10,033,219	-2.6	\$317,604
Operating Expense and Equip- ment .....	—	7,803,991	—	7,061,695	—	-742,296
Totals .....	270.5	\$17,519,606	267.9	\$17,094,914	-2.6	-\$424,692
Audit Staff Personnel .....	11.0	437,976	11.0	443,920	0.0	3,944
Operating Expense and Equip- ment .....	—	88,792	—	96,751	—	7,959
Totals .....	11.0	\$526,768	11.0	\$540,671	0.0	\$13,903
Information Systems Personnel	122.5	3,864,304	122.5	4,021,237	0.0	156,933
Operating Expense and Equip- ment .....	—	5,931,692	—	6,338,292	—	406,600
Totals .....	122.5	\$9,795,996	122.5	\$10,359,529	0.0	\$563,533
Total, General Fund .....	404.0	\$27,842,370	401.4	\$27,995,114	-2.6	\$152,744
<b>Special Funds</b>						
Parking Personnel .....	0.4	7,313	0.0	—	-0.4	-7,313
Operating Expense and Equipment .....	—	3,000	—	9,480	—	6,480
Total, Special Funds .....	0.4	\$10,313	0.0	\$9,480	-0.4	-\$833
Grand totals .....	404.4	\$27,852,683	406.0	\$20,004,594	-3.0	\$151,911
General Fund .....	360.0	21,255,453	362.0	22,148,174	-2.6	892,721
Reimbursements .....	44.0	6,586,917	44.0	5,846,940	0.0	-739,977
Parking Revenue .....	0.4	10,313	0.0	9,480	-0.4	-833

<sup>a</sup> Details may not add to total, due to rounding.

**CALIFORNIA STATE UNIVERSITY—Continued****1. Eliminate Chancellor's Discretionary Account**

*We recommend that the Chancellor's Discretionary Account be eliminated, for a General Fund savings of \$287,000 because the activities to be funded from this source do not justify continued General Fund support. (Reduce Item 6610-001-001 by \$287,000.)*

The Legislature appropriated \$287,000 in the 1982 Budget Act for a new account the resources of which could be used at the discretion of the newly-hired Chancellor of the CSU to help reorganize the Chancellor's office. The *Supplemental Report to the 1982 Budget Act* required the Chancellor to submit a report to the legislative budget committees on the allocation of these funds. The budget proposes to continue funding for this account at the same level—\$287,000 in 1983–84.

Our review of the report submitted in compliance with the supplemental report language indicates that the activities to be funded from the discretionary account in 1982–83 and continued into 1983–84 do not warrant continued General Fund support. The following summarizes the proposed activities and our comments on each.

- **Development, Alumni Relations and Public Affairs (\$119,368).** The Chancellor proposes to establish a new program to attract additional nonstate funding and to develop a comprehensive alumni program. Specifically, the proposal states:

"A fundamental part of this new departure in attracting external support for the CSU is the development and implementation of an effective program to wield the more than one million CSU alumni into an active support group for the University. A necessity for the achievement of this latter goal is the conceptualization and implementation of a well reasoned public information and public affairs program designed to communicate the goals and accomplishments of the CSU and to relate CSU programs and activities to the interests and needs of its former students and the general public."

The proposal requests two positions—a vice chancellor for development and a related clerical position—plus operating expenses, for a total cost of \$119,368.

Our analysis indicates that this proposal does not warrant General Fund support because CSU has existing mechanisms that can be used to increase nonstate funding and handle alumni relations. Every campus and the Chancellor's office have foundations which are separate legal entities authorized to perform functions that contribute to the educational mission of the CSU. These foundations have their own sources of revenue from federal indirect cost reimbursements, contributions, income on investments, and service fees paid by other organizations. If fund raising activities or establishment of an alumni program is of high priority, campuses or the Chancellor's office can use this source of revenue to fund these activities.

Finally, we note that the Chancellor's office already has a Public Affairs unit that is staffed with 6.0 positions and has a proposed budget of \$245,638 in 1983–84. We can find no analytical basis for appropriating additional General Fund support for this activity.

In summary, we recommend that state support for the proposed development and public affairs program be eliminated because (1) an alternative financing source is available for development and alumni relations and (2) additional General Fund support for public affairs is not warranted.

- **Administrative Study (\$69,722).** The Chancellor proposes to use \$50,000 to hire an outside consultant for the purpose of conducting an examination of the administrative structure of the CSU. In addition, a clerical position, at a cost of \$19,722 is requested to provide staff support for the consultant. The total cost of this component is \$69,722. The report indicates that this contract has already been entered into, and that an additional \$69,722 is proposed for the same activity in 1983-84.

We agree that a comprehensive evaluation of CSU administration is needed. We note, however, that such a contract should require a one-time encumbrance of funds, with the funds to be expended over a specified contract period. Since this study has already been funded in the current year, we see no reason to continue the appropriation into 1983-84. Furthermore, outside consultants typically provide their own clerical support, and those services are included in the cost of the study. Therefore, we can find no justification for adding a permanent clerical position to CSU's staff for this purpose.

- **Recognition of Outstanding Faculty (\$20,000).** The Chancellor proposes to use \$20,000 to "encourage and reward outstanding contributions to teaching, scholarship and community service." Under this program, faculty nominated by their campuses and ultimately selected by a systemwide selection committee would be acknowledged in a publication and at a "reception hosted by the Chancellor."

As noted above, the CSU foundations provide funds which support activities, such as receptions, which are external to the direct instructional mission of CSU. We believe that this mechanism should continue to be used to fund activities such as ancillary publications and social activities. Therefore, we recommend that state support for this component be deleted for a General Fund Savings of \$20,000.

- **Artists in Residence (\$20,000).** The report proposes to fund 12-14 campus visits by Jose Quintero and Stella Adler to conduct acting and directing classes and seminars, at a cost of \$20,000.

The 1983-84 budget contains funds for 13,200 faculty positions. Each campus has the authority to convert some of these positions to contract services in order to hire individuals with particular expertise or talent. Consequently, if a campus identifies a special need in its Theatre Arts program, it already has the capability and the resources to hire these individuals to conduct classes or seminars. Therefore, we can find no justification for providing additional funding to the Chancellor's office for this purpose.

- **Contingency Funds (\$57,910).** The proposal sets aside \$57,910 for "contingency purposes," to be used for unidentified "meritorious programs." Because there is no expenditure plan for this money in 1983-84, we recommend that it be deleted, for a savings of \$57,910.

## 2. Reductions in Legal Staff

The budget provides for a reduction of 3.1 attorney positions and 1.5 related clerical positions from the Chancellor's Office, for a savings of \$251,000. The budget states that this reduction is being made "to minimize

**CALIFORNIA STATE UNIVERSITY—Continued**

the proliferation of individual departmental legal staffs which often duplicate central state legal services, and to direct the use of legal positions to only the highest priority areas." This reduction amounts to a one-third reduction in existing CSU attorney positions, and is consistent with the action proposed in other state agencies that have legal staffs.

Our analysis indicates that, if this reduction is approved, CSU will have 6.0 attorney positions in 1983-84. Currently, CSU staff attorneys are assigned to specific campuses to render opinions, provide advice and represent the campus in administrative actions, such as employee discipline cases before the State Personnel Board. Although we are aware of the recent increase in workload related to collective bargaining, we are not aware of any accepted workload standards for attorneys performing similar functions. Consequently, we have no analytical basis on which to assess the consequences of this proposed reduction on the workload of the CSU legal staff.

**3. Washington D.C. Office—Regulations Not Adopted**

The Legislature deleted \$142,000 in General Fund support from the 1982 Budget Bill that had been requested to partially support the CSU's Washington, D.C. office. Instead, it provided that federal overhead revenues were to be used to fund this office. To implement this change, the Legislature—at CSU's request—included a provision in Ch 327/82 which reads as follows:

"Section 89910 is added to the Education Code to read: 89910. The trustees shall adopt policies providing for the assessment of those auxiliary organizations involved in the administration of federally funded grants-in-aid and research contracts, for cost of the Washington, D.C. office of the California State University. The Chancellor may implement these policies at the time and in the manner deemed appropriate."

At the time this *Analysis* was prepared, CSU had not implemented these policies. In fact, we are advised that CSU is planning to close the Washington, D.C. office for lack of funding.

**4. State-Owned Housing-Rental Rates Adjustment**

*We recommend that employee rental rates for state-owned housing be increased to existing market values, for a General Fund savings of \$62,000 and an increase in reimbursement of \$62,000 (Reduce Item 6610-001-001 by \$62,000).*

In 1982-83, the Legislature instructed the Department of Personnel Administration (DPA) to take several actions regarding the rental rates charged on state-owned housing. Specifically the Legislature:

- Added Control Section 24.50 to the 1982 Budget Act which reduces appropriations of departments having employee-related housing by \$1.1 million (\$950,000 General Fund reduction). (The Department of Finance was directed to apportion these reductions among the affected departments),
- Adopted supplement report language which requires DPA to report to the legislative budget committees by March 1, 1983, on (1) amounts by which rates for state-owned housing were changed in 1982-83 to reflect market values, (2) amounts of additional reimbursements (by fund) the various state agencies will receive in 1982-83 as a result of these rate changes, (3) its plans for making future annual adjustments

to continue the market value policy, and (4) the total amount of reimbursements (by fund) expected to be received by the state in 1983-84 as a result of the new policy; and

- Specified in DPA's Budget Act appropriation (Item 8380) that if housing is a term or condition of employment, the rental rate shall not exceed 25 percent of the employee's gross salary.

In addition, through Ch 1095/82 (SB 1636), the Legislature delegated rental-rate setting authority to the CSU Board of Trustees, and declared legislative intent that all of the provisions of Control Section 24.50 shall apply to the Trustees of the CSU for employee housing provided under their jurisdiction. Prior to this time, this authority had rested first with the Board of Control and then with the Department of Personnel Administration.

**Current Status.** In January 1983, the Board of Trustees, in response to SB 1636, adopted a new rental rate schedule. This schedule is shown in Table 44. As shown in the table, four of the state-owned residences are occupied by campus presidents and one is occupied by the Chancellor. The remaining properties are located on campuses with farm programs. These homes are occupied by caretakers who are covered by memoranda of understanding.

**Table 44**  
**CSU Employee Housing Rents**  
**Effective January 1983**

<i>Campus</i>	<i>Residence</i>	<i>Rent</i>
Chancellor's office.....	Los Angeles, 620 Stone Canyon Road (Chancellor's home)	\$232.00
CSU, Chico .....	Butte, 341 Mansion, Chico (President's home)	151.00
	Butte, Route 3, Box 55, Chico	104.00
CSU, Fresno .....	Fresno, 4411 Van Ness, Fresno (President's home)	164.00
Cal Poly, Pomona .....	Los Angeles, 3801 W. Temple, Pomona, #111	180.00
	(President's Home)	
	Los Angeles, 3801 W. Temple, Pomona, #112A	95.00
	Los Angeles, 3801 W. Temple, Pomona #114	95.00
	Los Angeles, 3801 W. Temple, Pomona #115	86.00
	Los Angeles, 3801 W. Temple, Pomona #29-B	95.00
Cal Poly, San Luis Obispo.....	San Luis Obispo, Cal Poly SLO, (President's home)	180.00
	Parker Ranch	95.00
	Chorro Creek Ranch	104.00
	Cheda Ranch	86.00
	Peterson Ranch	95.00
	Serrano Ranch	95.00

Our analysis indicates that the rents to be charged on CSU-owned housing are considerably below the market value of this housing because the Trustees based the rent levels on the following criteria:

- The housing charges proposed shall be equitable in view of the employee's particular employment situation.
- Fair market values shall be *considered*, (emphasis added) including inflationary/deflationary changes in rental rates. In estimating the value of the rental unit, the rate may be reduced if the unit is in substandard condition. Substandard condition includes such factors as restricted privacy, inadequate utility services, limited size, disturbing noises or odors, poor design, limited accessibility or isolation, and poor



**CALIFORNIA STATE UNIVERSITY—Continued**

maintenance and repair. Rates may also be adjusted depending on any assessments for possessory interest taxes.

- The relationship of the housing to the employee's job shall be considered, including prevailing practices at comparable institutions for the provision of similar housing for such employees.
- Legal factors affecting the provision of such housing shall be considered, including collective bargaining agreements, contracts, terms of employment, trusts, and whether the housing facility was acquired by gift or similar circumstances.
- Utility and maintenance costs attributable to the personal use of the housing by the employee and the employee's cohabitants shall be considered.

**Rental Rates Too Low for Employees Not Covered By MOUs.** Table 45 shows (1) what the market value of homes now occupied by managerial employees not covered by MOUs was in 1973-74 (the most recent year for which data available), (2) the estimated 1983-84 market value, assuming 10 percent appreciation per year, (3) the salaries of the occupants, and (4) the current rental rates for each unit.

**Table 45**  
**CSU Residences Occupied by the**  
**Chancellor and Campus Presidents**

<i>Occupant's Title</i>	<i>1973-74 Market Value<sup>a</sup></i>	<i>Adjusted Market Value<sup>b</sup></i>	<i>Employee's Monthly Salary</i>	<i>Monthly Rental Rates<sup>c</sup></i>	<i>Rate As A Percent of Monthly Salary</i>
Chancellor .....	\$375,000	\$973,000	\$6,667	\$232	3.4%
President, Chico .....	80,000	208,000	5,581	151	2.7
President, Fresno .....	122,500	318,000	5,855	164	2.8
President, Pomona .....	70,000	182,000	5,855	180	3.1
President, San Luis Obispo.....	90,000	233,000	5,855	180	3.1

<sup>a</sup> As reported in Joint Legislative Audit Report 226.2 in June, 1975.

<sup>b</sup> Assumes a 10 percent appreciation rate over a 10-year period.

<sup>c</sup> Does not include monthly utility costs of \$21.50.

As shown in Table 45, these employees now pay rent equal to from 2.7 percent to 3.4 percent of their monthly salary. Given the legislative requirements that rental rates be adjusted to reflect market value, not to exceed 25 percent of the employee's gross salary, it would appear that the new rental rates are too low. As a result, the state is providing a housing subsidy to these employees in excess of what the Legislature has authorized.

**Adjustment of Rates Is Needed.** In response to the *Supplemental Report to the 1979 Budget Act*, the Board of Control recalculated rental rates on these five homes, based on sample market value data. These rates were not implemented at that time due to the uncertainty surrounding the onset of collective bargaining. This uncertainty, however, should not delay the implementation of rates consistent with the Legislature's directive. These five CSU employees are classified as managerial and, therefore, are not covered by collective bargaining agreements.

Accordingly, we recommend that the rental rates on these five units be adjusted to comply with legislative directives. Table 46 shows the 1979

Board of Control rates, the newly adopted CSU rates, and our recommended changes in rental rates based on an adjustment in the 1979 rates.

**Table 46**  
**CSU Employee Occupied**  
**Homes—Rental Adjustment**

<i>Occupant's Title</i>	<i>1979 Board of Control Rates</i>	<i>Current CSU Monthly 1979 Rate</i>	<i>OLA Proposed 1983-84 Rate<sup>a</sup></i>	<i>Proposed Change</i>	<i>Proposed Rate As Percent of Salary</i>
Chancellor.....	\$1,522	\$232	\$1,667 <sup>b</sup>	\$1,435	25.0%
President, Chico .....	537	151	721	570	12.9
President, Fresno.....	1,074	164	1,441	1,277	24.6
President, Pomona .....	954	180	1,280	1,100	21.9
President, San Luis Obispo.....	716	180	961	781	16.4

<sup>a</sup> Rents, per Board of Control Study, (1979), adjusted by change in Residential Rent component of CPI, between 1979-80 and 1982-83.

<sup>b</sup> Equal to 25 percent of current occupant's salary. Adjustment to CPI rate would place rent above the income ceiling.

Adoption of the proposed rates adjusted to become effective July 1, 1983, would result in increased reimbursements to CSU of \$62,000 in 1983-84, permitting a corresponding reduction in General Fund support of the same amount. In summary, we recommend that the Trustees be directed to adjust the rental rates to the amount shown in Table 46, to reflect the market value of state-owned housing (within the 25 percent-of-income limitation). To ensure compliance with this directive, we recommend that the Legislature adopt the following supplemental report language:

"The CSU Board of Trustees shall adopt rental rates on specified state-owned housing as follows:

<i>Address</i>	<i>1983-84 Monthly Rate</i>
620 Stone Canyon Road, Los Angeles	\$1,667
341 Mansion, Chico	721
4411 Van Ness, Fresno	1,441
3801 W. Temple, Pomona	1,280
Cal Poly, SLO	961

These rates shall be adjusted annually to reflect changes in the market value of the property; however, rental rates shall not exceed 25 percent of the employee's salary who occupies the home."

We point out that our recommendation is based on criteria previously established by the Legislature for all state housing which is of predominantly lower market value. We acknowledge that in certain cases, application of these criteria may result in seemingly unreasonably high levels of rent and the Legislature may wish to modify the criteria in such cases.

## **5. Collective Bargaining**

**Enabling Legislation.** Chapter 744, Statutes of 1978 (AB 1091), referred to as the Higher Education Employer-Employee Relations Act (HEERA), established comprehensive provisions governing public employer-employee relations applicable to the University of California (UC), including Hastings College of the Law, and the California State University (CSU). Among other provisions, Chapter 744:

- Requires UC and CSU to meet and confer in good faith with employee groups in an effort to execute a written memorandum of understanding (MOU).

**CALIFORNIA STATE UNIVERSITY—Continued**

- Establishes election procedures to be administered by the Public Employment Relations Board (PERB) for recognizing, certifying, and decertifying organizations which become the exclusive bargaining representatives for employee groups.
- Specifies unfair labor practices on the part of the employer as well as the employee organizations.
- Gives PERB the responsibility to administer the program, including the adjudication of disputes involving the determination of appropriate bargaining units, scope of representation elections and unfair labor practices.
- Prescribes mediation and a three-member panel factfinding procedure to enable parties to resolve impasses. Costs of the mediator and the chairman of a factfinding panel are borne by PERB, while costs of the two remaining members of the factfinding panel are shared by the parties.
- Allows the parties to agree to a "maintenance of membership" arrangement under which employees are not required to join an employee organization, but those who do are required to maintain membership for the duration of the agreement.
- Provides for UC and CSU to deduct specified employee organization fees upon the authorization of the employee.
- Specifies procedures for submitting memoranda of understanding to the Governor and the Legislature for appropriate review and action. If action is not taken, the memoranda shall be referred back to the parties, provided, however, that the parties may agree that provisions of the memoranda which are nonbudgetary and do not require funding shall take effect regardless of whether the aggregate funding requests submitted to the Legislature are approved.
- Provides for a representative of the Governor, Legislature, and students to attend the meet and confer sessions.

**Current Status.** The effective date of Ch 744/78 was July 1, 1979. Due to procedural delays, however, the first representation elections were not held until 1981.

Exclusive representatives have now been selected in eight of the nine CSU bargaining units. Table 47 shows the distribution of CSU employees among bargaining units, and the current status of any MOUs covering these employees.

As shown in Table 47, only four memoranda of understanding (MOUs) covering 10,225 employees were in effect for the start of the current year. In addition, at the time this *Analysis* was prepared, tentative agreement had been reached with Unit 6. It is our understanding that CSU will ask that the financial provisions of this agreement be made retroactive to July 1, 1982.

**How the Process Worked in 1982-83.** As we pointed out in last year's *Analysis*, under the provisions of HEERA, the Trustees have the authority to make final commitments in some policy areas that are not subject to executive and legislative review. Under HEERA, the Legislature must approve MOU provisions which require either (1) the expenditure of funds or (2) a change in the law, before these provisions can be implemented. Additionally, HEERA specifies that if the Legislature or governor does not fully fund an MOU, the *entire MOU* is referred back to the parties for further negotiations.

**Table 47**  
**Distribution of CSU Employees**  
**Among Bargaining Units**  
**and Current MOU Status**

<i>Unit Number</i>	<i>Occupational Group</i>	<i>Number</i>	<i>Percent</i>	<i>Exclusive Representative</i>	<i>MOU Status</i>
1	Physicians .....	119	0.4%	Union of American Physicians and Dentists	MOU effective July 1, 1982 to August 30, 1983
2	Health Care Support .....	264	0.9	CSEA	Currently in negotiations
3	Faculty .....	15,967	51.6	Undecided	—
4	Academic Support ..	1,365	4.4	United Professors of California	Currently in negotiations
5	Operations Support Services .....	2,192	7.1	CSEA	MOU effective July 1, 1982 to June 30, 1985
6	Skilled Crafts .....	940	3.0	State Employees Trades Council	Tentative agreement reached in November, 1982
7	Clerical Support .....	7,697	24.9	CSEA	MOU effective July 1, 1982 to June 30, 1985
8	Police .....	217	0.7	State University Police Association	MOU effective July 1, 1982 to June 30, 1984
9	Technical Support Services .....	2,163	7.0	CSEA	Currently in negotiations
Total Employees .....		30,924	100.0%		

Following completion of negotiations covering Units 1, 5, 7 and 8, CSU notified the Legislature, by letter, that the financial provisions included in these agreements contained exactly the same increases as those provided to all state employees for 1982-83 through the employment compensation item (9800-001-001). These increases included (1) maintenance of the employer's contribution toward health insurance premiums and (2) a reduction in the employee contribution to PERS. CSU further stated that because no additional *budgetary* or *curative* action was required, no action was necessary by the Legislature under the provisions of HEERA. Consequently, the MOUs were not submitted to the Legislature for action.

#### **Problems With Existing Procedures**

*We recommend the enactment of legislation which requires CSU to submit to the Legislature by May 15 of each year all MOUs accompanied by detailed cost estimates for all provisions contained in these MOUs.*

As noted above, CSU did not submit the MOUs for 1982-83 to the Legislature for approval because it asserted that no additional budgetary or statutory action was required.

Subsequent to ratification of the MOUs, we asked CSU to provide a detailed cost accounting of all provisions contained in the MOUs and designate whether the provision required a new appropriation or was considered "absorbable" within CSU's existing appropriation. Table 48 shows the "absorbable" costs of these MOUs, as identified by CSU.

**CALIFORNIA STATE UNIVERSITY—Continued**

**Table 48**  
**Collective Bargaining Costs**  
**Absorbed by CSU**  
**1982-83**

	<i>Unit 1</i>	<i>Unit 5</i>	<i>Unit 7</i>	<i>Unit 8</i>	<i>Totals</i>
Overtime.....	—	—	—	\$99,424	\$99,424
Credit for Saturday Holidays	\$74,924	\$424,543	\$1,355,272	69,403	1,924,142
Overtime holidays .....	—	—	4,314	19,930	24,244
Bereavement leave .....	1,310	9,801	38,919	1,660	51,690
Uniform allowance .....	—	—	—	10,479	10,479
Safety .....	—	5,967	—	—	5,967
Per diem .....	5,000	1,000	4,000	5,000	15,000
Subtotals .....	\$81,234	\$441,311	\$1,402,505	\$205,896	
Total—All Units.....					<u>\$2,130,946</u>

As this table indicates, CSU estimates that *the system will absorb costs in excess of \$2 million in 1982-83 as a result of the MOUs*. If CSU is successful in making the provisions of the MOU recently ratified by Unit 6, retroactive to July 1, 1982, these costs could increase by an unknown amount. In addition, CSU has identified six other categories which may result in "absorbable" costs, but for which no cost estimate can be made at this time.

This information was not presented to the Legislature at the time CSU notified the Legislature of its action with respect to the 1982-83 MOUs.

The CSU's actions raise two issues:

1. Where are existing resources coming from to fund the costs?
2. How will these costs be funded in future years?

The Legislature will need answers to these questions in order to make fiscally sound decisions and keep control over CSU's expenditures. In the future, we believe that the Legislature should be presented with the actual MOUs and full information on the financial impact of their provisions before it is expected to take action on the MOUs. Consequently, we recommend that legislation be enacted requiring CSU to present to the Legislature by May 15 the proposed MOUs along with detailed cost estimates for each one. These cost estimates should include an identification of costs considered "absorbable" by CSU as well as costs requiring a new appropriation. In the case of absorbable costs, CSU should be required to certify the system can continue to absorb them and will not seek additional funding for these provisions in future fiscal years.

## **6. Employee Affirmative Action**

**Faculty Development Program.** The budget proposes \$661,696 for the support of the Faculty Development program in order to continue the present level of support for this program.

The Legislature added funding in the 1978 Budget Act for the Faculty Development program to assist "women, minorities, and other qualified probationary and tenured faculty in the lower academic ranks in meeting the qualifications for retention, tenure, or promotion."

The Faculty Development program includes three major components:

- **Release time (\$589,213).** 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.
- **Mini-grants (\$50,659).** This component provides grants for summer stipends and helps finance the purchase of equipment and materials needed for research projects.
- **Support for presentation of papers at professional meetings (\$21,824).** This component provides funds for travel, per diem, clerical and registration expenses incurred in presenting papers at professional meetings.

Table 49 presents a profile of participants in the Faculty Development program from 1978-79 to 1982-83. The table shows that the annual number of participants in the program declined by about one-fifth over these years, from 227 in 1978-79 to 179 in 1980-81, but rose again in 1981-82 and 1982-83 to 240.

**Table 49**  
**Profile of Faculty Development Program**  
**1978-79 to 1982-83**

	1978-79	1979-80	1980-81	1981-82	1982-83	Totals
Total Program Participants .....	227	200	179	228	240	1,074
Females .....	137	113	117	153	165	685
Percent .....	(60.4%)	(49.8%)	(65.4%)	(67.1%)	(68.8%)	(63.8%)
Minority Group Members .....	82	66	50	77	96	371
Percent .....	(36.1%)	(33.0%)	(27.9%)	(33.8%)	(40.0%)	(34.5%)
Total Persons, Women or Minorities .....	190	150	150	201	215	906
Percent .....	(83.7%)	(75.0%)	(83.8%)	(88.2%)	(89.6%)	(84.4%)

Table 49 also shows that of the 1,074 faculty members who participated in the Faculty Development program from 1978-79 to 1982-83, 906 (84 percent) were women or ethnic minorities.

Part of the increase in participation in this program can be attributed to a change in the eligibility criteria for the program. This change resulted from a directive contained in the *Supplemental Report to the 1981 Budget Act*, which required that lecturers be considered for faculty development funding. The supplemental report also requires CSU to report by February 1, 1983 on the effect of this change in the program's eligibility criteria. We will comment on this report during budget hearings.

## 7. Public Safety

**Report on CSU Programs.** Chapter 884, Statutes of 1980, appropriated \$507,296 to provide 15 public safety personnel (five peace officers and 10 student assistants) and additional equipment for the San Jose Campus, in response to a crime problem at this campus. The 1981 Budget Act provided \$223,291 to continue funding for the additional personnel. In addition, the *Supplemental Report to the 1981 Budget Act* required the CSU to report to the legislative budget committees by November 1, 1982, on the following aspects of the systemwide CSU Public Safety Program with special emphasis on the San Jose campus:

- cost-effectiveness of public safety programs including alternatives to the 24-hour staffing pattern,
- nature and severity of the crime problem at all campuses,
- alternative sources of funding for public safety programs, including student fees, and
- collaborative agreements with local agencies which promote max-

**CALIFORNIA STATE UNIVERSITY—Continued**

imum sharing of expertise, responsibility and costs.

This report has been submitted. The major findings of the report, and our comments on it, are as follows:

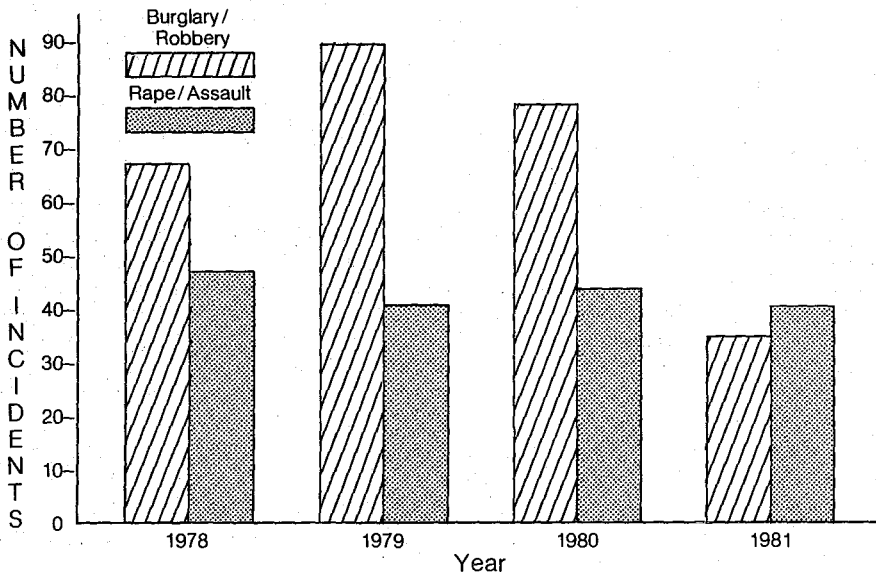
**Cost-Effectiveness of Public Safety Programs.** The report points out that CSU campuses operate with an average of 16 sworn personnel per campus, which is considerably below the national average of 27 peace officers per campus (based on figures reported in the FBI Uniform Crime Report). In addition, CSU has begun to use less-costly personnel to provide services such as night escorts and building openings. The system is also considering the establishment of a new classification—community service officers—to perform nonenforcement duties.

CSU asserts that 24-hour coverage is necessary because campuses lack physical deterrents such as fences and single entry points. It points out that campus facilities, such as library and computing support facilities, generally are available during late night and early morning hours.

**Nature and Severity of Crime Problem at San Jose and on All Campuses.** As noted above, additional funding has been provided in an attempt to stem the crime problem on the San Jose campus. Chart 2 shows the crime trend on the San Jose campus from 1978 to 1981. As this chart shows, the number of serious crimes has decreased from 131 in 1979 to 74 in 1981, for a 44 percent decrease.

On a systemwide basis, rapes and assaults have decreased from 23 incidents in 1980–81 to 14 incidents in 1981–82 (–28%), while robberies and burglaries have increased from 1,122 incidents in 1980–81 to 1,136 incidents in 1981–82 (0.1%).

**Chart 2**  
**San Jose State University Crime Trend**  
**1978 to 1981**



**Collaborative Agreements with Local Agencies.** Finally, the report points out that 15 campuses currently have administrative and mutual aid agreements with concurrent law enforcement agencies. Campuses' public safety programs rely on local jurisdictions to provide laboratory analysis and specialized investigative services. These agreements help eliminate duplication of expertise and resources.

#### **Alternative Sources of Funding For Public Safety Programs**

*We recommend that the Legislature direct CSU to split the cost of Directors of Public Safety between the General Fund and the Dormitory Revenue Fund: Parking Account to more accurately reflect the services being provided, for a General Fund savings of \$296,000. (Reduce Item 6610-001-001 by \$296,000).*

In 1979-80, the Trustees decided that the funding for public safety programs should remain a responsibility of the state General Fund. Accordingly, under current student fee-setting policies, fee revenue from the *Student Services Fee* cannot be used directly to fund these programs, to the extent that reimbursements from the *State University Fee* are used to offset CSU's General Fund appropriation, however, a portion of the public safety program could be funded from that source.

Our analysis indicates that an additional source of funding—the Dormitory Revenue Fund: Parking Account—is available and should be used to partially fund CSU's public safety programs. The Dormitory Revenue Fund: Parking Account receives revenues from individuals using parking facilities on the campuses. These revenues are appropriated to the Trustees, without regard to fiscal year, for acquisition, construction, operation, and maintenance of parking facilities.

Currently, two campuses—Sacramento and Los Angeles—fund their Directors of Public Safety on a split basis. Fifty percent of these two positions is funded through the General Fund, and the remaining 50 percent is funded by the Dormitory Revenue Fund: Parking Account. The rationale for this funding arrangement is that Directors are responsible for a comprehensive public safety program, including traffic enforcement and patrol of parking facilities. This split funding arrangement, in effect, prevents the General Fund from having to finance the cost of services provided to non-General Fund facilities.

We recommend that this funding arrangement be adopted on the remaining 17 campuses in recognition of public safety responsibilities relating to traffic enforcement and protection of persons and property in CSU parking facilities. This would require a minor (4 percent) increase in parking fees, but would result in a General Fund savings of \$296,000 in 1983-84. Table 50 shows the parking fee increase that would be needed in order to fund this proposal.

**Table 50**  
**CSU Parking Fees**

	1982-83	With 4 Percent Increase
Semester charge.....	\$22.50	\$23.40
Quarter charge.....	15.00	15.60



**CALIFORNIA STATE UNIVERSITY—Continued****8. Custodial Day Supplement Eliminated**

The budget proposes the elimination of funding which currently provides supplementary custodial coverage during daytime hours. This proposal would result in a reduction of 74.0 positions, for a General Fund savings of \$1,349,900.

Funding for supplementary day coverage is generated by a budgetary formula which was adopted in 1974. This funding was provided in recognition of the fact that regular working hours for the custodial staff were from 10:00 p.m. to 5:00 a.m., and supplementary coverage was needed to maintain minimal custodial services on campuses during the daytime hours.

In recent years, however, most campuses have changed the regular workshift of the custodial staff from the late evening hours to day shifts running from 5:00 a.m. to 1:00 p.m. This change has, in effect, eliminated the need for supplementary day coverage on those campuses. In 1982-83, \$1,350,000 was reduced from CSU's budget to reflect these savings. This reduction eliminated half of the funding provided for supplementary day coverage.

The budget proposes to eliminate the remaining supplementary day coverage from *all* campuses, thereby requiring campuses that have not yet changed their custodial shifts to the daytime hours to take this action or absorb the costs of supplementary services within existing resources.

We believe that this proposal is reasonable because (1) on those campuses where the custodial shift has been changed, these additional resources are no longer required and (2) the remaining campuses have the option of changing the custodial shift or eliminating daytime services. For these reasons, we recommend approval of this proposal.

**9. Contra Costa Campus Site Sale Recommended**

*We recommend the enactment of legislation to sell the site of a proposed CSU campus in Contra Costa County, because (1) retention of the site is not justified based on population and enrollment projections and (2) an alternative off-campus center has been established, which fills the regional need, for a General Fund revenue increase of \$4,193,000 (Reduce Item 6610-001-001 by \$4,193,000.)*

In August 1969, the state purchased from the Newhall Land and Farming Company a 380-acre site in Contra Costa County. This site was intended to be used for a proposed campus that would be part of the CSU 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 1982, this repurchase price equals \$4,193,000.

***Decline in College Age Population.*** The Contra Costa County site was purchased on the assumption that the state might at some future time wish to develop it as a campus. It is now apparent, however, that the era of higher education enrollment growth is over for the foreseeable future. In fact, an era of *decline* in higher education enrollments, both nationally and in California, will soon begin. Consequently, CSU has not requested funding for the development of a Contra Costa Campus.

Chart 3 shows that the size of California's traditional college age population (18 to 24 years) will peak around 1983, at approximately 3.0 million

persons. Thereafter, this population will decline, to approximately 2.7 million persons in 1991—a decline of 15 percent.

Chart 4 shows a similar decline in projected CSU enrollment during the same time period. Enrollment is expected to peak in 1984 at 325,100 and decline every year thereafter, reaching 312,500 in 1991—a decrease of 4 percent.

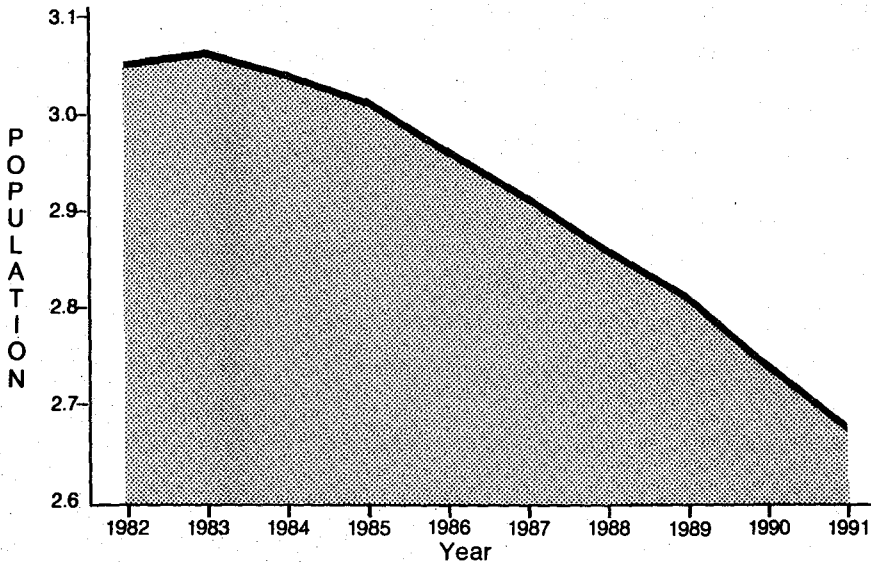
**No Apparent Justification.** The Legislature does not authorize funds for the construction of new campuses in the absence of a recommendation to do so by the California Postsecondary Education Commission (CPEC). On the issue of approving new CSU campuses, CPEC's guidelines state:

"Projected statewide enrollment demand on the California State University should exceed the planned enrollment capacity of existing State University unless there are compelling regional needs."

In order to justify development of a new campus in Contra Costa, therefore, CSU would have to demonstrate either (1) a compelling regional need in Contra Costa County for a new campus or (2) that enrollment at CSU campuses will substantially exceed current enrollment levels. Currently, the system has significant (33 percent) excess capacity, as shown in Table 51.

Chart 3

**College Age Population  
Ages 18 to 24 (in millions)**



## CALIFORNIA STATE UNIVERSITY—Continued

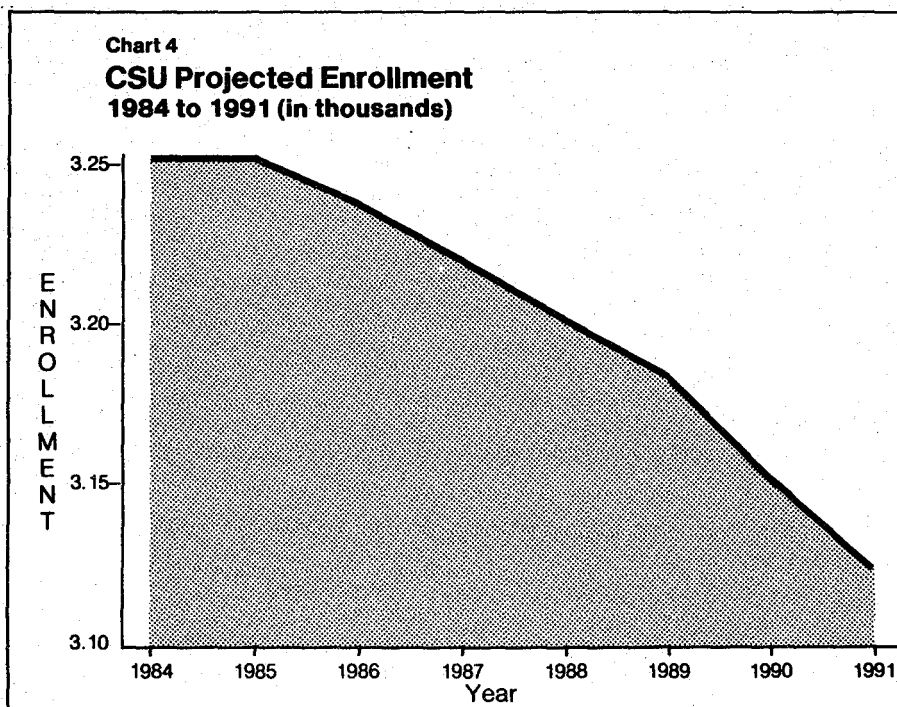


Table 51  
**Comparison of Campus FTE Enrollment Ceilings (Academic Year)**  
**With 1983-84 Allocations**

<i>Campus</i>	<i>Enrollment Ceiling</i>	<i>1983-84 Allocation</i>	<i>Difference</i>	<i>Percent Excess Capacity</i>
Bakersfield .....	12,000	2,420	9,580	79.8%
Chico .....	14,000	12,500	1,500	10.7
Dominguez Hills .....	20,000	5,800	14,200	71.0
Fresno .....	20,000	13,500	6,500	32.5
Fullerton .....	20,000	15,600	4,400	22.0
Hayward .....	18,000	8,660	9,340	51.8
Humboldt .....	10,000	6,580	3,420	34.2
Long Beach .....	25,000	22,000	3,000	12.0
Los Angeles .....	25,000	13,800	11,200	44.8
Northridge .....	25,000	19,100	5,900	23.6
Pomona .....	20,000	13,000	7,000	35.0
Sacramento .....	25,000	16,900	8,100	32.4
San Bernardino .....	12,000	3,850	8,150	67.9
San Diego .....	25,000	24,600	400	1.6
San Francisco .....	20,000	17,700	2,300	11.5
San Jose .....	25,000	18,000	7,000	28.0
San Luis Obispo .....	15,000	14,200	800	5.3
Sonoma .....	10,000	4,400	5,600	56.0
Stanislaus .....	12,000	3,220	8,780	73.2
Totals .....	353,000	235,830	117,170	33.2%

**Regional Need for CSU, Hayward Off-Campus Center.** In November 1980, the Board of Trustees approved a resolution calling for the establishment of a CSU, Hayward Contra Costa Center, effective with the 1981-82 academic year. This resolution was based on the finding of a report prepared by CSU, Hayward entitled "Proposed Contra Costa County Center," November 1980. This report dismisses the idea of a permanent campus in Contra Costa County by stating:

"In view of currently projected overall systemwide enrollment declines and the anticipated state fiscal constraints, the development of a permanent campus, while certainly an attractive proposal for the county, does not appear feasible at this time."

The report concludes that an off-campus center would provide the greatest benefit to the county at the least cost.

CPEC approved the proposal, and CSU obtained funding for an off-campus center in 1981-82 (\$230,000) through Ch 867/81. CSU, Hayward obtained leased quarters at Pleasant Hill High School and began offering classes in 1981.

**Sale of Permanent Campus Site Recommended.** Our analysis indicates that (1) CSU currently has excess campus capacity, (2) CSU systemwide enrollment is projected to decline over the next 10 years, and (3) an identified regional need in Contra Costa County is now being met. Our analysis further indicates that by holding onto the undeveloped campus site the state is earning interest at a rate of 7 percent on a \$4.2 million "savings account." If the site were sold and these funds were invested in the Pooled Money Investment Fund, the state could earn interest at the rate of 10 percent. Thus, the state is foregoing the opportunity to earn a higher rate of return on its investment. Alternatively, these funds could be used to fund other state programs which are experiencing budgetary reductions due to lack of sufficient revenues in 1983-84.

For these reasons, we recommend that legislation be enacted designating the Contra Costa campus site as surplus state land and authorizing its sale, for a General Fund revenue increase of \$4,193,000.

## **10. Special Repairs and Deferred Maintenance (Item 6610-001-146(b))**

### ***We recommend approval.***

The budget requests \$5,725,000 from the Capital Outlay Fund for Public Higher Education (COFPE) for special repairs and deferred maintenance projects in 1983-84. The proposed amount continues a plan to substantially reduce the backlog of these projects. Last year, the Legislature approved \$5,452,000 for this purpose.

CSU estimates that the total deferred maintenance needs of the system are \$10 million. These deferred maintenance needs are categorized in priority order as follows:

- Health and safety (28 projects)—\$1.3 million
- Roofs (41 projects)—\$2.5 million
- Utilities (20 projects)—\$1.1 million
- Heating, ventilation and air conditioning (32 projects)—\$1.4 million
- Buildings (45 projects)—\$1.9 million
- Pavements (10 projects)—\$0.5 million
- Grounds and irrigation (7 projects)—\$0.3 million
- Athletic and recreational projects (8 projects)—\$0.4 million
- Seating (6 projects)—\$0.1 million
- Preventive maintenance program—\$0.3 million
- Emergencies reserve fund—\$0.3 million

**CALIFORNIA STATE UNIVERSITY—Continued**

Based on CSU's priorities, the amount proposed in the budget would fund 89 projects in the first three categories and a portion of the projects in the fourth category.

We have examined CSU's list of projects and believe that the proposed \$5,725,000 is reasonable in light of the system's needs. Accordingly, we recommend approval as budgeted.

**Preventive Maintenance Report.** The Legislature adopted language in the *Supplemental Report to the 1979 Budget Act* directing CSU to submit a preventive maintenance plan by November 1979. In response, the Chancellor's office submitted an interim report on the status of preventive maintenance which (1) proposed that a pilot project be undertaken at one CSU campus and (2) stated that a systemwide task force would be convened to study the problem of preventive maintenance and recommend solutions.

The task force made the following six recommendations:

- Approve the Planned/Programmed Maintenance concept as the CSU management approach to plant operations.
- Adopt a formal statement of mission and responsibilities for plant operations.
- Adopt a policy that each campus shall develop preventive maintenance standards.
- Establish a budgetary differentiation between special repairs and deferred maintenance.
- Establish a formal coordinating function for plant operations in the Office of the Chancellor.
- Appoint a Standing Plant Operations Advisory Group for the purpose of providing follow-up studies.

These recommendations were implemented at the campuses via a CSU executive order.

In addition, the 1979 supplemental report required CSU to submit an annual progress report to the Department of Finance and the legislative budget committees on the implementation of its preventive maintenance activities.

**1982 Progress Report.** The November 1982 progress report points out that:

- All campuses have completed their inventory of equipment and other items to be maintained.
- Sixteen campuses have installed computer software related to preventive maintenance on the campus' mainframe computer; the remaining three campuses are using microcomputer systems.
- Half of the campuses have completed their inventory for programmed maintenance and one-third of the campuses have developed a five-year priority plan.
- A new review procedure for special repair budget requests was used for the 1983-84 cycle, which includes campuses on-site inspections by a three-member team and development of a proposal using six priority criteria: (1) health and safety, (2) impact on instruction or productivity, (3) cost of deterioration, (4) lost capital investment, (5) campus attempt to absorb repair costs, and (6) critical projects to be treated as exceptions.
- In accordance with legislative directives, 14 campuses have developed chargeback procedures for nonmaintenance services provided by campus plant operations staff.

- The Chancellor's office has ensured "that a preventive maintenance program is implemented on each campus". As a result, more efficient management systems have been organized at the campus level, with the expected long-term outcome of a reduction in the incidence of deferred maintenance and emergency repair.

We will continue to monitor this program and report developments to the legislative budget committees as appropriate.

#### 11. Technical Recommendation—Department of Rehabilitation Clients

*We recommend an unspecified reduction in General Fund support for services provided to Department of Rehabilitation clients who are enrolled at CSU, because federal funds are available and can be used for this purpose.*

In the Department of Rehabilitation analysis (Item 5160), we note that excess federal funds are available for clients needing reader and interpreter services in the CSU. These services currently are being supported by the General Fund. We recommend in Item 5160 that federal funds be transferred to the higher education budget items to replace state General Fund support.

At the time this analysis was prepared, the Chancellor's office had no reliable estimate of how much General Fund support was being allocated for this purpose. The office will provide such an estimate during budget hearings to enable the Legislature to transfer the appropriate amount of federal funds to this item, and to make the corresponding General Fund reduction to the CSU General Fund budget.

### VI. INDEPENDENT OPERATIONS

The Independent Operations program includes all program elements that benefit independent financing agencies, faculty, and students, but are not directly related to the objectives of an institution of higher education. An example would be research not directly related to the university's educational mission, performed by CSU on contract to a government agency. Independent operations receive no direct General Fund support. Staffing and support levels for the program in the prior, current, and budget years are shown in Table 54.

**Table 54**  
**Independent Operations Program Expenditures**  
(dollars in thousands)

	Actual 1981-82	Estimated 1982-83	Proposed 1983-84	Change	
				Amount	Percent
Program Totals .....	\$43,251	\$49,298	\$49,806	\$508	1.0%
Funding Source:					
General Fund .....	-373	—	—	—	—
Reimbursements .....	41,121	48,440	48,888	448	0.9
Federal Trust Fund .....	1,766	—	—	—	—
Parking Account, Dormitory Revenue Fund .....	693	858	918	60	7.0
Continuing Education Revenue Fund .....	44	—	—	—	—
Personnel .....	1,158.3	1,650.6	1,644.2	-6.4	-0.4%

## CALIFORNIA STATE UNIVERSITY—Continued

## VII. FOUNDATIONS AND AUXILIARY ORGANIZATIONS

## A. Overview

Foundations and Auxiliary Organizations are separate legal entities authorized by the Legislature to perform functions that contribute to the educational mission of the CSU, as well as provide services to students and employees. Most of these organizations can be grouped into four major categories: associated student organizations, foundations which administer special educational projects, student union operations and commercial activities. All operations of the foundations and auxiliary organizations are intended to be self-supporting; they receive no General Fund support. Table 55 shows the expenditures by these organizations for the past, current, and budget years.

Table 55  
Foundations and Auxiliary Organizations Expenditures  
(in thousands)

	Actual	Estimated	Proposed	Change	
	1981-82	1982-83	1983-84	Amount	Percent
Program Totals .....	\$202,900	\$214,200	\$222,300	\$8,100	3.8%
Reimbursements—federal.....	43,280	46,000	46,000	—	—
Reimbursements—other .....	159,620	168,200	176,300	8,100	4.8

## B. Foundations

The CSU system includes 60 auxiliary organizations, 20 of which are foundations. The foundations are separate, legal entities organized as private, non-profit corporations. Of the 20, 19 are campus-based, and one operates out of the Chancellor's Office. They perform the following functions:

- receive gifts, scholarships, and other trust funds.
- organize fund-raising activities, and
- seek funding for and administer research and special educational projects.

The foundations have their own sources of revenue, and are required by CSU policy to be self-supporting. The largest source of revenue is reimbursements for indirect costs of administering grants and contracts which are sponsored by federal, state, and local governmental agencies and private organizations. Other revenue sources include contributions, income on investments, and service fees paid by other campus organizations.

**CSU Report on Foundations.** In January 1982, the Auditor General Published the results from a study of the CSU foundations. The study focused on indirect costs incurred in the administration of grants and contracts. In particular, the study examined the degree to which foundations and their related campuses incur such indirect costs and recover those costs through reimbursements from the sponsoring agencies.

The central finding of the Auditor General was that the CSU campuses are subsidizing the foundations, contrary to CSU policy requiring the foundations to be self-supporting.

As a result, language was included in the *Supplemental Report to the 1982 Budget Act* which requires CSU to submit a report to the legislative

budget committees by December 1, 1982, detailing a plan for reporting on the indirect costs recovered by CSU foundations. Specifically, the language required CSU to include (1) summaries of direct costs (by campus) remitted by campus foundations for the past three fiscal years, (2) summaries of support provided by the foundations to the campuses, and (3) summaries of grants and contracts for which foundations receive less than the negotiated rate of indirect costs.

At the time this analysis was prepared, the report has not been submitted. We have, however, received a preliminary update on the status of the report's development. The CSU indicates that it is in the process of developing reporting formats which will be distributed annually to campus foundations to collect the required data. We note that this system will collect only prospective information and will not include actual past data, as required by the supplemental language. We expect to receive the final report prior to the budget hearings and will comment further on this issue at that time.

### CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY

Item 6610-301 from the Capital  
Outlay Fund for Public High-  
er Education and the Energy  
and Resources Fund, Energy  
Account

Budget p. E 117

Requested 1983-84 .....	\$10,345,000
Recommended approval .....	2,505,000
Recommended reduction .....	6,385,000
Recommendation pending .....	\$1,455,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. Transfer to General Fund. Recommend that savings resulting from our recommendations (\$6,385,000) be transferred to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide. 1691
2. Modifications to Meet Fire Code Requirements—San Francisco. Withhold recommendation on construction funds to modify nine academic buildings to meet fire code requirements, pending receipt of additional information. 1693
3. *Fire Suppression System, Tiburon Center—San Francisco. Reduce by \$378,000.* Recommend working drawings and construction funds for demolition of abandoned facilities and installation of the fire suppression system at Tiburon Center be deleted because the improvements should be funded from nonstate sources. 1694
4. *Old Library Rehabilitation—San Diego. Reduce by \$2,108,000.* Recommend construction funds to rehabilitate the old library be deleted because (1) the funds proposed in the budget are not sufficient to fund the program as ap- 1695



**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**

- proved by the Legislature and (2) the Department of Finance cannot identify the work to be accomplished.
5. **Correct Elevator Code Deficiencies—San Francisco.** 1696  
Withhold recommendation on \$173,000 for working drawings and construction to modify 26 elevators to meet elevator safety code, pending receipt of additional information.
  6. **Stabilize Slope—Humboldt. Reduce by \$202,000.** 1696  
Recommend construction funds to stabilize Founders Hall slope be deleted because adequate funds are available in the current year to fund this project.
  7. **Remodel Engineering Building—Humboldt. Reduce by \$87,000.** 1697  
Recommend that equipment funds for remodeled facilities be reduced to reflect the state-support allocation for the net new instructional space provided by this project.
  8. **Engineering Building—San Luis Obispo. Reduce by \$2,500,000.** 1697  
Recommend construction funds for new Engineering Building be deleted because (1) the proposed amount is insufficient to fund the project as approved by the Legislature, (2) the Department of Finance cannot identify the work to be accomplished and (3) phasing of the construction portion is not advisable.
  9. **Energy Management System—San Luis Obispo. Reduce by \$174,000.** 1700  
Recommend construction funds be deleted because the proposed amount is not sufficient to fund the project as approved by the Legislature.
  10. **Energy Management System—Pomona. Reduce by \$262,000.** 1700  
Recommend construction funds be deleted because the proposed amount is not sufficient to fund the project as approved by the Legislature.
  11. **Energy Management System—Fullerton.** 1700  
Withhold recommendation on \$235,000 for construction, pending receipt of additional information.
  12. **Energy Management System—Hayward. Reduce by \$434,000.** 1700  
Recommend construction funds be deleted because the proposed amount is not sufficient to fund the project as approved by the Legislature.
  13. **Modifications to Computer Center—San Diego. Reduce by \$240,000.** 1702  
Recommend working drawings and construction funds to modify the ventilation system at the computer center be deleted because funding of the proposed improvements was previously considered by the Legislature and CSU determined that the improvements were not needed.

**ANALYSIS AND RECOMMENDATIONS**

The budget includes \$10,345,000 for capital outlay for the California State University (CSU) in 1983-84. This amount includes \$8 million from the Capital Outlay Fund for Public Higher Education and \$2,345,000 from the Energy and Resources Fund, Energy Account. For discussion purposes, we have divided the CSU's program into two parts, according to the proposed source of funds.

**Transfer to General Fund**

*We recommend that the savings resulting from our recommendations on Item 6610-301-146 (\$5,275,000) and Item 6610-301-189 (\$1,110,000) be transferred to the General Fund, in order to increase the Legislature's flexibility in meeting high-priority needs statewide.*

We recommend reductions amounting to \$6,385,000 in the California State University's capital outlay program from the Capital Outlay Fund for Public Higher Education (\$5,275,000) and the Energy and Resources Fund (\$1,110,000). Approval of these reductions, which are discussed individually below, would leave an unappropriated balance of tidelands oil revenues in these funds, which would be available only to finance programs and projects of a specific nature.

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

**A. PROJECTS FROM THE CAPITAL OUTLAY FUND FOR PUBLIC HIGHER EDUCATION**

Table 1 summarizes the projects proposed to be funded from the COF-PHE in 1983-84, and our recommendations on each one.

**Table 1**  
**California State University**  
**General Improvement Projects 1983-84**  
**Capital Outlay Fund for Public Higher Education**  
**Item 6610-301-146**  
**(in thousands)**

<i>Project Title</i>	<i>Location</i>	<i>Phase<sup>a</sup></i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated<sup>b</sup> Future Cost</i>
(1) Architectural and engineering planning and studies .....	Statewide	p	\$100	\$100	—
(2) Preliminary planning 1984-85 projects .....	Statewide	p	50	50	—
(3) Minor capital outlay .....	Statewide	pwc	983	983	—
(4) Modifications to Fine Arts ventilation system .....	Hayward	c	250	250	—
(5) Modifications to nine academic buildings to meet fire code requirements .....	San Francisco	c	1,047	pending	—
(6) Fire Suppression system at Tiburon Center .....	San Francisco	wc	378	—	—
(7) Old library rehabilitation .....	San Diego	c	2,108	—	\$459
(8) Corrections to meet elevator code deficiencies .....	San Francisco	wc	173	pending	—
(9) Stabilize Founders Hall slope .....	Humboldt	c	202	—	—
(10) Remodel engineering building ..	Humboldt	e	209	122	—
(11) Engineering building .....	San Luis Obispo	c	2,500	—	7,797
Totals .....			\$8,000	pending	\$8,256

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

<sup>b</sup> CSU estimate.

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**  
**Architectural and Engineering Planning and Studies—Statewide**

*We recommend approval of Item 6610-301-146(1), architectural and engineering planning and studies.*

This item provides \$100,000 for campus master planning, consulting services, and technical studies. These funds are allocated to the campuses by the Chancellor's office, on a priority basis, and are used by the campuses to secure technical and professional services relative to capital improvement needs. The proposed amount should be sufficient to meet high-priority needs on a systemwide basis, and we recommend approval of the requested amount.

**Preliminary Planning—1984-85 Projects**

*We recommend approval of Item 6610-301-146(2), preliminary planning for projects expected to be included in the 1984-85 budget.*

The budget proposes \$50,000 for development of preliminary plans for projects expected to be included in the 1984-85 budget for working drawings or working drawings and construction. This funding mechanism has been used, since the 1975 Budget Act to improve project programming and ensure that adequate information is available to the Legislature for review of proposed projects.

The amount of funds proposed in this item will fund planning activities related to the highest priority capital outlay projects proposed in the 1984-85 budget. The Chancellor's office should ensure that allocation of these funds is consistent with the priorities established by the Trustees in the annual capital outlay program.

Given the level of capital outlay funds included in recent budgets, the proposed amount is reasonable, and we recommend approval.

**Minor Capital Outlay—Statewide**

*We recommend approval of Item 6610-301-146(3), minor capital outlay, statewide.*

The budget proposes \$983,000 for minor capital outlay (\$150,000 or less per project) at the various CSU campuses. The requested amount represents a lump sum appropriation to be allocated by the Chancellor's office on a priority basis.

The amount proposed in the budget represents a significant reduction in the level of funds provided for CSU's minor capital outlay. Approximately \$2.4 million was appropriated in the 1981 Budget Act, while \$1.6 million was approved in the 1982 Budget Act. Consequently, the funds proposed for 1983-84 will fund only the highest priority projects included in the Trustees' \$7 million request to the Department of Finance. The amount included in the budget, however, should be sufficient to fund health and safety projects on a statewide basis. We recommend approval of the requested amount.

**Fine Arts Laboratory Ventilation System—Hayward**

*We recommend approval of Item 6610-301-146(4), construction funds, to modify the Fine Arts Building ventilation system to meet safety code requirements.*

The budget requests \$250,000 for improvements to the Fine Arts Build-

ing ventilation system at Hayward. The proposed modifications would correct deficiencies noted in a Cal/OSHA citation. The work to be accomplished includes new fume hoods, new supply and return air systems, and related electrical improvements in seven rooms used for sculpture, lithography, welding and printmaking.

Our review of the preliminary plans indicates that the proposed work should improve substantially the ventilation system in these rooms. Based on assurances by the Chancellor's office that this correction will provide a level of ventilation acceptable to the Cal/OSHA, we recommend approval of the requested construction funds.

**Modify Nine Academic Buildings to Meet Fire Code Requirements—San Francisco**

*We withhold recommendation on Item 6610-301-146(5), construction funds to modify nine academic buildings to meet fire code requirements, pending receipt of additional information.*

The budget requests \$1,047,000 for construction of improvements to nine buildings on the San Francisco campus. The proposed improvements are intended to correct deficiencies noted by the State Fire Marshal. The corrective measures include:

- installation of additional exit signs
- installation of mechanical hold open devices on exit doors which would be released by heat or smoke detectors
- reconstruction to create one-hour rated corridors
- replacement of doors with fire-rated doors
- reconstruction of stair enclosures
- miscellaneous corrective construction including fire sprinklers, and improvements to the ventilation system.

The 1982 Budget Act includes \$48,000 for preliminary plans and working drawings for this project. This amount plus the construction request indicates a total project cost of \$1,095,000.

At the time the Legislature considered appropriation of preliminary plans and working drawings for this project, the estimated construction cost was \$610,000. The construction estimate has been increased to over \$1 million, because the State Fire Marshal identified additional work which had not been identified in his initial evaluation of the buildings. The campus staff, however, are reevaluating the proposed work in an effort to reduce costs. For example, rather than replace all doors which are not labeled as fire rated, the campus tested a typical door and determined that these doors meet the Fire Marshal's requirements. The staff estimates that retaining these doors (which were previously scheduled for replacement) will reduce project costs by \$68,000. The campus is reevaluating other aspects of the project and has indicated that on a preliminary basis, significant additional savings should be achieved.

Unfortunately, the Chancellor's office has informed us that the State Fire Marshal has imposed yet another set of additional improvements not previously identified or included in this project. As a consequence, many items may have to be added, increasing the construction cost. This may negate the savings the campus has been able to achieve through its reevaluation of needed work.

Because of the numerous changes to this project, preliminary plans have not been completed. Accordingly, we are unable to determine the adequacy of the requested funds to correct the deficiencies. Moreover, the

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**

State Fire Marshal should provide written justification for all additional items of correction which he has mandated since the time of the initial inspections. The justification should include the specific code section which requires retroactive upgrading to meet fire code requirements. The State Fire Marshal should also certify that, given the current use of these buildings, no further changes will be required under existing code requirements. Pending receipt of the needed preliminary plans, and the information from the State Fire Marshal, we withhold recommendation on the requested construction funds of \$1,047,000 proposed in Item 6610-301-146(5).

**Fire Suppression System at Tiburon Center—San Francisco**

*We recommend deletion of Item 6610-301-146(6), working drawings and construction of fire suppression system at the Tiburon Center, because the state did not participate in the decision to acquire this facility, and any major improvements should be funded from nonstate sources, for a savings of \$378,000.*

The budget proposes \$378,000 for working drawings and construction of various site improvements, and demolition of structures to meet the state Fire Marshal's requirements at the Tiburon Center.

The university indicates that full development of the Tiburon Center is hampered by the unsafe fire conditions cited by the State Fire Marshal. This includes the lack of adequate fire protection for the 35-acre site. Thus, approximately \$200,000 is proposed for demolition of seven buildings and two docks and \$178,000 is requested to install a fire hydrant system for protection of the site and the six remaining buildings.

The Tiburon Center, located near Paradise Cove in Marin County, is operated by San Francisco State University as a field station for classes in the sciences and related disciplines. The facility was acquired from the federal government in 1976, with the provisos that (1) the university's use of the facility would be compatible with the adjoining laboratory of the National Marine Fishery Service, (2) no major construction would be undertaken at the site, and (3) use of the site would not increase traffic on roads in the Marin area.

The Tiburon Center was accepted by the CSU, by action of the Board of Trustees, in May of 1976. In accepting the facility for use by the San Francisco campus, the Trustees considered the capital outlay issues pertaining to acquisition of the 35 acre site. In the agenda for the May 1976 meeting, supporting information provided by the Chancellor's office indicated that "... no major capital outlay requirements are contemplated in the near future". Further, the agenda indicated that "... it is not known what requirements might be imposed by either the State Fire Marshal or CAL/OSHA, once the property comes under the control and administration of the state. Subject to the approval of the Department of Finance, the university could absorb all or most of the costs arising within its regular minor construction allocation." The Trustees adopted the various constraints and stipulations referred to in the agenda as part of its resolution accepting the property from the federal government.

Consequently, our analysis indicates that given the stipulations mandated by the Trustees in accepting the property, and because the Legislature was not given the opportunity to participate in the decision to acquire this facility, it should not be necessary for the state to fund the proposed major

capital improvements. If the CSU believes that elements of these improvements are a high priority, they should be funded from the minor capital outlay program (as stipulated by the Trustees) or from non-state funds. Accordingly, we recommend deletion of the requested funds proposed in Item 6610-301-146(6), for a savings of \$378,000.

Moreover, development of an academic master plan for use of the facility was also mandated by the Trustees. The master plan is not scheduled to be completed until mid-1983. Development of the academic master plan will allow the Trustees to assess the course work and opportunities related to the Tiburon site, and determine what site improvements, if any, are warranted. At that time the Trustees should also identify the source of non-state funds to finance any major capital improvements.

#### **Old Library Rehabilitation—San Diego**

*We recommend deletion of Item 6610-301-146(7), construction funds to rehabilitate the Old Library at San Diego, because (1) the funds in the budget are not sufficient to fund the program as approved by the Legislature, and (2) the Department of Finance cannot identify the work to be accomplished, for a reduction of \$2,108,000.*

The Legislature appropriated \$114,000 in the 1982 Budget Act for working drawings to rehabilitate 22,175 assignable square feet in the Old Library on the San Diego State University campus. The approved project would have rehabilitated this building to meet current seismic code standards, and converted it to instructional use for engineering, public health, and nursing. The project was to provide an additional 54 full time equivalent students (FTE) in laboratory capacity, 144 FTE in lecture capacity, and 52 faculty offices.

The budget includes \$2,108,000 for the construction of an unidentified portion of this project. The CSU's 1983-84 capital outlay program requests \$2,567,000 for construction of the approved project. Thus, the budget amount is \$459,000 less than the amount the Trustees indicate is needed.

In response to our inquiries regarding the amount of funds proposed in the budget for the project, the Department of Finance staff indicated that they *arbitrarily reduced* the project cost. By letter of January 18, 1983, department staff, in reference to the budget amount for this project and the Engineering Building at San Luis Obispo, asked the Chancellor's office for "a detailed description of what can be accomplished on these two projects with the amount proposed." Furthermore, when the Public Works Board was asked to release working drawing funds for this project, the Department of Finance in accordance with Section 8.00 of the Budget Act, sent written certification to the Legislature, stipulating that *the work to be undertaken was consistent with legislatively approved scope and cost*. Given this certification, we must assume that working drawings are being developed for the project approved by the Legislature.

The funds proposed in the budget will not fund the project approved by the Legislature, and the Department of Finance cannot identify the work to be accomplished at the reduced funding level. Consequently, we have no analytical basis on which to recommend approval of the budget amount. We, therefore, without prejudice to the merits of the project, recommend deletion of the \$2,108,000 in Item 6610-301-146(7).

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued****Correct Elevator Code Deficiencies—San Francisco**

*We withhold recommendation on Item 6610-301-146(8), working drawings and construction, to modify elevators to meet safety code, pending receipt of additional information.*

This \$173,000 project would modify 26 elevators located in 12 state-funded buildings. The work is intended to correct code deficiencies pertaining to seismic safety, fireman's service, and handicapped accessibility.

The CSU indicates that funds are available to prepare preliminary plans in the current year. These plans will identify the particular improvements and associated costs needed to make each elevator comply with the applicable codes. The preliminary plans should be available prior to legislative hearings on the budget. We withhold recommendation on the project, pending receipt and review of this information.

**Stabilize Founders Hall Slope—Humboldt**

*We recommend deletion of Item 6610-301-146(9), construction funds, to stabilize the Founders Hall slope because adequate funds are available in the current year to fund this project, for a savings of \$202,000.*

The 1982 Budget Act appropriated \$28,000 for preliminary plans and working drawings for a project to stabilize a hillside slope located between Founders Hall and a student dormitory on the Humboldt campus. According to the CSU, the hillside poses a landslide danger to the student dormitory and a pedestrian pathway. The project involves removal of the unstable material and compaction of the remaining earth. The budget proposes \$202,000 for the construction portion of the project.

In a letter dated December 23, 1982, the Director of Finance advised the Chairman of the Joint Legislative Budget Committee of the administration's intention to allocate funds from the General Fund Emergency Fund for this project. The director indicated that, on the advice of the consulting engineer, the President of Humboldt State University had ordered the affected dormitory vacated and the students relocated to alternate housing. In view of these circumstances, the director proposed spending \$131,000 from the Emergency Fund to stabilize the slope. The director indicated that completion of the work would allow reoccupancy of the dorm and eliminate the danger to pedestrians in the area.

On January 12, 1983, the Chairman of the Joint Legislative Budget Committee advised the Director of Finance that he concurred with the proposed project but recommended that the needed work be funded from funds available to the CSU in the Minor Capital Outlay appropriation in the Budget Act of 1982, Item 6610-301-146(3). The Chairman indicated that based on the information provided by the CSU, approval of the proposed funds would eliminate the risk for injury and allow reoccupancy of the dormitory facility, thereby eliminating the need for additional funding in the 1983-84 budget.

In view of the fact that adequate funds are available in the current year for this project to proceed, there is no need to appropriate additional funds in the 1983 Budget Bill. According to the CSU, reoccupancy of the dormitory will occur once the improvements financed from current-year funds are completed. Accordingly, we recommend deletion of Item 6610-301-146(9), for a savings of \$202,000.

**Remodel Engineering Building—Humboldt**

*We recommend Item 6610-301-146(10), equipment for remodeling of the Engineering Building, be reduced by \$87,000 to eliminate overbudgeting.*

This item proposes equipment funds in the amount of \$209,000 to equip the remodeled Engineering Building at Humboldt State University. This project will remodel space vacated by the Department of Engineering, which has moved to the new Science Building. The remodeled space would provide additional instructional laboratories for Geology. The requested equipment funds would be used to equip the remodeled space.

Our review of the request indicates that the amount requested for equipment purchases is excessive. Specifically, a portion of the remodeling work provides a new storage area for Geology. This area is needed because the State Fire Marshal required removal of storage cabinets from the hallway in the basement of Founders Hall. Consequently, the remodeling of the Engineering Building provides 4,300 assignable square feet for Geology, of which 1,512 assignable square feet (asf) replace existing laboratories which are to be converted to storage space. Consequently, no new equipment is needed for 1,512 asf of "relocated" laboratories. Thus, the net new instructional space provided by this project is 2,788 assignable square feet. Application of the state-supported guidelines for equipping space in Geology (\$43.80 per square foot) indicates that \$122,000 to equip the new space is justified. We therefore recommend that Item 6610-301-146(10) be reduced to reflect the amount of new space, using the state cost guidelines, for a savings of \$87,000.

**Engineering Building—San Luis Obispo**

*We recommend deletion of Item 6610-301-146(11), construction funds for an Engineering Building at San Luis Obispo, a reduction of \$2,500,000, because (1) the proposed funds are not sufficient to fund the project as approved by the Legislature and (2) the Department of Finance cannot identify the work to be accomplished.*

The 1981 Budget Act included funds for preliminary plans (\$148,000), and the 1982 Budget Act included funds for working drawings (\$288,000) for a new Engineering Building at California Polytechnic State University, San Luis Obispo. The project, as approved, includes space for 143 FTE in laboratories and 151 FTE in lecture, and would provide 50 faculty offices. Upon completion of the project, the university would abandon 50 temporary faculty offices and space in three buildings with a capacity of 87 FTE in laboratories.

The Trustees' 1983-84 capital outlay program requests \$8,622,000 for construction of this project. The budget includes \$2,500,000 for this purpose.

We recommend deletion of the requested funds because (1) it is not known what the scope of the work is that could be accomplished with these limited funds, (2) the proposal is not consistent with the CSU Trustees' priority list of capital outlay projects proposed for 1983-84, and (3) partial funding of construction would establish the undesirable precedent of committing future Legislatures to appropriate funds to complete partially constructed facilities.

**No Project Definition.** The construction amount proposed in the budget represents 29 percent of the amount requested by the CSU. In response to our request for information on this budget proposal, the De-



CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

partment of Finance was unable to identify the work to be accomplished with the proposed \$2.5 million. The Department of Finance did indicate that the requested funds are to "... phase in the construction of the Engineering Building over a two-year period". The department staff indicated that it was their intention that a contractor be hired to construct *some* portion of the building during 1983-84, with the remainder of the building to be constructed by the same contractor when additional funds are appropriated. The Department of Finance, however, did not indicate what portions of the total project would be undertaken in this phase.

As we discuss under our analysis of the San Diego old library project, the *department staff, by letter of January 18, 1982, have asked the Chancellor's office for a detailed description of what can be accomplished with the amounts included in the budget for the SLO project.*

Further, the scope of the entire project is unclear because the budget indicates that the building will contain 75,386 gross square feet, and provide 116 FTE in laboratories, 153 FTE in lecture and 50 faculty offices. On the other hand, the CSU request is for a building containing 63,455 gross square feet, providing the instructional capacity and faculty offices previously approved by the Legislature.

*Trustees' Capital Outlay Priority List Superseded by Department of Finance.* The Department of Finance also indicated in its January 18, 1983 letter that the reductions in the construction request for the buildings were made "... in order to remain within the very limited funds available for capital outlay, but proceed with projects that meet the highest priority program and space deficiency needs in the CSU system."

The funds proposed in the budget, however, do not reflect the priorities established by the CSU Trustees in the 1983-84 capital outlay program. Table 2 shows a portion of the Trustees' program for projects Priority 10 through 13. *All of these projects have previously been considered by the Legislature, and have been approved for funding through the working drawing phase.* The table reveals that the budget does not provide any funds for the projects at San Francisco, San Luis Obispo, and Fullerton listed as priorities 10, 11, and 12, but does provide \$2,500,000 of the \$8,622,000 requested under priority 13.

It appears that the Department of Finance has developed a new system of evaluating the program needs and space deficiencies in the CSU system, which has led it to conclude that 29 percent of the Engineering Building is more critical than 100 percent of any one of the projects proposed in priorities 10, 11, and 12.

We recommend that prior to legislative hearings on the budget, the Department of Finance indicate the basis of this new evaluation criteria.

Table 2  
California State University  
Selected Projects in CSU Priority List  
(in thousands)

Priority	Project	Campus	CSU Requested Amount	Budget Bill Amount
10	Convert Science Building .....	San Francisco	\$1,230	—
11	Convert Library .....	San Luis Obispo	2,259	—
12	Library Conversion .....	Fullerton	1,300	—
13	Engineering Building .....	San Luis Obispo	8,622	2,500

**Partial Construction Funding Limits Future Legislatures.** If it is the administration's intent to phase construction, a future cost of at least \$6.1 million will have to be incurred in order to complete construction of the project. We question both the legality and desirability of proceeding in such a precedent-setting manner. Under current law, construction contracts must be made on a competitive basis. This proposal, however, would either (1) require contractors to bid for construction of the entire project with the knowledge that only 70 percent of the funds are available or (2) require the state to have two bids (Phase I and Phase II). Having two separate bids would limit competition on Phase II because the contractor for Phase I would already be on the job site.

In addition, we question the desirability of proceeding in this manner. If the project is phased, as proposed, the state will have mortgaged the budget for a future year, because without the additional \$6.1 million, the campus will not have a usable building and the state will have spent \$2.5 million for no purpose. In summary, this proposal reflects improper budgeting and would restrict the Legislature's budget flexibility in the future.

Consequently, without prejudice to the merits of the project, but based on the undefined project scope and the drawbacks to phased construction, we recommend deletion of the funds requested under Item 6610-301-1469(12), for a reduction of \$2,500,000.

## B. PROJECTS FROM THE ENERGY AND RESOURCES FUND

The budget includes \$2,345,000 for CSU capital outlay funded from the Energy and Resources Fund, Energy Account. Table 3 summarizes the projects and our recommendations on each one.

**Table 3**  
**California State University**  
**Energy Conservation Projects**  
**Energy and Resources Fund**  
**Item 6610-301-189**  
**(in thousands)**

<i>Project Title</i>	<i>Location</i>	<i>Phase<sup>a</sup></i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated<sup>b</sup> Future Cost</i>
(1) Statewide—Energy Conservation Retrofits .....	Statewide	pwc	\$1,000	\$1,000	—
(2) Energy management system .....	San Luis Obispo	c	174	—	—
(3) Energy management system .....	Pomona	c	262	—	—
(4) Energy management system .....	Fullerton	c	235	pending	—
(5) Energy management system .....	Hayward	c	434	—	—
(6) Modifications to HVAC system in computer center .....	San Diego	wc	240	—	—
Totals.....			\$2,345	pending	

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

<sup>b</sup> CSU estimate.

### Energy Conservation Retrofits—Statewide

*We recommend approval of Item 6610-301-189(1), preliminary plans, working drawings, and construction of energy conservation retrofits.*

The budget requests \$1,000,000 for preliminary plans, working drawings, and construction of 42 energy conservation projects at the CSU cam-

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**

pus. The Chancellor's office has evaluated and ranked these projects, based on project cost, anticipated energy cost savings in the first year, and the estimated "payback" period. All projects have payback periods of less than two years. The estimated total cost avoidance in the first year after completion of the projects is \$850,000.

Based on the advantageous payback of each project, we recommend approval of the requested \$1,000,000.

**Energy Management Systems—San Luis Obispo, Pomona, Fullerton, and Hayward**

*We recommend deletion of Items 6610-301-189(2), (3) and (5), \$870,000 in construction funds for energy management systems at three campuses, because the amounts proposed in the budget are not sufficient to fund the construction portion of the projects as proposed by the CSU.*

*We withhold recommendation on \$235,000 in construction funds for an EMS at Fullerton, pending receipt of completed preliminary plans.*

The budget proposes construction funds for installation of energy management systems (EMS) at four campuses. These systems include installation of computerized central processing units (CPU's) which are connected to sensors and control points in the various buildings to monitor and control the energy consumption in the campus buildings.

**San Luis Obispo.** The 1982 Budget Act appropriated \$14,000 for preliminary planning and working drawings for an EMS at this campus. The request was based on a plan to control energy consumption in six campus buildings through installation of approximately 93 sensing points to control lighting systems and ventilation equipment. The 1982 request indicated that this system would be expandable, but the initial phase would cost \$175,000 for the six buildings to be controlled.

The preliminary plans for this project recently were completed by the consulting engineer. Those plans indicate that construction of the initial phase will cost \$290,000. Consequently, the \$174,000 proposed in the Budget Bill is not adequate to fund the project as previously approved by the Legislature. The project payback is estimated at 4.2 years.

**Pomona.** Preliminary plans and working drawing funds are included in the 1982 Budget Act for this project. Recently completed preliminary plans indicate that the construction portion of the project is approximately \$300,000. This amount, however, exceeds the \$262,000 proposed for construction in the Budget Bill. The project will provide energy control of 12 state-funded buildings, and will have the capability to be easily expanded to serve other buildings on campus.

**Fullerton.** The 1982 Budget Act appropriated \$15,000 for preliminary plans and working drawings for an EMS at Fullerton. At the time this *Analysis* was prepared, the preliminary plans for this project had not been completed. Consequently, there is no information to substantiate the \$235,000 in construction funds proposed in the Budget Bill. The Chancellor's office indicates that the needed preliminary plans will be available prior to legislative hearings on the budget.

**Hayward.** Preliminary plans and working drawing funds (\$33,000) have been approved for this project. Recently completed preliminary plans indicate that the proposed system will provide energy controls for all major campus buildings, except those buildings which either are not a state responsibility or do not have a supportable payback period. The

buildings to be included on the system all have payback periods of under five years. The \$434,000 requested in the Budget Bill for construction, however, is not sufficient to fund the estimated construction cost of—\$446,000.

**Budget Bill Amount Not Adequate for Three Projects.** While the engineering evaluation indicates that a significant amount of energy could be saved through implementation of these projects, the amounts included in the Budget Bill for San Luis Obispo, Pomona, and Hayward are not sufficient to fund the construction phase of these projects. Table 4 compares the budget amounts and preliminary planning amounts for these projects. Without prejudice to the projects but because (1) the amounts in the budget are not adequate to implement the projects as approved by the Legislature, and (2) there is no information indicating the amount of energy reduction and associated cost-savings related to a scaled-back project, we can only recommend that the requested funds be deleted, for a reduction of \$870,000.

**Preliminary Plans Needed for One Project.** Finally, we have not received adequate information to substantiate the construction funds requested for Fullerton. Pending receipt of preliminary plans for this project, we withhold recommendation on the \$235,000 requested for construction.

**Table 4**  
**California State University**  
**Energy Management Systems**  
**(in thousands)**

<i>Campus</i>	<i>Budget Bill Amount</i>	<i>Current Preliminary Plan Estimate</i>	<i>Percent Increase</i>
San Luis Obispo.....	\$174	\$290	67%
Pomona .....	262	300	15
Fullerton .....	235	pending	—
Hayward .....	434	446	3
Total .....	\$1,105	pending	—

**State Funded Systems Extended to Nonstate Funded Buildings.** CSU indicates that for several campuses, non-state funded buildings, such as student unions, cafeterias, health centers, and student housing may be connected to the state-funded central processing unit. The cost of the monitoring points and wiring to the central processing unit would be funded from nonstate funds.

In order to ensure a consistent and equitable cost sharing for energy management systems which serve both state and non-state funded buildings, we recommend that the Legislature adopt Budget Bill language directing the chancellor's office to develop a standard methodology for distributing—to all users—a pro rata share of the cost of central processing equipment. Specifically, we recommend adoption of the following language:

“ . . . Provided that the Chancellor's office shall develop a methodology for determining the pro rata share of the cost of central processing unit equipment which is planned to be connected to non-state funded buildings on CSU campuses.”

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued****Modifications to Computer Center—San Diego**

*We recommend deletion of Item 6610-301-189(6), working drawings and construction funds to modify the ventilation system in the computer center, for a savings of \$240,000, because this work was previously considered for funding by the legislature and was not approved.*

The budget proposes \$240,000 for working drawings and construction to modify the heating, ventilation, and air conditioning system in the computer center on the San Diego campus. Presently, the main computer room is serviced by an independent air conditioning system. The proposed modifications would provide a similar independent system to the computer center support areas. The university indicates that providing an independent ventilating system for the programming areas, data entry, student key punch and terminal rooms would allow these spaces to be used when the remainder of the building is unoccupied.

A substantial amount has been spent to provide a new computer center on the San Diego campus. This work has provided for the upgrading of the main computers, which occurred on a phased basis over the past three years.

Initially, the site preparation to upgrade the main computer at San Diego was to be funded from the 1979-80 minor capital outlay program. The Chancellor's office allocated approximately \$100,000 for the needed work. Subsequently, the university requested additional funds (\$543,000), based on a feasibility study report submitted to the Department of Finance (DOF). This request was reduced to \$282,000 by the DOF, an amount concurred in by the CSU. At that time, the CSU indicated that the reduced amount would be sufficient to provide adequate facilities to conduct the programs related to the computer center. On this basis, the Legislature appropriated \$282,000 in the 1981 Budget Act. *The project proposed for 1983-84 would replace funds which the Department of Finance denied in funding the initial feasibility study.*

We have not received any information from the Department of Finance to indicate why this work, which was determined to be unnecessary in 1981, is now proposed for funding in the 1983 Budget Bill. Lacking such information, we recommend deletion of the funds in Item 6610-301-189(6), for a savings of \$240,000.

**Project by Descriptive Category**

In *The Budget for 1983-84: Perspectives and Issues*, we identify a number of problems that the Legislature will confront in attempting to provide for high-priority state needs within available revenues. To aid the Legislature in establishing and funding its priorities, we have divided those capital outlay projects which our analysis indicates warrant funding into the following seven descriptive categories:

1. Reduce the state's legal liability—includes projects to correct life threatening security/code deficiencies and to meet contractual obligations.
2. Maintain the current level of service—includes projects which if not undertaken will lead to reductions in revenue and/or services.
3. Improve state programs by eliminating program deficiencies.
4. Increase the level of service provided by state programs.
5. Increase the cost efficiency of state operations—includes energy con-

servation projects and projects to replace lease space which have a payback period of less than five years.

6. Increase the cost efficiency of state operations—includes energy conservation projects and projects to replace lease space which have a payback period of greater than five years.
7. Other projects—includes noncritical but desirable projects which fit none of the other categories, such as projects to improve buildings to meet current code requirements (other than those addressing life-threatening conditions), utility/site development improvements and general improvement of physical facilities.

Individual projects have been assigned to categories based on the intent and scope of each project and are identified in Table 5. These assignments do not reflect the priority that individual projects should be given by the Legislature.

**Table 5**  
**California State University**  
**Projects by Descriptive Category**  
**(in thousands)**

<i>Category</i>	<i>Campus/Project Title</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost</i>
1.	None		
2.	Humboldt—Remodel Engineering.....	\$122	—
3.	None		
4.	None		
5.	Statewide—Energy Retrofits .....	1,000	—
6.	None		
7.	Statewide—Architectural Planning .....	100	—
	Statewide—Preliminary Planning.....	50	—
	Statewide—Minor Capital Outlay.....	983	—
	Hayward—Modify Ventilation System .....	250	—
Totals.....		\$2,505	—

## CALIFORNIA STATE UNIVERSITY—REVERSION

Item 6610-495 to the General Fund, and the Capital Outlay Fund for Public Higher Education

Budget p. E 115 and E 126

### ANALYSIS AND RECOMMENDATIONS

#### General Fund Reversion—Chapter 884, Statutes of 1980

*We recommend approval.*

Chapter 884, Statutes of 1980, an urgency measure, appropriated \$1,999,690 from the General Fund to increase public safety staffing on CSU campuses. The CSU has implemented the program funded by this statute, and \$1,774 remains unencumbered. Approval of the requested reversion would provide the necessary legislative action so that these funds can be made available for other purposes. We recommend approval of the reversion.

**CALIFORNIA STATE UNIVERSITY—REVERSION—Continued****Capital Outlay Fund for Public Higher Education—Budget Act of 1982**

*We recommend approval of the proposal to revert funds appropriated by Item 6610-301-146 (29) the Budget Act of 1982. We further recommend that prior to legislative hearings on the budget, the Department of Finance indicate what portion of \$1,942,000 in previously appropriated funds available for expenditure in the current year can be reverted to the unappropriated surplus of the COFPHE Fund, for transfer to the General Fund.*

The budget proposes reversion of \$18,000 appropriated in Item 6610-301-146 (29), the 1982 Budget Act. These funds were appropriated for preliminary plans and working drawings associated with site preparation for the data processing center on the San Jose campus. These funds are not needed because the Department of Finance previously allocated funds for preliminary plans and working drawings. Consequently, we recommend approval of this reversion.

Our analysis of the budget indicates that there are other projects—similar to the San Jose computer center—for which funds are available in the current year but may not be needed. Specifically, the budget indicates that \$1,942,000 is available from prior year balances of appropriation's contained in the Budget Acts of 1979, 1980, 1981, and Chapter 93/80. We recommend that prior to legislative hearings on the budget, the Department of Finance provide an accounting of these balances, and indicate what portion of the funds can be reverted to the unappropriated surplus of the COFPHE Fund. Because leaving unappropriated funds in special accounts limits the Legislature's options in allocating funds to meet high-priority statewide needs, we recommend that the unneeded balances be transferred to the General Fund, so that the Legislature may have additional flexibility in meeting these needs.

**CALIFORNIA MARITIME ACADEMY**

Item 6860 from the General  
Fund and various funds

Budget p. E 127

Requested 1983-84 .....	\$4,088,000
Estimated 1982-83.....	3,691,000
Actual 1981-82 .....	3,530,000
Requested increase (excluding amount for salary increases) \$397,000 (+10.8 percent)	
Total recommended reduction .....	\$473,000

**1983-84 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
6860-001-001—Support		General	\$3,906,000
6860-001-146—Instructional Equipment and Deferred Maintenance		COFPHE	182,000
6860-001-890—Support		Federal Trust	(422,000)
Total			\$4,088,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
page

1. **Tuition.** *Reduce item by \$473,000.* Recommend that tuition be increased by \$1,011 to reflect a student contribution rate equal to 20 percent of the state General Fund cost per student.

1706

**GENERAL PROGRAM STATEMENT**

The California Maritime Academy (CMA) was established in 1929, and is one of six institutions in the United States providing a program for students who seek to become licensed officers in the U.S. Merchant Marine. Students major in either Marine Engineering Technology or Nautical Industrial Technology.

The CMA is governed by an independent seven-member board of governors appointed by the Governor for four-year terms. The academy has 468 students and 133.1 authorized positions in the current year.

**ANALYSIS AND RECOMMENDATIONS**

The budget requests an appropriation of \$3.9 million from the General Fund for support of the California Maritime Academy (CMA) in 1983-84. This amount is 11 percent higher than estimated General Fund expenditures in the current year. The budget for the CMA will increase further by the amount of any salary or staff benefit increase approved for the budget year.

The budget also requests an appropriation of \$182,000 from the Capital Outlay Fund for Public Higher Education (COFPH) for purchase of instructional equipment and for special repairs. This amount is 2.8 percent higher than the CMA's estimated expenditures from the COFPH in the current year. In addition, the budget anticipates that the academy will receive \$422,000 in federal funds in 1983-84. These funds primarily are for student subsidies and are received from the United States Maritime Administration.

Table 1 summarizes expenditures and funding sources for the academy. This table reflects the budget as published, and does not show the \$70,000 midyear reduction required in 1982-83 by Executive Order D-1-83.

**Table 1**  
**Maritime Academy Budget Summary**  
(dollars in thousands)

Programs	Actual 1981-82	Estimated 1982-83	Proposed 1983-84	Change	
				Amount	Percent
Instruction .....	\$1,919	\$2,100	\$2,180	\$80	3.8%
Academic Support .....	1,630	1,711	1,834	123	7.2
Student Services .....	2,482	2,633	2,737	104	3.9
Administration <sup>a</sup> .....	(2,162)	(2,329)	(2,502)	(173)	(7.4)
Totals .....	\$6,031	\$6,444 <sup>b</sup>	\$6,751	\$307	4.8%
General Fund .....	\$3,530	\$3,514 <sup>b</sup>	\$3,906	\$392	11.2%
Capital Outlay Fund for Public Higher Education .....	—	177	182	5	2.8
Federal Trust Fund .....	792	673	422	-251	-59.5
Reimbursements .....	1,709	2,080	2,241	161	7.7
Personnel-years .....	133.8	133.1	134.1	1.0	0.8%

<sup>a</sup> Administrative costs are prorated among the other budget categories.

<sup>b</sup> Does not include midyear reduction of \$70,000.



**CALIFORNIA MARITIME ACADEMY—Continued**

Table 2 shows the changes in the CMA's budget between the current and budget years. The table shows that increases needed to maintain the existing level of services (\$395,000) would be partially offset by a reduction of \$3,000 which is being transferred to the Office of Administrative Law in accordance with Department of Finance instructions. Our analysis indicates that these adjustments are justified.

**Table 2**  
**Proposed General Fund Budget Adjustments for the**  
**California Maritime Academy**  
**(in thousands)**

1. 1982-83 Base Budget .....		\$3,514
A. Changes to maintain existing budget .....		395
Price Increase .....	\$174	
Salary Adjustment .....	55	
Retirement Adjustment .....	126	
Staff Benefit Deficiency .....	40	
B. Office of Administrative Law (OAL) Adjustment .....		-3
Total 1983-84 Support .....		\$3,906

The budget also requests \$16,000 for an additional office assistant position, to be funded by student fee reimbursements. This position would bring the academy's authorized personnel-years to 134.1 in 1983-84. Our analysis indicates that this position is justified as a result of workload increases.

The budget shows an 8 percent increase in reimbursements for 1983-84. This reflects an increase in student fees which will fund increases in the cost of medical care, health insurance, athletic programs, food service, and dormitories.

**Resident Tuition Increase Proposed**

*We recommend that the Maritime Academy (CMA) increase resident tuition by \$1,011 per year to maintain a student contribution rate equal to 20% of the State General Fund cost per student, for a General Fund savings of \$473,000. (Reduce Item 6860-001-001 by \$473,000.) In addition, we recommend that the Legislature direct the CMA to adjust its tuition annually to maintain the funding ratio.*

**Current Fee Levels.** In 1982-83, CMA students who are California residents will pay \$1,214 in tuition and fees. An additional \$3,015 is charged for room and board, bringing total student charges to \$4,229 per year, as shown in Table 3.

**Table 3**  
**CMA Tuition and Fees for Resident Students**  
**1982-83**

Tuition <sup>a</sup> .....	\$645
Athletic Fee .....	45
Medical and Health Insurance .....	399
Service and Activity Fees .....	125
Total Tuition and Fees .....	\$1,214
Room and Board .....	\$3,015
Total .....	\$4,229

<sup>a</sup> Nonresident students pay additional \$1,752 per year for tuition.

**Trends in Fee Levels.** The user fees for room and board and activities have increased over the past five years to cover increased costs. Tuition, which offsets a portion of the academy's instructional costs, has remained at \$645 per year since 1979-80. Table 4 shows the General Fund cost per student, General Fund appropriations, and the student/state contribution during this period.

**Table 4**  
**CMA General Fund Appropriations and Cost Per Student**

	<i>Actual</i> <i>1979-80</i>	<i>Actual</i> <i>1980-81</i>	<i>Actual</i> <i>1981-82</i>	<i>Estimated</i> <i>1982-83</i>	<i>Budgeted</i> <i>1983-84</i>	<i>Change from</i> <i>From</i> <i>1979-80</i> <i>to</i> <i>1983-84</i>
Cost Per Student .....	\$5,683	\$6,796	\$7,542	\$7,530	\$8,282	45.7%
General Fund Appropriation (in thousands) .....	2,660	3,255	3,530	3,514	3,906	46.8
Student Tuition .....	645	645	645	645	645	—
Student Tuition as Percent of Cost.....	11.3%	9.5%	8.6%	8.6%	7.8%	-3.5
State Contribution as Percent of Cost..	88.7	90.5	91.4	91.4	92.2	3.5

This table shows that while state funding and the cost per student have increased by 47 percent and 46 percent, respectively, since 1979-80, the student contribution rate has remained constant. As a result, the students' share of total costs has declined by 3.5 percentage points, while the state's share has increased by this amount.

**State Policy Toward Student Fees.** In 1982, the Legislature directed the California Postsecondary Education Commission (CPEC) to conduct a study of student charges in postsecondary education. This study, known as the ACR 81 study, led to a report in which CPEC recommended that students and the state share in the cost of postsecondary education, and that the appropriate share to be paid by each be clearly identified. The Legislature endorsed this concept in the *Supplemental Report of the 1982 Budget Act*.

Although the ACR 81 study related specifically to the three major segments of higher education, we can find no analytical basis for excluding the Maritime Academy from this policy.

The ACR 81 study recommended that students in the California State University (CSU) system contribute an amount equal to 10 percent to 20 percent of state support per student, and that University of California (UC) students contribute an amount equal to 40 percent to 50 percent of state support per student. Because the Maritime Academy offers undergraduate instruction only, it is more analogous to the CSU system.

The 1983-84 Governor's Budget proposes a \$230 fee increase for the CSU system. If adopted, CSU students will be paying student charges that exceed 20 percent of state support per student. Because the fees paid by CMA students yield an amount that is less than 20 percent of state support for the academy, the General Fund must provide a subsidy to the academy that is proportionately greater than that provided to CSU.

It is unclear why students at the academy should be accorded a higher

**CALIFORNIA MARITIME ACADEMY—Continued**

funding priority than CSU students. Accordingly, we recommend that the resident tuition charged CMA students be increased to reflect a student contribution rate equal to 20 percent of the state's cost per student at the academy. This would result in an increase during the budget year of \$1,011 (from \$645 to \$1,656), for a 1983-84 General Fund savings of \$473,000.

We further recommend that resident tuition be adjusted annually hereafter to maintain the student contribution share at a rate equal to 20 percent of the state General Fund cost per student.

To implement this proposal, we recommend adoption of the following supplemental report language:

"It is the intent of the Legislature that the tuition rate charged to resident students at the California Maritime Academy be adjusted annually to maintain a student contribution rate equal to 20 percent of the state General Fund cost per student."

**Capital Outlay Fund (Item 6860-001-146)**

*We recommend approval.*

The proposed appropriation of \$182,000 from the Capital Outlay Fund for Public Higher Education (COFPH) would be used for instructional equipment (\$80,000) and special repairs (\$102,000). Our analysis indicates that the proposed equipment purchases and repair projects are justified.

**Federal Trust Fund (Item 6860-001-890)**

*We recommend approval.*

The budget proposes an appropriation of \$422,000 from the Federal Trust Fund to provide financial aid to CMA students. Our analysis indicates that these expenditures are justified.

**CALIFORNIA MARITIME ACADEMY—CAPITAL OUTLAY**

Item 6860-301 from the Capital  
Outlay Fund for Public High-  
er Education

Budget p. E 131

Requested 1983-84 .....	\$197,000
Recommended reduction .....	170,000
Recommendation pending .....	27,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATION**

*Analysis  
page*

1. **Faculty Office Addition. Reduce by \$170,000.** Recommend deletion of preliminary plans, working drawings, construction and equipment construction funds for an addition to the faculty office building because existing facilities are adequate to house the faculty. We further recommend that savings resulting from our recommendation (\$170,00) be transferred from the Capital Outlay Fund for Public Higher Education to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide.

1709

2. Minor Capital Outlay. Withhold recommendation on \$27,- 1710 000 for installing fire hoses in dormitories, pending receipt of additional information.

## ANALYSIS AND RECOMMENDATIONS

### Transfer to General Fund

*We recommend that the savings resulting from our recommendations on Item 6860-301-146—\$170,000—be transferred from the Capital Outlay Fund for Public Higher Education to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide.*

We recommend a reduction of \$170,000 in the California Maritime Academy's (CMA) capital outlay proposal. Approval of this reduction, discussed below, would leave an unappropriated balance of tideland oil revenues in the Capital Outlay Fund for Public Higher Education, which would be available only to finance programs and projects of a specific nature.

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

### Faculty Office Addition Not Justified

*We recommend that Item 6860-301-146(1), preliminary plans, working drawings, and construction funds for a faculty office addition, be deleted because a faculty office addition approved in 1976 provided sufficient offices to support the academic program for the authorized enrollment.*

The budget proposes \$170,000 for preliminary plans, working drawings, construction and equipment for an addition to the faculty office building at the California Maritime Academy (CMA). The project would provide six additional faculty offices.

In 1974, the Board of Governors of CMA developed an academic master plan for conversion of this institution to a four-year curriculum. The master plan called for doubling the enrollment to 468 students, and a physical development plan identified capital improvements needed to accommodate the increased enrollment. The Legislature appropriated over \$8.5 million to construct new residence halls, an addition to kitchen and dining room facilities, and new academic support areas such as laboratories, library space, *faculty offices*, and physical education facilities.

Our analysis indicates that additional faculty offices are not needed at CMA. There has not been an increase in the number of students or instructors since the time the 1974 master plan was adopted. Consequently, the existing faculty office facilities are adequate to support the academic program. Accordingly, we recommend deletion of the proposed funds included in Item 6860-301-146(1), for a savings of \$170,000.

**Transfer to General Fund.** Approval of the above recommendation would leave an unappropriated balance of tidelands oil revenue in the Capital Outlay Fund for Public Higher Education where it would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special accounts limits the Legislature's options in allocating funds to meet high-priority needs. So that the Legislature may have additional flexibility in meeting these needs, we

**CALIFORNIA MARITIME ACADEMY—CAPITAL OUTLAY—Continued**

recommend that any savings resulting from approval of this recommendation be transferred to the General Fund.

**Minor Capital Outlay—New Residence Halls**

*We withhold recommendation on Item 6860-301-146(2), Previous capital outlay, pending clarification of the scope of work for fire protection of the dormitories.*

The budget proposes \$27,000 for a minor project to install a one and one-half inch wet standpipe with hoses, and hose connections for fire protection on all levels of the three new dormitories. the additional fire protection is proposed in response to a recommendation made by the Vallejo Fire Department which indicated that, due to the terrain adjacent to the dormitory clusters, it would be difficult for fire-fighting personnel to fight a major fire using the existing fire hydrant systems. The State Fire Marshal's office also evaluated the fire safety of the dormitories, and recommended that improvements be made to upgrade fire-fighting capability in the dormitory clusters.

The project proposed by CMA does not appear to be consistent with the State Fire Marshal's recommendation. the State Fire Marshal suggested that in lieu of extensive construction of new roads or installation of fire sprinklers in the dormitory clusters, installation of "wet standpipes" would provide an acceptable solution to the problem. The standpipes would consist of (1) a six-inch line with several two and one-half inch fire department connections extending from existing fire hydrants to the vicinity of the residence halls and (2) one and one-half inch standpipes extending to the entry point of each building on all floors.

Our review of the information submitted by the CMA indicates that the six-inch line and fire department connections are not included in the project. Accordingly, it is uncertain whether the State Fire Marshal would approve the proposed installation. Pending receipt of information clarifying the scope of work recommended by the State Fire Marshal, we withhold recommendation on the requested minor capital outlay funds.

**Central Fire Reporting System Not Considered.** The Legislature previously funded a project to install a campus central fire alarm reporting system at CMA. This project was justified on the basis that the campus needed a central location to monitor fire-sensing devices, and to be capable of directing fire personnel to the exact location of the fire on the 67-acre site. The CMA estimated that installation of this system would reduce response time from the Vallejo fire department by five to ten minutes.

None of the information submitted in support of the wet standpipe project mentions the installation of this \$150,000 project. the CMA should indicate if the reduced response time planned under the central fire reporting system has been achieved. If it has, CMA should indicate the impact of this improved response time on the need for the wet standpipe project. We recommend that prior to legislative hearings on the budget, the CMA provide this information to the Legislature.

## BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES

Item 6870 from the General

Fund and various funds

Budget p. E 132

---

Requested 1983-84 .....	\$937,401,000
Estimated 1982-83 .....	1,075,269,000
Actual 1981-82 .....	1,073,870,000
Requested decrease (excluding amount for salary increases) \$137,868,000 (-12.8 percent)	
Total recommended reduction .....	\$860,000

---

### 1983-84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
6870-001-001—Board Support		General	\$3,676,000
6870-001-165—Community College Credentials		Credentials	530,000
6870-101-001—Local Assistance		General	926,251,000
6870-101-146—Deferred Maintenance		COFPHE	6,000,000
6870-101-909—Instructional Improvement		Instructional Improvement	944,000
Total			\$937,401,000

---

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis  
page*

1. **Community College Fee Proposal.** Withhold recommendation on the community college fee proposal pending receipt of additional information from the Department of Finance on the assumptions used to develop the Governor's fee proposal. 1728
2. **Investment in People. Reduce Item 6870-001-001 by \$100,000.** Recommend that funds allocated for Investment in People be included in the community college apportionment base rather than allocated separately, so as to avoid setting up separate administrative and funding mechanisms for what are closely related programs. Further recommend that additional reporting requirements imposed on Investment in People recipients be deleted, permitting a reduction in staff support. 1741
3. **Instructional Improvement Program. Reduce Item 6870-101-001 by \$760,000 and include a schedule in Item 6870-101-001, transferring \$760,000 to Item 6870-101-909.** Recommend that funds in the local assistance item be reduced by \$760,000 and that this item include a schedule requiring \$760,000 be transferred to Item 6870-101-909 because these funds are already included in the Instructional Improvement item. 1744
4. **Flexible Calendar Report.** Recommend adoption of budget bill language and enactment of legislation to discontinue publication of an annual report evaluating the flexible calendar program. 1747
5. **Department of Rehabilitation Clients.** Recommend that an unspecified level of General Fund support be deleted because federal funds are available to serve Department of 1748

# BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES— Continued

Rehabilitation clients who are enrolled at community colleges.

## GENERAL PROGRAM STATEMENT

The Board of Governors of the California Community Colleges (CCC) is composed of 15 members appointed by the Governor for four-year terms.

The board serves primarily as a planning, coordinating, reporting, advising, and regulating agency for California's 70 public community college districts. The locally elected boards of the districts are directly responsible for the operation of 107 colleges.

Community colleges are limited to lower division (freshman and sophomore) undergraduate study in the liberal arts and sciences. These colleges, however, offer a large number of occupational, adult, and community service courses, as well. They are authorized to grant associate in arts and associate in sciences degrees, in addition to numerous occupational certificates and credentials. Any high school graduate or citizen over 18 years old may attend a community college.

The Chancellor's Office is the administrative arm of the Board of Governors, and assists the board in carrying out its statutory duties. The Chancellor's Office is authorized 142.2 full-time equivalent positions for the current year.

## A. Enrollment and Average Daily Attendance

1. *Enrollment.* Table 1 shows the student enrollment in the community colleges since 1977-78. As the table indicates, more than 1.4 million adults will attend the community colleges in the current year. Of these students, 964,180, or 66 percent, will participate in credit programs on a part-time basis, while 309,590 students, or 21 percent, will participate in credit programs on a full-time basis. The remaining 175,350 students, or 12 percent of the total, will participate in noncredit programs.

The Population Research Unit of the Department of Finance projects that CCC student enrollment will remain relatively stable, increasing by only 0.1 percent in the budget year.

Table 1  
Community College  
Student Enrollment

	<i>Credit</i>		<i>Noncredit</i>	<i>Total</i>	<i>Percent Change</i>
	<i>Full-Time</i>	<i>Part-Time</i>			
1977-78.....	316,206	801,784	203,749	1,321,739	—
1978-79.....	285,130	763,626	111,063	1,159,819	-12.2%
1979-80.....	282,765	817,916	147,778	1,248,459	7.6
1980-81.....	295,883	894,093	193,260	1,383,236	10.8
1981-82.....	308,060	949,726	177,959	1,435,745	3.8
1982-83.....	309,590	964,180	175,350	1,449,120	0.9
1983-84 <sup>a</sup> .....	309,980	986,020	176,260	1,472,260	0.1

<sup>a</sup> Estimated by the Population Research Unit, Department of Finance.

2. *Average Daily Attendance.* While the University of California and the California State University use full-time equivalent students (FTE) as

a basis for state support, the community colleges use average daily attendance (ADA) as a basis for support. "ADA" measures actual *attendance* rather than enrollment. The use of ADA, rather than FTE, as a measure of workload reflects the fact that originally community colleges were extensions of the K-12 secondary school system. Table 2 shows the state-funded ADA in community colleges since 1977-78.

**Table 2**  
**Community College State-Funded**  
**Average Daily Attendance**

	<i>Credit</i>	<i>Noncredit</i>	<i>Total</i>	<i>Percent Change</i>
1977-78.....	655,922	61,559	717,481	—
1978-79.....	595,563	33,409	634,972	-11.5%
1979-80.....	614,820	55,380	670,200	5.5
1980-81.....	654,442	70,827	725,629	8.3
1981-82.....	669,588	65,566	735,154	1.3
1982-83 (estimated) .....	648,138	68,566	716,704	-2.5
1983-84 (budgeted) .....	648,138	68,566	716,704	—

For the current year, the 1982 Budget Act provided sufficient state funding to community college districts to support 716,704 ADA, of which approximately 9 percent is generated by noncredit programs. In 1982-83 the total number of ADA is estimated to be 2.5 percent less than the ADA in 1981-82. This decrease in state-funded ADA is due primarily to the reductions in state support for recreational, avocational, and personal development courses. We discuss these reductions later in this *Analysis*.

It should be noted that actual ADA on campus exceeds state-funded ADA. This is because additional ADA can be funded from either district sources or from fee revenue.

The Governor's Budget projects that state-funded ADA will remain unchanged for the 1983-84 year.

## **ANALYSIS AND RECOMMENDATIONS**

### **A. Expenditures**

As shown in Table 3, the budget provides \$1,822.4 million for the support of the community college system in 1983-84. This is virtually the same level of support estimated for the current year. The budget proposes that \$945,600,000 of the total come from state funding sources, with the remainder coming from local revenues (\$435,000,000), federal funds which flow directly to community college districts (\$85,000,000), and other sources (\$356,200,000). Of the amounts budgeted to come from other sources, \$109.5 million reflects the adoption of significant new policy. This amount would be derived from a new fee charged to community college students. The budget calls for the fee to be set at \$50 and \$30 per semester for full and part-time students, respectively.

The largest component of state support budgeted for the community colleges—\$929,900,000—comes from the General Fund. In addition, the budget requests appropriations of \$6,000,000 from the Capital Outlay Fund for Public Higher Education (COFPE) and \$9,700,000 from state reimbursements and various special funds.



# BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES— Continued

**Table 3**  
**Total Support for Community Colleges From All Sources**  
(in millions)

	<i>Actual</i> <i>1981-82</i>	<i>Estimated</i> <i>1982-83</i>	<i>Proposed</i> <i>1983-84</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. State					
State Operations .....	\$6.5	\$6.3 <sup>a</sup>	\$6.3	—	—
Categoricals .....	59.0	69.4	66.2	-3.2	-4.6%
Apportionments .....	1,014.9	1,008.8	873.1	-135.7	-13.4
Subtotals, State .....	\$1,080.4	\$1,084.5	\$945.6	-\$138.9	-12.8%
2. Local					
Property Taxes .....	\$408.5	\$384.8	\$413.8	\$29.0	7.5%
Local Debt .....	22.4	21.2	21.2	—	—
Subtotals, Local .....	\$430.9	\$406.0	\$435.0	\$29.0	7.1%
3. Federal .....	\$116.3	\$85.6	\$85.6	—	—
4. Other .....	\$262.3	\$246.7	\$356.2	\$109.5	44.4
Totals .....	\$1,889.9	\$1,822.9	\$1,822.4	-\$5	.02%
<i>General Fund</i> .....	<i>\$1,073.0</i>	<i>\$1,068.2</i>	<i>\$929.9</i>	<i>-\$138.3</i>	<i>-12.9%</i>
<i>COPFHE</i> .....	—	6.0	6.0	—	—
<i>Other State/</i>					
<i>Reimbursements</i> .....	<i>7.4</i>	<i>10.3</i>	<i>9.7</i>	<i>-.6</i>	<i>-5.8</i>
<i>Local</i> .....	<i>430.9</i>	<i>406.0</i>	<i>435.0</i>	<i>29.0</i>	<i>7.1</i>
<i>Federal</i> .....	<i>116.3</i>	<i>85.6</i>	<i>85.6</i>	—	—
<i>Other</i> .....	<i>262.3</i>	<i>246.7</i>	<i>356.2</i>	<i>109.5</i>	—

<sup>a</sup> Estimated expenditures for 1982-83 do not reflect the 2 percent unallotment directed by Executive Order D-1-83.

Source: Chancellor's Office.

Table 4 shows the changes in total expenditures from the current year that are proposed in the budget for 1983-84. These changes, though individually significant, net to a reduction of approximately \$.5 million. The budget reflects a decrease in *local assistance* expenditures of \$476,000 below the 1982-83 level of \$1,815.5 million. *State operations* expenditures are proposed to decrease by \$23,000, to a level of \$6,349,000 in the budget year.

**Table 4**  
**California Community Colleges**  
**Summary of Changes From 1982-83 Budget**  
(in thousands)

**I. Local Assistance:**

1982-83 Budget (Revised) .....	\$1,816,515
A. Baseline Adjustments	
1. Apportionments .....	\$111,245
2. Cost-of-Living Adjustments .....	1,293
3. Student Fees .....	109,476
Total, baseline adjustments .....	-476
1983-84 Budget (Local Assistance) .....	\$1,816,039

**II. State Operations:**

1982-83 Budget (Revised) .....	6,372
A. Baseline Changes .....	

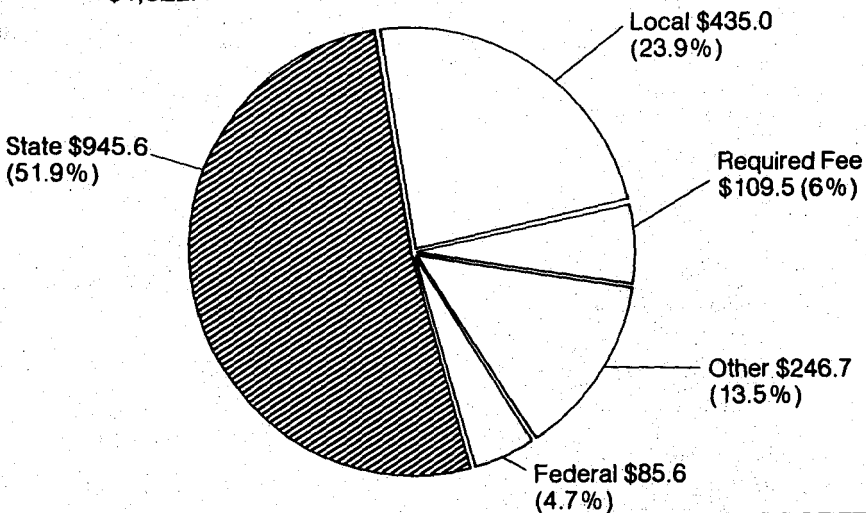
1. Personal Services .....		
a. Merit Increases .....	15	
b. Staff Benefits .....	162	
c. Workload Adjustments .....	-213	
2. Operating Expenses/Equipment .....		
a. Price Increase .....	65	
b. Office of Administrative Law .....	-29	
c. Workload Adjustments .....	-23	
Total, baseline adjustments .....		-23
1983-84 Budget (State Operations) .....		\$6,349
III. Total Budget for 1983-84 Budget .....		\$1,822,388
Total Change .....		-499
<i>General Fund</i> .....		-\$138,283
<i>Other State Funds</i> .....		-345
<i>Local Funds</i> .....		29,000
<i>Fee Revenues</i> .....		109,476
<i>Reimbursements</i> .....		-347

Chart 1 shows that if the Governor's Budget proposal for community colleges is adopted, approximately 52 percent of the total funds available to the community colleges would come from the state, 24 percent would come from local sources, 4.7 percent would come from federal sources, 13 percent would come from other sources and 6 percent could come from the proposed new student fee.

Chart 1

### California Community Colleges Proposed Revenues for 1983-84 (in millions)

Total Revenues  
\$1,822.4



**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—  
Continued**
**I. LOCAL ASSISTANCE (Item 6870-101-001)**

The local assistance portion of the budget for the community colleges has two components: community college apportionments and categorical aids. The major categorical aid programs include the Extended Opportunities Program and Services (EOPS), handicapped student apportionments, and deferred maintenance/special repairs.

**A. Community College Apportionments**
**1. Overview**

Chapter 103, Statutes of 1981 (AB 1626), as amended by Ch 1128/81 (AB 1369), establishes a mechanism for allocating community college state aid in 1981-82 and 1982-83. Specifically, the legislation:

- provides block grant funding to community college districts based on their prior-year general purpose revenues plus a 5.0 percent inflation adjustment,
- establishes a procedure to prorate district claims if the amounts claimed exceed the available funds,
- funds average daily attendance (ADA) growth and decline on an incremental revenue funding basis,

**Table 5**  
**Board of Governors of the California Community Colleges**  
**Budgeted Local Assistance**

	<i>Actual 1981-82</i>	<i>Estimated 1982-83</i>	<i>Proposed 1983-84</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
A. Apportionments .....	\$1,014,915	\$1,008,828	\$869,052	-\$139,776	-13.8%
B. Categorical Aids					
1. Apprenticeships .....	9,947	9,947	9,947	—	—
2. Lease-Purchase .....	4,044	4,044	4,044	—	—
3. EOPs .....	24,466	24,691	25,432	741	3.0
4. Handicapped .....	18,396	18,396	18,948	552	3.0
5. Academic Senate .....	68	68	68	—	—
6. Instructional Improve- ment .....	782	1,102	944	-158	-14.3
7. Student Affirmative Ac- tion .....	222	111	—	-111	-100.0
8. Vocational Education Special Projects .....	1,053	2,928	2,928	—	—
9. Deferred Maintenance and Special Repairs .....	—	6,000	6,000	—	—
10. Investment in People .....	—	2,100	1,900	-200	-9.5
Subtotals, Categorical Aids .....	(\$58,978)	(\$69,387)	(\$70,211)	(824)	(1.2%)
Totals, Budgeted Local Assistance .....	\$1,073,893	\$1,078,215	\$939,263	-\$138,952	-12.9%
General Fund .....	\$1,069,441	\$1,064,734	\$926,251	-\$138,483	-13.0%
CC Fund for Instructional Im- provement .....	244	453	184	-269	-59.4
Capital Outlay Fund for Public Higher Education .....	—	6,000	6,000	—	—
State School Fund .....	3,155	3,900	3,900	—	—
Reimbursements .....	1,053	3,128	2,928	-200	-6.4

- provides an allocation mechanism to equalize per-ADA revenues among districts, and
- establishes a differential funding mechanism for noncredit adult education and credit ADA.

Table 5 shows the amounts budgeted for local assistance in the past, current, and budget years.

The budget proposes a reduction in the General Fund appropriation for local assistance in 1983-84 that is \$139 million, or 13 percent of the amount appropriated for the current year. The major funding changes proposed in the local assistance component of the budget include (1) a \$139.8 million decrease in state apportionments, (2) a \$0.7 million increase in the EOPs program, and (3) a \$0.5 million increase in the handicapped program.

The proposed reduction in state support, however, does not reflect a corresponding drop in the programs or services provided for community college students. This is because, as shown in Table 6, \$109.5 million of the proposed decrease in state apportionments would be made up by requiring all community college students to pay a fee each semester, and another \$30.3 million of the reduction would be offset by increases in property tax revenues.

**Table 6**  
**Community College Apportionments<sup>a</sup>**

	<i>Actual</i> 1981-82	<i>Estimated</i> 1982-83	<i>Proposed</i> 1983-84	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. General Fund .....	\$1,011.8	\$1,004.9	\$869.2	-\$135.7	-13.5%
2. Local property taxes .....	408.5	382.1	412.4	30.3	7.9
3. Timber taxes .....	(2.6) <sup>b</sup>	2.7	1.4	-1.3	48.1
4. State school fund .....	3.1	3.9	3.9	—	—
5. Required fee .....	—	—	109.5	109.5	—
Totals .....	\$1,423.4 <sup>c</sup>	\$1,393.6 <sup>c</sup>	\$1,396.4 <sup>c</sup>	\$2.8 <sup>c</sup>	2%
Per ADA .....	\$1,936	\$1,944	\$1,948	\$4	2%
Credit .....	(\$2,108)	(\$2,044)	(—)	—	—
Noncredit .....	(\$1,100)	(\$1,100)	(—)	—	—

<sup>a</sup> Excludes funds for apprentices and Investment in People, and includes funds for West Kern which is 100 percent locally funded.

<sup>b</sup> Not included in the apportionment calculation for the 1981-82 year.

<sup>c</sup> Dollars in millions.

a. *How well is California Supporting Community Colleges?* Table 7 shows the growth in per-ADA revenues going to community colleges since 1977-78 (the last fiscal year prior to the voters' approval of Proposition 13). A summary review of this data might lead to the conclusion that community colleges have not fared well since the passage of Proposition 13. As the table indicates, revenues per ADA increased by only \$256, or 15.5 percent, over this five year period, while the growth in the costs of providing government services (as measured by the GNP Deflator for State-Local Government Purchases increased by 50.1 percent.

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—  
Continued**

**Table 7**  
**Community College Funding <sup>a</sup>**

	<i>Revenues Per ADA <sup>a</sup></i>		<i>COLA Provided</i>	<i>GNP Deflator for State-Local Government</i>
	<i>Amount</i>	<i>Percent Change</i>		
1977-78.....	\$1,688	—	—	—
1978-79.....	1,767	4.7%	6.8%	8.3%
1979-80.....	1,807	2.3	8.9	8.2
1980-81.....	1,852	2.5	9.0	8.5
1981-82.....	1,936	4.9	5.0	8.8
1982-83.....	1,944	.3	0	8.5
Cumulative Change .....	\$256	15.5%	33.1%	50.1%

<sup>a</sup> Includes credit and noncredit revenues per ADA. Also includes funding for Lease-Purchase, Investment in People, and Apprentices.

Source: Chancellor's Office.

Our review indicates, however, that focusing only on the growth in per-ADA revenue data can be misleading because:

- It does not give adequate recognition to the Legislature's efforts to provide COLAs to the community colleges during this time period. As table 7 shows, the Legislature provided cost-of-living adjustments to community college apportionments that amounted to 33 percent during the period as whole.
- The low rate of growth in per-ADA revenues is primarily due to the community college finance mechanism which fund the growth in ADA at a rate that is less than the average cost (including fixed costs) per ADA.

For example, in 1980-81, the Legislature provided a 9.0 percent COLA to community college base apportionments, which was .5 percent higher than the GNP deflator for that year. However, because districts' *actual* ADA grew by more than what was budgeted for ADA growth (8.2 percent compared with 2.0 percent), and because the growth in ADA is funded on a marginal basis, the actual growth in per-ADA revenues during that year was only 2.5 percent, despite the Legislature's effort to provide funds to offset the effects of inflation on the purchasing power of community college revenues.

The data in Table 7 also shows that if a district did not experience any growth in ADA, the district would have received 33 percent more in revenues per ADA. Although we recognize that this increase does not allow districts to offset the entire amounts of inflation during this period, our analysis indicates that districts which did not grow received more than 15 percent in revenues per ADA.

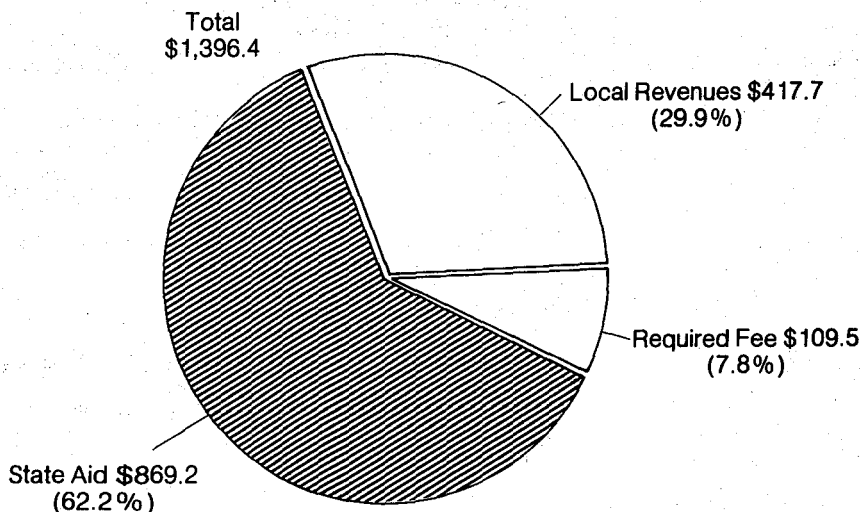
Districts which did experience significant increases in ADA received an average of 15 percent in per-ADA revenues, however, because these districts experienced more growth, they had greater flexibility to spread their fixed costs over a larger budget base. Consequently, those districts may have only received 15 percent more per ADA but also benefited from the increased ADA growth.

Chart 2 shows the sources of funding for community college apportionments, as proposed in the budget for 1983-84. If the proposal contained in the budget is adopted:

- 30 percent of the revenues will be derived from local revenues, such as the property tax, state subventions, and trailer coach fees,
- 62 percent of the revenues will be derived from the State General Fund, and
- 8 percent will come from a new required fee of \$100 per year for full-time students and \$60 per year for part-time students.

Chart 2

### Community College Apportionments Proposed for 1983-84 (in millions)



## 2. Community College Fees

The authority for the 70 local governing boards to levy fees is limited by the Education Code. Currently, districts are authorized to levy up to 18 permissive fees for specified purposes. In addition, districts are required to levy a tuition charge on all nonresident students.

Table 8 lists the types of charges districts are authorized to levy. As shown in the table, these fees can be grouped into three categories:

- **Fees for student services.** Districts are allowed to levy fees for specified services such as parking, health services, or transportation. In 1981-82, districts generated \$6.0 million from health fees and \$4.1 million from parking fees. There is no data available on revenues generated from other specified student services fees.
- **Fees for instruction.** These fees are imposed on students electing to take community service classes and other classes that do not receive any state apportionment aid. In addition, this category includes charges for nonresident tuition, the only fee districts are required to levy. In 1981-82, districts generated \$36.7 million in fee revenue for instruction. Of this amount, \$29.8 million came from nonresident tuition.

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—  
Continued**

- **Fees related to instruction.** This category includes fees that are levied for materials and activities related to instruction, such as fees for field trips and materials use fees. No statewide data is available on the total revenues generated from these fees. The Association of Community College Administrators, however, indicates that approximately \$3.3 million in fee revenues was generated in 1981–82. This estimate was based on a survey of 50 districts, and does not reflect fee revenues generated by the remaining 20 districts.

**Table 8  
Authorized Student Fees  
Community Colleges**

<i>Education Code Section</i>	<i>Description</i>	<i>Maximum Charge</i>
<b>Fees for Student Services</b>		
32221 .....	Insurance benefits for Athletes	The cost of coverage
72246 .....	Health fees	\$7.50 per semester or \$5 per quarter
72247 .....	Parking fees	\$20 per semester or \$40 per year
72248 .....	Transportation	\$20 per semester or \$40 per year
72250 .....	Program changes	\$1
72251 .....	Late application for admission or readmission	\$2
76223 .....	Student records	Actual cost of furnishing copies
79121 .....	Child development centers	No maximum stipulated
82305.5 .....	Transportation expenses for adult students	Cost of transportation services
<b>Fees for Instruction</b>		
76140 .....	Nonresident tuition <sup>a</sup>	Current cost of education
78350 .....	Community service classes	Cost of maintaining class
78462.5 and 84604.5 .....	Classes not eligible for state aid	Cost of maintaining class
<b>Fees Related to Instruction</b>		
32033 .....	Eye protection devices	Actual cost
72640 .....	Field trips	No maximum specified
72641 .....	Insurance for field trips	No maximum specified
78930 .....	Instructional materials	Actual cost of materials
81457 .....	Sale of student products to students	Cost of product material
81458 .....	Materials fee for adult classes	Cost of materials

<sup>a</sup> Districts are required to levy this fee.

a. **Increasing Use of Student Charges.** Table 9 shows the trend in fee revenues received by districts since 1977–78. This table reflects only the revenue from those fees that districts are allowed to levy at their discretion. The table shows that:

- Total fee revenues have increased \$6.3 million (58 percent) since the passage of Proposition 13.
- Enrollments have increased by approximately 114,000 (8.6 percent) during the same period.
- On a per-student basis, the use of fees has increased the average student's costs by \$3.74, raising it from \$8.17 to \$11.91.

**Table 9**  
**Community Colleges**  
**Student Charges Revenues<sup>a</sup>**

	<i>Fee Revenues (in millions)</i>	<i>Percent Change</i>	<i>Enrollments</i>	<i>Percent Change</i>	<i>Fee Per Enrollment</i>	<i>Percent Change</i>
1977-78.....	\$10.8	—	1,321,739	—	\$8.17	—
1978-79.....	9.8	-9.2%	1,159,819	-12.2%	8.45	3.4%
1979-80.....	11.2	14.3	1,248,459	7.6	8.97	6.1
1980-81.....	13.6	21.4	1,383,236	10.8	9.83	9.6
1981-82 (estimated) ....	17.1	25.7	1,435,745	3.8	11.91	21.1
<i>Cumulative change ....</i>	<i>\$6.3</i>	<i>58.3%</i>	<i>114,006</i>	<i>8.6%</i>	<i>\$3.74</i>	<i>45.8%</i>

<sup>a</sup> Excludes nonresident tuition and fees for handicapped centers.

Source: Chancellor's office.

**Table 10**  
**California Community Colleges**  
**Average Annual Fees<sup>a</sup>**  
**1981-82**

<i>District</i>	<i>Fee Revenue Per ADA</i>	<i>District</i>	<i>Fee Revenue Per ADA</i>
Lake Tahoe .....	\$68.24	Peralta.....	\$16.44
Butte .....	54.81	Monterey Peninsula.....	16.25
Chaffey .....	44.24	Sierra .....	15.82
Coachella Valley.....	43.86	San Bernardino.....	15.76
Saddleback .....	43.34	Santa Monica.....	14.79
Sonoma .....	41.88	Allan Hancock.....	12.77
Imperial Valley .....	40.75	Fremont-Newark .....	11.81
Rio Hondo .....	40.27	West Kern .....	11.78
Sweetwater .....	35.66	San Jose.....	11.55
Ventura .....	34.93	Santa Barbara .....	11.46
Mira Costa .....	32.87	Los Rios .....	11.10
Citrus.....	32.66	San Diego.....	10.94
Marin .....	29.40	San Mateo .....	10.73
Pasadena.....	28.80	Long Beach .....	10.33
Sequoias .....	28.68	Redwoods.....	9.11
San Luis Obispo .....	28.62	Lassen .....	8.54
Palomar.....	27.84	Kern.....	7.17
Coast .....	27.74	Contra Costa .....	6.50
North Orange .....	27.41	San Joaquin Delta .....	5.63
Gavilan .....	26.05	Mt. San Jacinto .....	5.24
Siskiyou .....	23.52	West Hills.....	3.37
Riverside.....	22.57	Napa .....	3.69
State Center .....	21.27	Palo Verde.....	2.55
Yuba.....	20.91	Barstow.....	2.27
Solano .....	20.37	Antelope Valley .....	1.41
Foothill/DeAnza .....	20.20	Compton.....	.85
West Valley .....	20.10	Hartnell .....	.78
Mt. San Antonio.....	19.54	Los Angeles .....	.32
Glendale .....	18.90	San Francisco .....	.28
Cabrillo .....	18.49	Victor Valley.....	.24
Mendocino .....	18.25	El Camino .....	.09
Rancho Santiago.....	17.89	Santa Clarita .....	.00
Merced .....	17.54	South County .....	.00
Yosemite .....	17.18	Cerritos.....	.00
Crossmont .....	16.96		

<sup>a</sup> Excludes fees generated from nonresident tuition.

Source: Chancellor's office.



# BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES— Continued

b. *Varying Utilization of Fees by Districts.* Although fee revenues have increased statewide, there is considerable variation in the use of discretionary fees among districts. Table 10 shows this variation. It indicates that discretionary fee revenues range from zero in three districts to as much as \$68 per ADA in the Lake Tahoe Community College District.

There is also considerable variation among districts in terms of how specific fees are used. For example, Shasta College levies an instructional materials fee but limits the use of the fee for only those tangible materials needed by students which a student can obtain for his/her consumption or personal enjoyment, such as clay for an art class or car parts for an auto repair class. Other districts, such as Riverside, and State Center, require that the instructional materials be levied in *all* courses. For example, in the current year, the Citrus District has levied an instructional materials fee ranging from \$2 for a creative writing class to \$40 for a clinical practice course in dental assisting.

**Table 11**  
**Public Community College Fee Levels**  
**Fall 1980**

<i>State</i>	<i>Average Annual Fee</i>	<i>State</i>	<i>Average Annual Fee</i>
Alabama.....	\$340	Montana.....	\$273
Alaska.....	420	Nebraska.....	498
Arizona.....	562	Nevada.....	391
Arkansas.....	384	New Hampshire.....	639
California.....	11	New Jersey.....	566
Colorado.....	528	New Mexico.....	260
Connecticut.....	358	New York.....	903
Delaware.....	529	North Carolina.....	143
Florida.....	392	North Dakota.....	636
Georgia.....	460	Ohio.....	886
Hawaii.....	92	Oklahoma.....	369
Idaho.....	440	Oregon.....	446
Illinois.....	396	Pennsylvania.....	724
Indiana.....	736	Rhode Island.....	494
Iowa.....	583	South Carolina.....	489
Kansas.....	394	South Dakota.....	—
Kentucky.....	479	Tennessee.....	319
Louisiana.....	274	Texas.....	207
Maine.....	678	Utah.....	446
Maryland.....	542	Vermont.....	1,065
Massachusetts.....	528	Virginia.....	354
Michigan.....	524	Washington.....	312
Minnesota.....	615	West Virginia.....	346
Mississippi.....	349	Wisconsin.....	592
Missouri.....	373	Wyoming.....	313
		<i>Average Fee<sup>a</sup></i> .....	<i>\$355</i>
		<i>Average Fee<sup>a</sup> excluding Cali-</i>	
		<i>formia</i> .....	<i>\$480</i>

<sup>a</sup> Average fee calculations are weighted for enrollments.  
Source: Chancellor's office.

c. *California Fees Compared to Other States.* Table 11 compares the community college fee levels in California to public community college fee levels in other states during 1980. The table shows that California has the lowest average fee in the country. Nationally, the average fee is \$380, which is \$369 (or 34 times) more than California's average discretionary fee. When California is excluded from the calculation, the average fee nationwide is considerably higher: \$480. This is \$469 (or 43 times) more than California's average fee of \$11. Since this is 1980 data, it is reasonable to assume that the fee gap has increased in the past two years.

d. *The Fee Contingency Plan.* Last year, the California Postsecondary Education Commission (CPEC) in its ACR 81 report, recommended that the Board of Governor's establish a *contingency* plan for imposing a state-wide charge on community college students. The ACR 81 recommendation specified that the contingency plan should be prepared for use in 1983-84 only if the state was unable to provide sufficient funds to maintain existing levels of support or to fund reasonable growth in courses or programs that have a high priority.

The Board of Governors agreed to develop such a plan. Consequently, no language was included in the budget or in any legislation requiring the board to do so.

The board has deliberated extensively on this issue during the current year. At its December 10 meeting, the board adopted a "statement" relative to the fee contingency plan.

The more significant provisions of the board's statement indicate that:

- The board opposes any across-the-board tuition fees.
- If the Legislature decides to impose a required fee on an ongoing basis, the fee should be charged just to those students who have completed a degree or a specified number of units, or those who do not matriculate.
- If a fee is imposed in response to a fiscal crisis, "the fee should be limited to 1983-84 on an "emergency" basis; such a fee should be as low as possible with the amount set in consultation with the Board of Governors."
- Any fee imposed by the Legislature should be accompanied by financial aid for needy students, to be distributed through existing campus-based mechanisms.
- The fee imposed by the Legislature should be accompanied by added support for the district's fee collection costs.
- Any revenues from a required fee should be used to supplement, not supplant general apportionment aid.

*The "Statement" is Not a Plan.* The board action fails to comply with CPEC's recommendation in the ACR 81 report. Instead of adopting a detailed contingency plan for increasing student fees, the board merely adopted a statement of principles. This statement does not provide the Legislature with any guidance as to:

- What fee level should be levied if a fee is needed.
- The additional financial aid requirements that would result from a required fee.
- Whether a lower fee (or no) fee should be paid by part-time or noncredit students.

# **BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—** **Continued**

- The appropriate level of funds which should be set aside, if any, to defray the districts' administrative costs of collecting fee revenue.
- How fee revenues should be used.
- The impact that a fee would have on the state, districts, and students.

In sum, we conclude that the board's statement of principles is virtually worthless as a contingency plan of the type called for by CPEC.

e. *Is there an Analytical Basis for Charging Fees?* The impact a fee would have on students and the districts depends upon many factors, including the availability of financial aid, the students' economic circumstances, and the method used to levy the fee.

Our review indicates that the justification for a required fee is stronger in the case of some community college students than it is in the case of others. As we discuss below, the arguments for imposing a fee on students enrolled in credit programs have considerable merit; the arguments for imposing a fee on students enrolled in state-funded non-credit programs are less convincing.

*Analytical Basis for Charging Fees in Credit Courses.* Imposing a required fee on those enrolled in community college credit courses can be justified on the following bases:

- *Community college students derive significant private benefits from their coursework, and should be expected to contribute toward the cost of their instructional program.* Clearly, the public at large benefits from postsecondary education. These benefits take the form of a better informed electorate, a population better able to support itself, and the like. These *social* benefits, along with considerations of equal opportunity, justify a significant investment by the state's taxpayers in postsecondary education. At the same time, however, students taking credit courses at community colleges, derive *personal* benefits from their education, and in many cases these benefits show up in the form of higher earnings. Consequently, it is not unreasonable to expect the recipients of these benefits to bear a proportion of the costs involved in providing them.
- *A no-fee policy provides an equal subsidy to all students, regardless of differences in economic circumstances.* A no-fee policy, while perhaps achieving other objectives, tends to work against a primary objective of our system of public finance: distributing the benefits and burdens of government on the basis of ability to pay. This is particularly important during periods, such as the present one, when fiscal constraints threaten to reduce benefits across-the-board and thereby affect adversely large numbers of persons who are heavily dependent on these benefits.
- *Imposing a fee on community college students need not have a significant adverse impact on access to the community colleges if financial aid is provided to needy students.* As we emphasize in the higher education overview, it is important that decisions on student fees be linked to decisions on financial aid, so that the resulting increase in student charges does not undermine the state's commitment to open access. State-supported financial aid offers a means of mitigating the impact of a fee increase so that a student's financial circumstances does not limit his/her educational opportunities. Later in this *Analy-*

sis, we identify the financial aid requirements that go with a new required student fee in community colleges.

- ***A no fee policy encourages over-investment in education.*** While education is desirable from both an individual's and society's standpoint, it is possible for there to be "too much" demand for education (just as there can be "too much" use of medical services or over-consumption of housing). A modest fee would require prospective students to weigh more carefully the benefits they expect to receive from an educational program against the cost of supporting this program. Given the limits on state-funded enrollments that have been necessitated by fiscal constraints, imposing a fee would discourage those students who value education the least from, in effect, denying opportunities to those who place a higher value on education (and are willing to pay a fee). This conclusion was supported by a study on community college finance conducted by the prestigious Brookings Institution, which concluded "it is doubtful that public benefits alone would justify subsidy if students saw so little private gain from higher education that they were unwilling to pay any fees, even if financially able to do so."

While a strong case can be made for fees in credit courses, it should be noted, that there are drawbacks to the imposition of a fee. To many disadvantaged and needy students, a fee of \$50 represents a major cost to their personal living expenses. Even if financial aid is available to these students, information barriers could inhibit their participation in the community colleges. Specifically, if insufficient resources are provided through its student services and student outreach programs, districts could experience great difficulty in advising disadvantaged students of the educational opportunities the college could provide. To help overcome this problem, the state should pursue more aggressive programs in providing individuals information on the availability of financial aid. This would help promote access to the community college system if a fee is imposed.

***Should Noncredit Students Be Exempt From Fees?*** The arguments in favor of charging fees to community college students are not as convincing when applied to students enrolled in state-supported noncredit programs. Our review of the fee issue suggests that the Legislature should consider exempting state-supported noncredit students from a mandatory fee for the following reasons:

- State-supported noncredit courses provide instruction primarily in areas such as English as a second language, citizenship, and basic skills education. These are precisely the areas in which the social benefits from education are the most significant and consequently, the state would seem to have the greatest obligation to make these areas as accessible to students as possible. Levying a fee to noncredit students would tend to drive away those students most in need of instruction in these areas.
- It would seem that the state has a fiscal, as well as a social interest in providing adults with postsecondary remedial education. As indicated in the Brookings study cited earlier, "a successful basic education makes a fundamental contribution to an individual's ability to participate in society as a productive and adaptable member of the labor force, as a consumer, as a parent, and as a voter. In addition, those adults in need of remedial education are most likely to be a drain on public services such as welfare, unemployment, and health care." Consequently, the study argues that adult participation in noncredit

# BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES— Continued

programs is an investment in reduced income-transfer expenses.

- If the state imposed a fee on state-supported noncredit community college programs, it would tend to transfer enrollment from community colleges to K-12 adult education, and thereby create a situation where students would be treated differently depending upon the community he/she resided. In certain areas, (such as San Diego, San Francisco, Santa Barbara) adult education/noncredit programs are offered only at the community college. The student cannot escape the fee. In those areas where both the K-12 district and the community college offer similar programs, a student could avoid the fee. Consequently, a fee policy applied to noncredit students would have the effect of treating students differently based on their residence and agreement in the community as to who teaches adult education/noncredit programs.

Our review indicates that over 90 percent of the reported state-supported noncredit workload is in remedial development, and basic skills education. Because there are significant benefits to be realized by providing basic education to those students who need it, we recommend that the state's no-fee policy for state-supported noncredit students be continued.

**f. Financial Aid Requirements.** As we have stated repeatedly, financial aid is an essential component of any fee policy adopted by the Legislature. Table 12 shows how fee levels, revenues, financial aid, and enrollment are linked. Specifically, it shows the impact of different fee levels on revenues, additional state financial aid requirements, and enrollment. The estimates for state financial aid are generated by the California Postsecondary Education Commission's tuition model, and have been adjusted to reflect the increases in federal aid that would be allocated to community college student as a result of the various fee increases.

The table shows that with financial aid provided at the levels called for by the CPEC model, enrollments in community college districts would drop by 37,424, or 2.6 percent if an annual \$50 fee was imposed. The enrollment loss would be 201,674, or 14 percent, if a \$250 fee were imposed. What cannot be estimated, however, is whether the loss of enrollment would be fully matriculated students or students who attend courses for the purpose of recreation or personal development.

**Table 12**  
**California Community Colleges**  
**Simulated Financial Aid Requirements and Enrollment Losses**  
**(dollars in thousands)**

<i>Annual Fee Full-Time/Part-Time</i>	<i>Gross Fee Revenue</i>	<i>Required Financial Aid</i>	<i>Headcount Loss<sup>a</sup></i>	<i>Percent</i>
\$50/\$25 .....	\$50,694	\$4,481	37,424	2.6%
100/50 .....	99,046	9,119	74,607	5.2
150/75 .....	143,623	13,636	120,265	8.4
200/100 .....	185,064	18,304	160,121	11.2
250/125 .....	223,578	23,112	201,674	14.1

<sup>a</sup> Assuming financial aid funds are included to offset the effects of a fee increase to needy students.  
Source: CPEC Tuition Mode.

Our analysis indicates that if a fee of at least \$50 were adopted, a larger

number of community college students would be eligible for federal financial aid funds through the federal PELL grant program. This is a federal entitlement program which provides grants to undergraduate students enrolled at least half-time in a postsecondary education institution. The level of grant depends on the contribution toward college expenses that a student's family can be expected to provide.

If a fee of at least \$50 were imposed, eligible students could receive an additional \$25 in PELL grant funds. The Postsecondary Education Commission estimates that an additional \$2.5 million in PELL grant funds could flow to California if a \$50 fee were imposed.

If the Legislature approves a new required fee for community college students, it will want to address the following three issues having to do with financial aid.

***Should Any Additional State Financial Aid be Provided To Apportionments?***

The issue of whether the public segments or the Student Aid Commission should administer the additional financial aid funds that accompany a fee increase is often discussed. We recommend that in the case of the community colleges, any additional financial aid funds be provided through the community college local assistance budget. Our analysis indicates that if the state were to move from a no-fee policy to a required fee for community college students, it would significantly increase the number of needy students applying for financial aid. It is likely that many of these students will not have applied for financial aid through the commission because in the past there have been no required fees. Consequently, providing the additional financial aid through the commission would make it difficult for many needy students to secure the financial aid funds they require and for which they are eligible. On the other hand providing the additional financial aid funds in the community college budget would allow these funds to be targeted on *all* community college students who become financially needy as a result of the fee increase.

***The Cost of Collecting Fees and Administrative Cost Allowances.***

During our field visits last fall, we were advised by administrators that significant administrative costs would be incurred in implementing a student fee proposal. These administrators suggested that the state should reimburse the colleges for these costs.

We agree that imposition of a student fee at community colleges would increase administrative costs, both in connection with fee collections and increased student financial aid. Based on our review, however, we conclude that providing additional state funding to defray the administrative costs associated with the collection of fees would be both unnecessary and inappropriate. Our analysis indicates that a distinction must be made between actual start-up costs and marginal costs. In general, only a few districts would incur substantial start-up costs if they were required to implement a fee proposal. This is because many districts have already established a system to collect fees for materials, parking, health services, and other purposes. In most cases, the fee collection system is tied into their computerized registration systems, enabling districts to perform several student service functions at once such as registration, admission, and collection of fees. In addition, each district currently provides financial aid services to its students. Thus, we do not believe additional funding for administrative costs would be necessary.

Were the state to provide an allowance for administrative costs, it would create yet another categorical program for a specific student service,

# **BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES— Continued**

thereby reducing the district's flexibility as a local control agency. Under the current community college finance mechanism, no such allowance is provided for any other student service offered in the community colleges. Instead, districts are provided a general apportionment and allowed to allocate these funds based on their assessments of relative need.

Given that districts will experience some increased administrative costs, a better alternative for funding these costs is to allow districts to retain a specified portion of the fee revenue for their own purposes.

## ***g. The Governor's Community College Fee Proposal***

***We withhold recommendation on the community college fee proposal pending receipt of additional information from the Department of Finance on the assumptions used to develop the Governor's fee proposal.***

The budget proposes a required fee be charged all students who attend community colleges. The major elements of the fee proposal are as follows:

- A \$50-per-semester fee would be charged all full-time students, defined as those students enrolled with six units or more.
- A \$30-per-semester fee would be charged all part-time students, defined as those students enrolled with less than six units.
- 98 percent of the revenues generated from the new fees (\$109,476,000) would be used to reduce state General Fund apportionments to districts.
- The remaining 2 percent of the fee revenues (\$2,200,000) would be retained by districts as an allowance for administrative costs.

Clearly, this proposal departs from the state's traditional no-fees policy for community colleges, and as such is one of the major policy issues (if not *the* major policy issue) which the Legislature must resolve in acting on the budget for 1983–84.

Our analysis indicates, however, that the Governor's Budget does not have a fully developed fee proposal. As noted earlier, we believe a good analytical case can be made for imposing a fee on those enrolled in credit courses. We do not believe, however, that a fee should be imposed on those enrolled in state-supported noncredit courses.

Before we can offer a recommendation on this proposal, it must be clarified. Specifically, we find that:

- The proposal does not address the issue of whether financial aid should be provided to those needy students who could afford to pay the fee. The California Postsecondary Education Commission estimates that \$9.1 million in additional financial aid would be required for needy students in order to maintain access if community college fees were raised to \$100 per year.
- The proposal does not indicate whether the fee would be imposed on state-supported noncredit students.
- The Governor does not propose that a similar fee be charged those enrolled in K–12 adult education, which offers courses similar to community college noncredit courses. If the proposal includes noncredit students, exempting them from the fee would cost \$10.6 million in additional state aid.
- It is not clear whether an administrative allowance equal to 2 percent of the fee revenues is sufficient to defray the administrative costs of collecting fees.
- The proposal does not indicate the expected drop in student enroll-

ments as a result of the fee. If there is no financial aid provided, districts will be unable to maintain the same level of enrollments as in the current year. Even if financial aid is a part of this proposal, CPEC estimates there would be an enrollment loss of 83,578 students (5.8 percent).

- If enrollments are less than estimated in the budget, districts will suffer two losses—a loss in fee revenue and a loss in state-funded ADA. The proposal is silent on what actions should be taken if this event occurs.

So that the Legislature can have a better basis for acting on the Governor's proposal, we recommend that the Department of Finance provide our office additional information. Specifically, to be able to provide the Legislature a thorough analysis of the Governor's plan, we would require the following information:

- The assumed level of full- and part-time enrollments for the budget year.
- The level of financial aid included in the budget.
- The expected drop in enrollments due to the imposition of the fee.
- The number of noncredit students included in the calculation.

Because this issue has major policy implications, we recommend that the department provide us this information as soon as possible, but in no case later than March 1, 1983. This would enable our office to provide the Legislature the necessary information it requires related to the fee issue. Accordingly, we withhold recommendation pending receipt of this information.

### 3. Matters To Be Considered In New CCC Funding System

The provisions of AB 1626—the current community college finance system—will expire at the end of 1982–83. As a result, the Legislature will have to enact sometime prior to July 1, 1983, legislation providing for the allocation of community college apportionment funds during 1983–84.

In considering the new community college funding mechanism, we believe that the Legislature should give consideration to the following matters.

a. *Equalization.* Chapter 282, Statutes of 1979 (AB 8), contained an allocation mechanism designed to equalize per-ADA revenue among community college districts. This mechanism was continued in AB 1626. The current mechanism equalizes per-ADA revenue among the community college districts through the use of cost-of-living adjustments. The factor is based on the district per-ADA revenues as a proportion of statewide per-ADA revenues. This factor, when applied to the COLA funds would allocate relatively more funds to low-revenue districts rather than high-revenue districts. Because the equity factor reallocates COLA funds among high- and low-revenue districts, there is no net increase in state costs. In our judgment, equalization should continue to be a legislative priority because there is no analytical basis for the state to perpetuate through the apportionment system large wealth-related expenditure differences among districts. Our review indicates, however, that the current equalization process can be improved.

*Remove Noncredit ADA From the Base.* The goal of equalization should be to equalize the districts' ability to fund similar courses. Under an ideal equalization system, all credit courses would receive the same funding (adjusted for differences in costs that are not subject to district



# **BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—** **Continued**

control), while all noncredit courses would receive a different level of funding (again, with adjustments). The current difference in state reimbursements between credit and noncredit ADA reflects the differential costs districts incur between credit and noncredit programs.

**Table 13**  
**Per ADA Revenues of Districts**  
**Which Sponsor Extensive**  
**Adult Education 1982-83 Noncredit Programs**

	<i>Support for Credit and Noncredit ADA Combined</i>	<i>Percent Noncredit ADA</i>	<i>Support for Credit Only ADA</i>	<i>Difference in Per ADA Support: Credit Only Versus All ADA</i>
Allan Hancock.....	\$1,833	15.0%	\$1,963	\$130
Glendale.....	1,749	25.9	1,977	228
Marin.....	2,049	18.0	2,257	208
Mira Costa.....	2,386	15.2	2,617	231
Mt. San Antonio.....	1,907	15.7	2,058	151
Napa.....	1,831	17.0	1,981	150
North Orange.....	1,860	23.2	2,089	229
Pasadena.....	1,937	15.5	2,090	153
Rancho Santiago.....	1,907	34.0	2,324	417
San Diego.....	1,667	36.7	1,997	330
San Francisco.....	1,691	49.0	2,258	567
Santa Barbara.....	1,749	24.4	1,959	210
Sonoma.....	1,801	17.3	1,947	146
Statewide Average.....	\$1,950	9.1%	\$2,052	\$87

Source: Computer simulations from the Southwestern Community College District, utilizing data from the Chancellor's Office.

One problem with the current equalization system used by the state, is that credit and noncredit ADA are mixed together. Consequently, districts with relatively more noncredit ADA, may give the false impression of being low wealth districts and thus receive unwarranted equalization adjustments to their revenue base. As shown in Table 13, most districts with extensive noncredit programs report revenue per ADA to be lower than the statewide average. This is because noncredit ADA are essentially high school adult education courses generally taught by lower paid part-time instructors. If support for credit ADA is examined, however, many of these districts fall *above* the statewide average. Nevertheless, under the current community college finance mechanism, these districts receive a higher-than-average inflation allowance under the guise of "equalization."

Our analysis indicates that the additional support these districts receive under the current equalization system is not warranted by wealth-related differences. The low *overall* support levels per ADA reported by these districts merely reflects the fact that noncredit programs generally are less costly than credit programs. For this reason, we conclude that a finance mechanism based *exclusively* on credit revenues per ADA would provide a better approach to equalizing district per-ADA spending patterns. Specifically, it would:

- help assure that the equalization adjustments are targeted to those districts which are truly low-wealth districts and thus warrant additional aid, and
- would prevent districts from receiving additional state aid merely because they offer more low-cost courses.

Accordingly, we recommend that the Legislature, in developing a new community college finance system to replace AB 1626, seek to equalize per ADA revenues on the basis of credit and noncredit ADA. Having a separate mechanism for credit ADA and a separate mechanism for noncredit ADA would reflect the differential costs districts incur between credit and noncredit programs.

**Equalization Process Needs to be Accelerated.** Even if the distortions brought about by differences in noncredit course offerings could be eliminated, our review indicates that the existing equalization mechanism would not be effective in reducing per-ADA revenue disparities among districts.

Table 14 shows that between 1979-80 and 1980-81 the proportion of statewide ADA falling within 10 percent of the average revenues per ADA for the state as a whole increased from 29 percent to 45 percent. Since then, however, the proportion has actually declined.

**Table 14**  
**Percent of ADA Within 10 Percent**  
**of the Statewide Average**

1979-80 .....	29.4%
1980-81 .....	45.2
1981-82 .....	42.4
1982-83 .....	40.4

**Table 15**  
**Funds Required to Bring**  
**Low-Revenue Districts Up to 95 Percent of**  
**the Statewide Average<sup>a</sup>**

<i>District</i>	<i>Credit ADA</i>	<i>Credit Revenues/ADA</i>	<i>Difference in Revenues</i>
Antelope Valley .....	3,586	\$1,746	\$680,528
Butte .....	5,892	1,799	807,882
Cabrillo .....	6,233	1,932	21,500
Cerritos .....	12,486	1,807	1,603,258
Citrus .....	5,418	1,832	561,535
Foothill .....	21,902	1,886	1,085,951
Long Beach .....	13,590	1,919	227,562
Los Rios .....	26,964	1,860	2,036,254
Monterey .....	4,996	1,847	442,725
Palomar .....	9,789	1,912	236,726
Redwoods .....	5,313	1,882	601,471
Santa Monica .....	9,915	1,800	1,349,291
Shasta .....	5,322	1,896	211,660
Solano .....	5,306	1,805	695,673
Southwestern .....	7,770	1,709	1,760,211
West Valley .....	12,174	1,920	195,599
Total .....	164,622	—	\$13,213,118
Statewide Average <sup>b</sup> .....	—	\$2,038	—

<sup>a</sup> These calculations exclude noncredit ADA and noncredit funding.

<sup>b</sup> Excludes small districts with less than 3,000 ADA.

# BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES— Continued

Our analysis indicates that the current equalization mechanism is too slow. If the current mechanism continues, the state would be unable to significantly reduce revenue differences that are wealth-related. For example, applying the current mechanism to credit ADA would take 25 years for the Santa Monica District (a low-revenue district with a revenue base of \$1,800/ADA) and the Los Angeles District (a high-revenue district with a revenue base of \$2,310/ADA) to reach the same funding level on a per-ADA basis assuming there were no growth in ADA for either district.

Table 15 shows that \$13.2 million in additional funds would be required to assist 17 low-revenue districts. To prevent other elements of the community college financing mechanism from outweighing the equalization factor, we believe that the equalization process should be accelerated. Specifically, we recommend that if a cost-of-living adjustment is provided for community college apportionments, an amount equal to 1 percent of total community college COLA (approximately \$14.1 million) be used to provide an equalization adjustment for districts which have low revenues per credit ADA. Our analysis indicates that if this were done, it would bring an additional 160,000 credit ADA within 5 percent of the statewide average.

b. *Cost-of-Living Adjustments (COLAs)* Table 16 shows the cost-of-living adjustments (COLAs) that the Legislature has provided to community college districts since 1978-79. It also shows, for comparative purposes, the statutorily authorized COLA and growth in the cost of providing government services, as measured by the GNP deflator for state and local government purchases.

**Table 16**  
**Cost-of-Living Adjustments**  
**Provided for Community Colleges Apportionments**

	<i>Apportionment COLA</i>	<i>Statutory COLA</i>	<i>GNP State-Local Government Deflator</i>
1978-79 .....	6.8%	6.8%	8.3%
1979-80 .....	8.9	8.9	8.2
1980-81 .....	9.0	8.9	8.5
1981-82 .....	5.0	5.0	8.8
1982-83 .....	0	5.0	8.5
Cumulative Increase .....	33.1%	39.6%	50.1%

Chapter 282, Statutes of 1979 (AB 8), and AB 1626 specify what the annual COLA for community college apportionments should be. The Legislature's intent in enacting statutory COLAs was to give community college districts some degree of certainty regarding the level of state funds they could expect to receive in the future.

While it is highly desirable to give the districts certainty regarding future funding levels (as it is with respect to *all* recipients of state aid), statutory COLAs generally are not able to provide such certainty, as Table 16 shows clearly. For example, AB 1626 authorized a 5 percent COLA for

1982-83. The Legislature, however, was not able to provide any COLA to community college local assistance in the current year, given the fiscal pressures on the General Fund budget. In situations such as the one in which the Legislature found itself last year, statutory COLAs often hinder legislative flexibility and decision-making even though they are not able to achieve their intended purpose.

To promote legislative flexibility and enhance legislative control, we have consistently recommended that COLAs be determined through the annual budget process, rather than by statute. This would allow the Legislature to allocate funds based on relative priorities, taking into account available resources. A more detailed discussion on the general issue of COLAs is contained in *The 1983-84 Budget: Perspectives and Issues*.

c. **Growth.** The budget does not propose additional funding to provide for any growth in ADA. This does not mean that ADA will not increase in the budget year. It simply means that any growth that does occur will have to be financed entirely by local community college districts.

The appropriate level of state funding for ADA growth is a major policy issue facing the Legislature in preparing the budget for 1983-84. There is no analytically "right" level of funding for growth. The amount, if any, provided for ADA growth will depend on the Legislature's priorities. To the extent the Legislature chooses to provide state funding for growth, each 1 percent in additional ADA will cost the General Fund \$9.3 million.

Our analysis indicates the Legislature should address the following issues related to ADA growth in community college service when it considers new legislation to replace AB 1626.

**Marginal Cost Funding.** Under current law, funding for increases and decreases in a district's ADA is provided on the basis of marginal cost. Table 17 shows the marginal funding rates for small and large districts. It indicates that growing districts receive 67 percent of their specified per-ADA revenues for additional ADA, while declining districts lose 67 percent of their per-ADA revenues.

Table 17  
Marginal Funding Rates

<i>District</i>	<i>Type</i>	<i>Funding Rate</i>	<i>Revenue Effect To District</i>
Large (more than 3,000 ADA)	Growth	$\frac{2}{3}$ of statewide revenue per ADA.	Increase
	Decline	$\frac{2}{3}$ of district revenue per ADA.	Decrease
Small (less than 3,000 ADA)	Growth	$\frac{2}{3}$ of statewide revenue per ADA.	Increase
	Decline	$\frac{2}{3}$ of statewide revenue per ADA.	Decrease

From an analytical standpoint, the concept of marginal cost funding makes sense, and we recommend that it be incorporated in any new community college finance legislation passed by the Legislature. Our analysis indicates that:

- The cost of providing educational services to additional ADA is less than the average cost of providing services to existing ADA. This is because some components of a district's costs do not change when modest changes in the level of ADA occur. For example, districts

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—  
Continued**

experiencing modest increases in ADA generally are not required to build additional classrooms, hire additional teachers, or increase other fixed costs commensurate with the increase in ADA.

- Funding only a portion of a district's average cost for increases in ADA discourages excessive ADA growth.
- Allowing districts to retain a portion of the existing revenues associated with the ADA that is lost provides districts experiencing declining enrollments with a cushion. This gives the districts more leeway in adjusting fixed costs (for example, plant, equipment) to be more in line with ADA levels.

**ADA Funding "Cap".** Under current law, there is a fixed "cap" on state-funded ADA growth. This cap (which applies to 1981–82 and 1982–83) assures that the state will not have to fund ADA that exceeds 102.5 percent of statewide ADA in the prior year. The cap does not limit the growth in actual ADA, however; it merely limits the state's responsibility for funding the increase. Growth can still exceed 2.5 percent, provided that the districts are able to finance the excess from nonstate sources.

The primary purpose of the cap is to limit the state's financial liability towards CCC funding. Without it, the state would experience significant uncertainty in its budget estimates. In addition, the cap has provided districts some certainty in determining the level of funds available to manage their course offerings. As mentioned previously, while it is highly desirable to give the districts certainty regarding future funding, including a statutory funding level for growth reduces the Legislature's ability to allocate funds based on competing priorities. Consequently, to promote legislative flexibility and control, we recommend that the appropriate level of growth be determined through the annual budget process rather than by statute.

**Allocation of ADA Growth.** Current law gives the Chancellor's office authority to allocate any state revenue appropriated for ADA growth among individual districts. The Chancellor is required, to the extent possible, to allocate funds for growth based on each district's (1) unemployment rate, (2) growth in adult population, and (3) growth in refugee population.

While these factors determine the way in which state funds appropriated for growth are *allocated*, they do not necessarily determine how the funds are *used* once they have been allocated. For example, a district may receive additional funds to accommodate ADA growth because it has a relatively high unemployment rate. There is no assurance, however, that the district will use those funds to provide additional course offerings designed to combat unemployment, such as courses in job training. Instead, a district could use these funds to expand enrollment in low-cost courses, rather than in vocational courses (which are relatively costly).

We believe that the Legislature may wish to consider a different method of allocating growth funds—one that ties the use of the funds to statewide priorities set by the Legislature. For example, funds made available for increased ADA could be allocated to those districts expanding course offerings in basic skills, training for high-demand occupations, and academic transfer programs, rather than on the basis of a district's demographic characteristics. This would allow the Legislature to target the money more effectively.

d. **Special Funding Factors.** When enacting new legislation to replace AB 1626, we recommend that the Legislature examine critically the need for continued authorization of the so-called special funding factors. As shown in Table 18, there currently are five special funding factors used by the state in allocating funds, these factors are responsible for the allocation of \$12.0 million in state aid, which is *in addition* to the general community college apportionment aid that a district receives.

**Table 18**  
**Special Funding Factors**  
**1982-83**

<i>Factor</i>	<i>Districts Affected</i>	<i>Amount</i>
Large District Aid .....	4	\$2,620,905
Small District Aid .....	14	4,800,000
Small College Aid .....	6	1,991,429
AB 1626 Anti-Equalization.....	2	2,298,055
AB 1369 Factor .....	1	305,000
Totals.....	27	\$12,015,389

1. **Large District Aid.** Chapter 282, Statutes of 1979 (AB 8), established a special aid provision for four large community college districts. The provision allocates an additional \$15 per ADA to those districts whose 1977-78 state-funded ADA exceeded 28,000. The additional funding, which in 1982-83 amounts to \$2.6 million, was continued in AB 1626. Table 19 shows the districts receiving large district aid, the revenues per ADA for each, and the amount of large district aid received by each in 1982-83.

**Table 19**  
**Large District Aid**  
**1982-83**

<i>District</i>	<i>Revenue Per Credit ADA</i>	<i>Large District Aid Amount</i>
Coast.....	\$1,951	\$504,162
Los Angeles .....	2,310	1,156,468
San Diego .....	1,997	515,346
San Francisco .....	2,258	444,929
Average Revenue Per Credit ADA Statewide .....	\$2,038	—
Total, Large District Aid .....		\$2,620,905

Our review fails to identify an analytical basis for providing this additional aid to large districts. No data has been compiled to show that large districts experience unique financial problems because of their size. In fact, large districts may be in a better position to tap economies of scale because of their size. We also note that the provision of this aid tends to counteract the state's attempt to equalize revenue differences that are wealth-related. As Table 19 indicates, two of the four recipient districts provide revenue per credit ADA that is well above the state wide average, while the other two districts are only slightly (within 5 percent) below the average.

2. **Small District Aid.** Chapter 915, Statutes of 1977, established a special aid provision for those *districts* with less than 3,000 ADA. This funding provision was continued in both AB 8 and AB 1626. In 1982-83, 14 districts received \$4.8 million in additional aid pursuant to this special provision.

# BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES— Continued

Our analysis indicates that there is a need to continue providing small district aid because small districts are subject to diseconomies of scale. All districts incur certain fixed costs that tend not to increase proportionately with an increase in ADA. For small districts, however, have less ADA to spread these fixed costs over, making it difficult for them to keep costs as low as other, larger districts. These diseconomies of scale in district operations are not recognized by the regular apportionment formula.

We also note that the formula currently used to provide small district aid gives small districts an incentive to grow so as to achieve a more efficient level of operation. Specifically, as a small district's ADA increases, the amount of funds allocated under the formula decreases correspondingly.

3. **Small College Aid.** In addition to small district aid, AB 8 provided (and AB 1626 continued) additional state aid to multi-college districts which have colleges with less than 3,000 ADA. To qualify for these funds, a district must satisfy the following criteria:

- The small college must be located more than 15 miles from the district office.
- The small college must have been in operation before July 1, 1977.
- The college must be accredited as a separate institution by the accrediting commission for community and junior colleges of the Western Association of Schools and Colleges.
- A district cannot be receiving small *district* aid.

As shown in Table 20, eight colleges in seven districts currently receive approximately \$2.0 million in small college aid.

**Table 20**  
**Small College Aid**  
**1982-83**

<i>College</i>	<i>District</i>	<i>Amount</i>
Cerro Coso .....	Kern	\$222,444
Porterville .....	Kern	15,408
Indian Valley .....	Marin	267,587
Feather River .....	Peralta	355,189
Crafton Hills .....	San Bernardino	453,497
Kings River .....	State Center	193,016
Oxnard .....	Ventura	237,923
Columbia .....	Yosemite	246,365
Total .....		\$1,991,429

Our review fails to identify an analytical basis for providing this aid. We find that:

- No data has been provided to show that colleges within a multi-campus district have special needs requiring additional state funding.
- A district having several colleges can reallocate its resources among colleges to compensate for any diseconomies of scale.
- Funding for small *district* aid is available to compensate for the diseconomies of scale that small districts face.

4. **AB 1369 Special Funding.** AB 1369 provided additional aid of \$15 per ADA to any district with certain enrollment characteristics. To qualify for this aid, a district must:

- have had enrollment in excess of 30,000 students in 1981-82,
- have at least 40 percent of its ADA consisting of students eligible for financial aid under the Extended Opportunities Programs and Services (EOPs) program, and
- not be receiving large district aid.

Only one district, the Peralta Community College District, is eligible for these AB 1369 funds. In 1982-83, this district received an additional \$305,000 in apportionment aid.

As we stated in last year's *Analysis*, our review fails to find an analytical basis for this special funding factor. We find that:

- There is no evidence to show that the current community college finance mechanism imposes any unique hardship which would merit an additional state subsidy to the Peralta District.
- The provision tends to run counter to the state's efforts to equalize expenditure disparities that are wealth-related.
- The Peralta District already receives \$310,000 in special funding under the small college aid provision.

5. **AB 1626 Equalization Exemption Factor.** AB 1626 also provides additional state funds to districts with certain expenditure characteristics and enrollment patterns by exempting them from the equalization provisions of the community college finance mechanism. Absent this exemption, these provisions would reduce the amount of state aid received by these districts because their average apportionment per ADA is above the statewide average. To qualify for the AB 1626 exemption, a district must satisfy three of the following four conditions:

- it must have incurred student service costs in 1980-81 which put it in the top 25 percent of all districts in the state when ranked on this basis,
- it must have incurred plant maintenance and security expenditures in 1980-81 which put it in the top 25 percent of all districts in the state when ranked on this basis,
- it must have had minority student enrollment in the fall of 1980 which exceeded 50 percent of total student enrollment,
- it must have had less than 6 percent of students attending community college as a proportion of adult residents in the district, in 1980.

Two districts—Los Angeles and Compton—met these requirements and consequently were exempted from the equalization calculation in 1981-82. Table 21 shows that this factor cost the state General Fund approximately \$2.3 million in that year.

**Table 21**  
**Equalization Exemption Factor**  
**1981-82**

<i>District</i>	<i>Amount</i>
Compton .....	\$89,024
Los Angeles .....	2,209,031
Total .....	\$2,298,055

The Legislature did not authorize any *additional* funding for this factor in 1982-83. Nevertheless, the base funding of \$2.3 million was continued into the current year.

We are unable to find any analytical basis for continuing to provide this aid.

Specifically, our review indicates that:



## BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES— Continued

- *There is no analytical basis for providing additional subsidies to two of the 70 community college districts.* We could find no evidence to show that the current finance mechanism imposes any unique hardship on the two districts which are eligible for these special subsidies.
- *If these districts are experiencing specific problems, they should be addressed through a program that distributes funds on a needs basis.* It is not clear what problems these special factors are attempting to address. If there are, however, special needs that are not addressed through the regular apportionment process or an existing program, they should be funded through a separate categorical program or a change in the regular apportionment factors, rather than as a special adjustment to the apportionment base.
- *There is no guarantee that funds provided in this manner are used to alleviate the unique problems that warrant the special subsidy.* These funds are provided as general aid, and consequently, can be used at the district's discretion.
- *The provision of aid in this manner is contrary to the principle of equalization.* Because these subsidies are treated as general aid, and exempt from the equalization calculation, they tend to weaken the Legislature's efforts to reduce expenditure disparities that are wealth-related.
- The Los Angeles District already receives \$1.2 million in large district aid. We are unable to determine the basis for this district to receive two special funding factors for its unique needs.

e. **Taxing Authority to Local Boards.** The State Supreme Court has ruled that a local entity may impose a special tax, the proceeds of which are to be used for general purposes, without having to obtain a  $\frac{2}{3}$  majority vote by the electorate. This ruling, which was issued in the case of *San Francisco v. Farrell* (32 Cal.3d 47, 52-53), states that a local governing board can authorize a special tax, other than an ad valorem property tax, for general purposes by a majority vote of the board itself. We are advised by Legislative Counsel that this option would be available to a local community college district board provided the Legislature first authorizes community college districts to levy a special tax.

Given the fiscal condition of the state, we believe that the Legislature should consider authorizing districts to levy taxes in connection with its deliberations on a new financing mechanism for community colleges to replace AB 1626. Allowing districts to levy these taxes would provide supplemental funds from the local taxpayers rather than the state General Fund. In addition, local taxing authority would allow a greater match between a district's preference for educational revenues and tax effort.

In the event the Legislature authorizes community college district boards to levy a new tax, we believe it should recognize a portion of the resulting increase in revenues in providing for an equalization of district revenue differences that are wealth-related.

### 4. Course Classification Reductions

AB 1626 required the Chancellor's office to collect course data from districts, using a classification system adopted by the Board of Governors commonly referred to as the Course Classification System. Last year, this data was utilized by the California Postsecondary Education Commission

(CPEC) in conducting its study of student fees and financial support for public postsecondary education, pursuant to ACR 81.

Based on its study, CPEC concluded that savings could be achieved by the state if it eliminated state support for avocational, recreational, and personal development courses offered by community colleges. Among the courses in this category are jogging, surfing, jazzercise, needlepoint, ball-room dancing, and pet care. CPEC based its recommendation on the following considerations:

- During 1981-82, 19 percent of the credit workload in community colleges was in the areas of physical education and fine arts.
- Courses in these areas were funded by the state at a credit reimbursement rate of approximately \$1,930 per ADA.
- Removing state support for these courses would not preclude these courses from being offered on a fee-supported basis.

In response to this recommendation, the Legislature reduced community college apportionments by \$30 million, and included budget language requiring the Board of Governors to specify which courses would not be eligible for state support in 1982-83 and thereafter.

**Board of Governors' List.** Table 22 lists the courses designated by the Board of Governors as no longer eligible for state support. Our analysis indicates that enrollment in these courses during 1981-82 was approximately 14,600 ADA (14,000 in credit ADA and 600 in noncredit ADA), and cost the state \$29.2 million. Almost all of the reductions made by the board (\$28.6 million) occurred in *credit* courses. This is because:

- most P.E. and fine arts courses are offered for credit and
- funding for most avocational, recreational, and personal development *noncredit* courses was deleted in 1981-82, pursuant to the provisions of AB 1626. (AB 1626 delineated the types of noncredit ADA eligible for state support, and eliminated state funding of noncredit ADA in courses other than those specified in the act.) This action resulted in a savings of \$4.4 million, beginning in 1981-82.

**Matters Warranting Legislative Attention.** We have reviewed the action taken by the Board of Governors. Based on our review, we believe that the following matters warrant legislative attention:

- **Inconsistent Application of the Reductions.** Our review indicates that many P.E. courses similar to those on the board's list were not deleted and are still being offered for credit. For example, racquetball courses continue to be supported with state funds. We see no analytical basis for deleting state funding for, say, badminton while retaining it for racquetball. Both appear to be primarily recreational in nature.
- **Deletion of Real Estate Courses.** The Board of Governors also eliminated support for real estate courses other than those courses leading to the sales license. According to the Chancellor's staff, this action, which resulted in a savings of approximately \$3 million was taken because those persons who enroll in these courses "are usually employed in their field, and since the purpose for taking such courses are upgrading, income enhancements, and professional development, it was felt that such courses should be offered on a fee basis."

There may be merit in the Chancellor's office logic. Nevertheless, the Legislature did not indicate that state support for these courses should be eliminated. Moreover, if the Legislature determines that courses which upgrade job skills and lead to income enhancement should be placed on a self-supporting basis this policy should be applied to all such courses not just those in the real estate area.

# BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES— Continued

Table 22  
Courses Ineligible for State Support  
California Community Colleges

	Funding Reduction
<i>Credit Courses Eliminated</i> .....	—\$28,564,531
1. Single semester or single quarter conversational foreign language courses which have no prerequisite or which are designed for travelers.	
2. Private Pilot's Ground School. <sup>a</sup>	
3. Ham radio construction, operation, and licensure.	
4. Self-help home sewing and needlecraft courses <sup>a</sup> except a single introduction course in clothing construction.	
5. Self-help specialized cooking courses <sup>a</sup> except a single introductory course in cultural foods.	
6. Self-help courses in home gardening; home livestock production; home and appliance repair and maintenance; antique and furniture repair, refinishing, and upholstering; and woodworking.	
7. Self-help courses in pet selection, care, and grooming.	
8. Self-help courses in consumer maintenance of automobiles, motorcycles, bicycles, recreational vehicles, and boats.	
9. Self-help courses in personal finance <sup>a</sup> , personal income tax preparation, law for the layman, and real estate for the consumer.	
10. Self-help personal development courses except for orientation to college, career planning, study skills, and group assessment of academic preparation, aptitudes, and interests.	
11. The following physical education courses: bicycling, Far Eastern martial arts; yoga; jazzercise; scuba <sup>a</sup> and skin diving <sup>a</sup> ; camping; backpacking, rockclimbing, mountaineering, and orienteering; ballroom, belly, square, ethnic, <sup>a</sup> tap, and disco dancing; roller and ice skating; flycasting, rafting; soaring and gliding; surfing and windsurfing; recreational sailing; water ballet; and horsemanship; jogging, figure and weight control, archery; and badminton.	
12. The following fine arts courses: jewelry <sup>a</sup> and lapidary; crafts <sup>a</sup> ; stained glass; calligraphy <sup>a</sup> ; toile painting; enameling; intaglio <sup>a</sup> ; avocational or recreational instrumental study; and performance or gallery attendance courses in art, music, drama, or cinema without significant classroom work or academic content.	
13. International study/travel courses.	
14. Avocational photography.	
15. Courses related to specific avocations such as stamp or coin collecting.	
16. Genealogy.	
17. Real estate courses except those courses designed to lead to the sales license.	
<i>Noncredit Courses Eliminated</i> .....	—\$655,600
1. Lecture and forum series except those designed specifically for older adults.	
2. Re-licensure courses.	
Total Reductions .....	—\$29,220,131

- **Entire Reduction Has Not Been Achieved.** As of this writing, the Chancellor's office is \$779,869 short of the \$30 million reduction specified in the 1982 Budget Act. In addition, the budget language requires that the entire reduction not be made on a pro rata basis. Consequently, the board must find additional courses to eliminate for the purposes of state support to meet the requirements of the budget language.

<sup>a</sup>These courses may continue to be offered if they are a *required* part of an approved educational program, and after approval of petition by Chancellor's office.

- **Impact on Districts.** Our field visits last fall found considerable variation in how community college districts have responded to these reductions. Most districts have attempted to move courses, such as real estate, to a fee-supported basis, or at least had intended to do so for the spring term. Other districts indicated that courses such as jogging could not be made self-supporting because there was not enough students for them. Other districts such as San Francisco are continuing to offer many of the courses on the board's list free of charge supporting them from other non-state sources.

Because these matters have important policy and budgetary implications, we recommend that the Legislature ask the Chancellor's office to comment on these matters during the budget hearings.

#### **Were Reductions Only Made in Low-Cost Programs?**

Under the existing community college finance mechanism, all credit ADA is funded at the same rate, regardless of differences in a district's cost to offer different courses. Because of these differences, however, some courses are "underfunded", in the sense that the state reimbursement rate is less than the actual cost of offering the course. Conversely, other courses are "profit-makers", in that the state reimbursement exceeds the cost of the course. Consequently, districts use the profit-making courses to subsidize high-cost courses.

The Chancellor's office and several districts have claimed that the course reductions implemented by the board resulted primarily in low-cost courses ("profit-makers") being eliminated, thus limiting the districts' ability to finance their high-cost courses. We can find nothing to substantiate this claim. In fact:

- There is no hard data indicating that the courses deleted as a result of the board's action were profit-makers.
- Some districts have indicated that the courses eliminated were not necessarily low-cost. For example, the Riverside Community College District indicates that its P.E. courses were high cost because its P.E. faculty generally has above-average seniority and therefore commands higher salaries than its faculty in other disciplines.
- To the extent some of the courses deleted were profit-makers, the districts are able to retain a portion of the profit through the declining enrollment adjustment. This adjustment allows a district to retain one-third of the revenues associated with the "lost" ADA. These funds may be used to subsidize higher-cost programs.

#### **5. Investment in People**

*We recommend that funding for the Investment in People program be included in the community college apportionment base, rather than allocated separately, so as to avoid setting up separate administrative and funding mechanisms for what are closely related programs. We further recommend that additional reporting requirements imposed on Investment in People recipients be deleted, permitting a reduction in staff support and a General Fund savings of \$100,000. (Reduce Item 6870-001-001 by \$100,000.)*

Last year, the Legislature added \$2.0 million to the CCC budget for a new Investment in People program. This program is intended to provide technical job training in high technology and high demand occupations,

# BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES— Continued

and thereby address “the irony of labor shortages in skilled occupations while a million of Californians are out of work.” Of the amount appropriated, \$1.9 million was to be allocated to districts for training and the remaining \$0.1 million was to be retained in the Chancellor’s office for administrative support of the program.

**Total Program Support.** In addition to the \$2 million appropriated expressly for the Investment in People program, another \$2.2 million is available during the current year for purposes that are closely related to and supportive of the program. These funds are listed in Table 23. The Chancellor’s office indicates that these additional funds are distributed on a needs basis through a competitive process. Thus, approximately \$4.2 million in funds was made available for training in high demand areas. Given the short-term training span of these projects, most are designed to be noncredit programs. Assuming the funded projects would support noncredit ADA, our review indicates that the Investment in People program provided funding for an additional 3,600 ADA in the current year.

**Table 23**  
**Program Support**  
**Investment in People**  
**1982-83**

<i>Source of Funds</i>	<i>State</i>	<i>Nonstate</i>	<i>Totals</i>
State Apportionment .....	\$1,900,000	—	\$1,900,000
California Worksite Education and Training Act (CWETA) .....	400,000	—	400,000
Employment Development Department (EDD) .....	200,000	—	200,000
Private Sector/Local College Match .....	—	\$550,000	550,000
Vocational Education Act (VEA) .....	—	900,000	900,000
General Motors/United Auto Workers .....	—	275,000	275,000
<b>Totals .....</b>	<b>\$2,500,000</b>	<b>\$1,725,000</b>	<b>\$4,225,000</b>

**Table 24**  
**Selected Projects Approved for Funding**  
**Investment in People Program**

<i>District</i>	<i>Project Title</i>	<i>Funds Requested<sup>a</sup></i>
Allen Hancock .....	Aerospace Mechanism Technology	\$132,654
Long Beach .....	Robotics Technology Program	19,710
Los Angeles .....	Mobile Microwave Training With Computer Instruction	148,222
North Orange .....	Project in Computer-Aided Manufacturing (CAM)	74,000
Palomar .....	Electronics Services Technician Program	293,499
San Diego .....	Micro-Electronics Wafer Processing Technician Training	45,934
San Jose .....	Robot Repair Training	48,510
San Mateo .....	Telecommunications Technician Training for the Information Age	217,090
South County .....	Displaced Workers Training Program in High Technology Drafting	47,628
Ventura .....	Laser/Electro Optic Technician Training Program	133,932

<sup>a</sup> Includes all funds identified in Table 23.

**Procedure for Allocating Funds.** The Chancellor's office distributed a request for proposals in August, and received 53 requests from 45 colleges. The Board of Governors of the Community Colleges approved 27 of these projects for funding at its October board meeting.

**Accomplishments to Date.** At the time this analysis was prepared, none of the funds appropriated for Investment in People had been allocated to the districts. Consequently, we have no basis to determine whether the program was successful in achieving the Legislature's objectives. While the Chancellor's office intends to submit an "evaluation" of the projects by February 1, 1983, this will provide the Legislature with no useful information about program performance, given that the projects will not have gotten off the ground when the "evaluation" is prepared.

Table 24 provides an illustrative listing of the projects approved for funding by the board.

**Our Concern.** As a condition of receiving support for proposed projects, districts are required to submit an evaluation of the program's effectiveness. Based on our field visits and discussions with district administrators, our review indicates, that many of the programs being supported with Investment in People funds are already being offered by districts as part of their regular curriculum.

We see no reason why funds for the Investment in People program should be distributed through a categorical process. To the extent these funds are distributed separately, they become subject to a different set of reporting requirements than those that apply in the case of apportionment funding used to support similar employment/training programs. Furthermore, by establishing a set of standards for the Investment in People projects that are different from those that apply to other programs, the result is a need for additional staff to establish regulations, evaluate and review the program, and perform other administrative tasks. Because the Investment in People funds have already been distributed on a competitive basis, it is not clear that there is a continuing need for additional staff to monitor these funds when the fiscal services staff can administer these funds as part of its review of the regular apportionments.

In sum, we see no analytical basis for maintaining two separate allocation mechanisms and reporting standards to fund programs that are similar in purpose and design. Consequently, we recommend that the funds allocated for the Investment in People program be included in the base apportionments, and that any additional reporting requirements associated with this program be deleted. Should this recommendation be adopted, the \$100,000 allocated for staff support of the Investment in People program could be deleted, for a corresponding savings to the General Fund.

## **6. Cost-of-Living Adjustments for EOPs and Handicapped Apportionments**

The budget requests \$1,293,000 to provide a 3 percent cost-of-living adjustments (COLA) for the Extended Opportunities and Services program (\$741,000) and the handicapped apportionments (\$552,000). The budget, however, provides no COLA for general community college apportionments.

A 1 percent COLA in apportionments would increase costs to the General Fund by \$14,094,000 in 1983-84. We discuss the general issue of providing inflation adjustments in *The 1983-84 Budget: Perspectives and Issues*.

The budget document contains no discussion of the underlying rationale for providing a 3 percent COLA to categorical programs, but no COLA

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—  
Continued**

for general apportionments. We recommend that the fiscal committees request an explanation of the basis for this policy determination from the Department of Finance during budget hearings. Ultimately, the determination of providing an appropriate COLA for apportionments and the categorical programs is a matter of legislative priorities.

**7. Deferred Maintenance (Item 6870-101-146)***We recommend approval.*

Chapter 764, Statutes of 1981 (SB 841), established a funding mechanism for deferred maintenance at community colleges. Among other provisions, the act contains language directing that funds be provided to districts on a dollar-for-dollar matching basis.

The budget requests \$6,000,000 from the Capital Outlay Fund for Public Higher Education (COFPHÉ) to fund deferred maintenance and special repairs in 1983-84. This would result in \$12 million being used to fund deferred maintenance projects in the budget year.

The Chancellor's office reports that the deferred maintenance needs of all districts total \$21.3 million. Of this amount:

1. \$7.7 million is needed for on-going maintenance projects. These are projects in which districts have identified a need for maintenance and general repairs.
2. \$8.2 million is needed for projects designed to prevent additional or more costly repairs in the future.
3. \$5.4 million is needed for projects that would address problems constituting a potential threat to the health or safety of individuals using instructional facilities.

We recommend approval.

**8. Fund for Instructional Improvement (Item 6870-101-909)**

*We recommend that (1) the local assistance item be reduced by \$760,000 and (2) a schedule be added to this item requiring that \$760,000 be transferred to Item 6870-101-909, so as to eliminate double-budgeting. (Reduce Item 6870-101-001 by \$760,000 and include a schedule in Item 6870-101-001 transferring \$760,000 to Item 6870-101-909.)*

Chapter 714, Statutes of 1977 (AB 1173), created a Fund for Instructional Improvement which provides loans and grants to districts in support of alternative educational programs and services. The fund derives its revenues from an annual General Fund appropriation.

The budget requests \$944,000 for this program in 1983-84, of which \$760,000 would be allocated for grants and \$184,000 would be used for loans. Under the provisions of AB 1173, funding for grants is derived from the General Fund, while funding for loans comes from a revolving loan account. The proposed level of support represents no change from the current year.

Both the grant and loan funds are allocated to districts on a competitive basis. In recent years, funds have been allocated for staff development programs for part-time instructors, educational programs for older adults, programs addressing the special learning needs of educationally disadvantaged students, and instructional programs which involve internships in the State Legislature and other nonprofit, private, and public agencies.

Our analysis indicates that the amount requested for the Instructional

Improvement Program is reasonable. It also indicates, however, that a technical adjustment is needed to properly budget for this program. Specifically, we recommend that the local assistance item be reduced by \$760,000 and that a new schedule be included in the local assistance item providing for the transfer of \$760,000 to the Instructional Improvement item. This would assure that \$760,000 is available for the Instructional Improvement program, as required by AB 1173, but would avoid double-budgeting.

#### **9. Timber Tax Revenues**

The budget identifies legislation enacted during the 1982 session of the Legislature for which 1983-84 funding has not been requested. The budget indicates that Ch 937/82 (AB 2347), an act relating to community college apportionments, is among the measures that have not been proposed for funding in the budget year.

Chapter 937 redefines state apportionments for community colleges to include timber tax revenues received by districts. The effect of this legislation, if funded would be to guarantee districts the same level of timber tax revenues they received in 1980-81. Because timber tax revenues are projected to decrease between the 1980-81 and budget year, the budget indicates that Chapter 937 would provided \$1.0 million in additional state aid to districts at a corresponding cost to the General Fund.

Our review indicates, however, that the timber tax provisions of Ch 937 are repealed, effective June 30, 1983.

#### **10. Control Section 24.00—Mineral Resource Revenues.**

*We recommend approval.*

Control Section 24.00 allocates certain federal government royalty payments among the community colleges and K-12 schools. These payments are derived from mineral resource revenues paid to the state by the federal government, and are distributed through sections A and B of the State School Fund.

The budget proposes to allocate 15 percent of the revenues anticipated in 1983-84 for community college apportionments and the remaining 85 percent for K-12 apportionments. This allocation is based on the historical split between community colleges and K-12 schools. The budget estimates that this will result in approximately \$3.9 million being allocated to the community colleges and \$20.0 million going to K-12 school districts. These amounts are recognized in the calculations of state aid required for K-12 and community college apportionments.

### **II. STATE OPERATIONS**

#### **A. General Fund Support (Item 6870-001-001)**

The state operations component of the budget includes funding for the administrative functions carried out by the Chancellor's Office. The budget proposes a funding level for state operations of \$6,349,000 in 1983-84, which is \$23,000 (-.4 percent) below the current-year funding level. (The details of this change are shown in Table 4.)

Table 25 shows state operations support for the past, current, and budget years.

The Governor proposes two significant program changes for the budget year: (1) the deletion of one attorney position and corresponding support staff (a \$65,000 decrease in General Fund support) and (2) the establishment of a new unit to collect on defaulted student loans (a \$110,000 increase in reimbursements).



**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—  
Continued**

**Table 25**  
**State Operations Budget**  
**Board of Governors of the California Community Colleges**  
**(in thousands)**

	<i>Actual</i> 1981-82	<i>Estimated</i> 1982-83	<i>Proposed</i> 1983-84	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
A. Fiscal Services.....	\$477	\$465	\$495	\$30	6.4%
B. Special Services and Operations					
1. EOPS .....	312	377	405	28	7.4
2. Disabled Students .....	123	111	115	4	3.6
3. Student Affirmative Action .....	31	—	—	—	—
4. Other Student Services .....	945	938	834	-104	-11.1
5. Credentials .....	620	590	530	-60	-10.2
6. District Affirmative Action .....	143	75	79	4	5.3
7. Program Evaluation and Ap- proval .....	959	990	1,030	40	4.0
8. Instructional Improvement and Innovation .....	78	74	73	-1	-1.4
9. Facilities Operations.....	529	361	372	11	3.0
C. Administration					
1. Board of Governors .....	111	116	122	6	5.2
2. Executive Office .....	1,115	1,209	1,121	-88	-7.3
3. General Administration.....	1,040	1,066	1,173	107	10.0
Totals, State Operations.....	\$6,483	\$6,372	\$6,349	-\$23	-0.4%
<i>General Fund</i> .....	<i>\$3,507</i>	<i>\$3,476<sup>a</sup></i>	<i>\$3,676</i>	<i>\$200</i>	<i>5.8%</i>
<i>Credentials</i> .....	<i>619</i>	<i>590</i>	<i>530</i>	<i>-60</i>	<i>-10.2</i>
<i>Fund for Instructional Improvement..</i>	<i>38</i>	<i>6</i>	<i>—</i>	<i>-6</i>	<i>-100.0</i>
<i>Special Deposit Fund</i> .....	<i>239</i>	<i>239</i>	<i>239</i>	<i>—</i>	<i>—</i>
<i>(Real Estate)</i>					
<i>Federal Trust Fund</i> .....	<i>21</i>	<i>10</i>	<i>—</i>	<i>-10</i>	<i>-100.0</i>
<i>Reimbursements</i> .....	<i>2,059</i>	<i>2,051</i>	<i>1,904</i>	<i>-147</i>	<i>-7.2</i>
Personnel-Years .....	143.3	142.2	1352	-7.0	-4.9

<sup>a</sup> Estimated General Fund expenditures for 1982-83 do not reflect the 2 percent unallotment (\$70,000) directed by Executive Order D-1-83.

**Reduction in Attorney Support.** The budget proposes to delete one Staff Counsel II and one half-time secretary from the Executive Unit of the Chancellor's Office. According to the budget document, this action was taken "to minimize proliferation of individual departmental legal staffs which often duplicate central state legal services." If the proposed reduction is adopted, there will still be one staff counsel position remaining in the Chancellor's Office. We believe this would leave the Chancellor's Office with sufficient legal staffing to handle its highest priority legal work. We can identify no significant adverse effect from eliminating the second attorney position.

**Student Loan Collections.** Chapter 937, Statutes of 1982, authorized the Chancellor's Office, in cooperation with the Franchise Tax Board and the Controller's Office to assist districts in recovering defaulted National Direct Student Loans (NDSL) administered by districts. Under the provi-

sions of the NDSL program, amounts on collected defaults loans can be used by the districts to fund new loans. This program authorizes the Controller to deduct the amounts that students owe from any tax refunds or other payments that the state would otherwise make to these students. The costs to the Chancellor's Office of participating in this program include 1 specialist and .5 clerical positions. The entire cost of these positions would be funded through reimbursements paid by districts.

Our review indicates that the proposed use of funds is reasonable, and consequently, we recommend approval.

### **1. Investment in People**

Elsewhere in this analysis we recommend that funding for the CCC Investment in People program be merged with the community college apportionment base, in order to reduce program overhead which results from administering similar programs in two different units. If this recommendation is approved, it will not be necessary to have state staff specifically assigned to the Investment in People program. Thus, our recommendation would permit the elimination of \$100,000 in General Fund support for staff (1.5 specialist and .5 clerical positions) and other necessary support expenses budgeted for this program. If our recommendation on the local assistance item is approved, we recommend that a corresponding reduction be made in the support item.

### **2. Flexible Calendar Report is Unnecessary**

*We recommend the adoption of budget bill language and legislation to discontinue publication of an annual report evaluating the flexible calendar program.*

Chapter 1632, Statutes of 1982 (AB 2960), requires each state agency to make recommendations as to whether legislatively mandated publications requiring 100 or more employee hours to produce should be discontinued. AB 2960 also requires our office to review the information provided by each agency and respond to the agency's recommendations.

The Chancellor's Office submitted a list of five reports which take more than 100 hours to produce. These reports include:

- Community College Staffing and Salaries
- Master Plan and Inventory of Programs
- Taxonomy of Programs and Program Approval
- Summary of Findings and Resolution of Audits of California Local Education Agencies
- Evaluation of Flexible Calendar Program

The Chancellor's Office recommended that one report, an annual evaluation of the flexible calendar program, be discontinued.

Under prior law, a pilot program was established which allowed seven districts to adopt a flexible school calendar designating up to 15 days of the statutorily required 175-day academic term for staff development and instructional improvement, in lieu of regular classroom instruction. Chapter 1000, Statutes of 1981 (AB 1149), repealed the pilot program and allowed the Chancellor's Office to approve flexible calendar programs submitted by districts, and revised the attendance accounting procedures for those districts choosing to participate in the flexible calendar program. In addition, AB 1149 required an annual evaluation of the flexible calendar program.

Our review indicates that this report is no longer necessary because the

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—  
Continued**

attendance accounting procedures for those districts participating in the flexible calendar programs provides a sufficient audit trail regarding the effectiveness of the program. Accordingly, we recommend that the following language be included in the Budget Bill to delete the requirement for this report:

“Notwithstanding any other provision of law, the reporting provision of Section 84896 of the Education Code shall be inoperative for the 1983–84 year.”

In addition, we recommend that legislation be enacted to permanently repeal this reporting requirement.

**B. Community Colleges Credentials Fund (Item 6870-001-165)**

*We recommend approval.*

Community college administrators, counselors, and instructors are required to maintain a state credential as a condition of their employment. The Credentials Office is responsible for review, approval, and revocation of credentials. The office is fully supported through a fee assessed for every application. Chapter 943, Statutes of 1981 (AB 1061), allows the Chancellor's Office to increase the credentials fee up to \$30, on a temporary basis, until July 1, 1985, when the maximum fee will be lowered to \$25.

The budget requests an appropriation of \$530,000 from the credentials fund, which is \$60,000 (10 percent) less than estimated current-year expenditures. This decrease is primarily due to the drop in applications and fee revenue for the current and budget years.

Our analysis indicates that the budget proposal is reasonable, and we recommend that it be approved.

**Technical Recommendation—Department of Rehabilitation Clients**

*We recommend an unspecified reduction in General Fund support for services provided to Department of Rehabilitation clients who are enrolled at community colleges, because federal funds are available and can be used for this purpose.*

In the Department of Rehabilitation analysis (Item 5160), we note that excess federal funds are available for clients needing reader and interpreter services in the community colleges. These services currently are being supported by the General Fund. We recommend in Item 5160 that federal funds be transferred to the higher education budget items to replace state General Fund support.

At the time this analysis was prepared, the Chancellor's Office had no reliable estimate of how much General Fund support was being allocated for this purpose. The office will provide such an estimate during budget hearings to enable the Legislature to transfer the appropriate amount of federal funds to this item, and to make the corresponding General Fund reduction to the community college local assistance budget.

## CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY

Items 6870-301 from the Capital  
Outlay Fund for Public High-  
er Education and the State  
Construction Program Fund  
(bonds)

Budget p. E 141

Requested 1983-84 .....	\$8,153,000
Recommended approval .....	5,186,000
Recommended reduction .....	2,967,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Transfer to General Fund. Recommend that savings of \$2,-  
967,000 resulting from our recommendations on Item 6870-  
301-146 be transferred from the Capital Outlay Fund for  
Public Higher Education to the General Fund, in order to  
increase the Legislature's flexibility in meeting high-prior-  
ity needs statewide. 1750
2. *Mendocino-Lake Community College District—Initial* 1751  
*Complement of Library Books. Reduce Item 6870-301-*  
*146(16) by \$236,000.* Recommend deletion of proposed  
funds because a functioning library already exists.
3. *Saddleback Community College District—General Class-* 1752  
*room Building. Reduce Item 6870-301-146(14) by \$2,619,-*  
*000.* Recommend deletion of proposed construction funds  
because the proposal will not result in useable classroom  
space.
4. *Systemwide Project Planning. Reduce Item 6870-301-* 1753  
*146(17) by \$112,000.* Recommend deletion of proposed  
planning funds because a large backlog of planned projects  
already exists.

### ANALYSIS AND RECOMMENDATIONS

The budget proposes total appropriations of \$8,153,000 to fund the state's share of the California Community Colleges' capital outlay program for 1983-84. This amount consists of \$8,119,000 from the Capital Outlay Fund for Public Higher Education (COFPE) and \$34,000 from the State Construction Program Fund (bonds). The various districts will provide a total of \$2,838,000 to support the requested projects, bringing the total program for community colleges capital outlay to \$10,991,000. Thus, the state will fund a total of 74 percent of the community colleges' capital outlay program.

Table 1  
California Community Colleges  
1983-84 Capital Outlay Proposal  
(in thousands)

Category	Number of Projects	State Share	District Share	Total
Removal of architectural barriers .....	14	\$1,898	\$1,026	\$2,924
Equipment for new facilities .....	2	783	67	850
Projects to reduce instructional capacity deficiencies ....	2	5,360	1,745	7,105
Project planning, systemwide .....	— <sup>a</sup>	112	—	112
Totals .....	18	\$8,153	\$2,838	\$10,991

<sup>a</sup> Net applicable.

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

For discussion purposes, we have divided the community colleges program into four descriptive categories. Table 1 shows the number of projects, the state share, the district share, and total cost by category.

**Transfer to General Fund**

*We recommend that the savings resulting from our recommendations on Items 6870-301-146—\$2,967,000—be transferred from the Capital Outlay Fund for Public Higher Education to the General Fund, in order to increase the Legislature's flexibility in meeting high priority needs state-wide.*

We recommend reductions amounting to \$2,967,000 under Item 6870-301-146 of the California Community Colleges capital outlay proposal. Approval of these recommendations, which are discussed individually below, would leave an unappropriated balance of tideland oil revenues in the Capital Outlay Fund for Public Higher Education, where it would be available only to finance the programs and projects of a specific nature.

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

**A. Removal of Architectural Barriers**

*We recommend approval of 14 projects under Items 6870-301-146(1)–(12) and 6870-301-736(1)–(2) to remove architectural barriers to the physically handicapped at community colleges campuses.*

The budget proposes the expenditure of \$1,898,000 in state funds and \$1,026,000 in district funds for working drawings and construction for 14 projects to remove architectural barriers to the physically handicapped. These projects are requested under Items 6870-301-146(1)–(12) and 6870-301-736(1)–(2).

The Chancellor's Office has established the following priority criteria for projects to remove barriers to the physically handicapped:

- Category 1—access to the campus site and facilities on the campus.
- Category 2—access to the main level of buildings with high traffic use.
- Category 3—access to facilities within buildings to meet the basic needs of the physically handicapped.
- Category 4—access to floors above and below the entrance level of buildings.
- Category 5—all other items not included in categories 1 through 4.

A minor portion of the work (3 percent) falls in categories one through three, with the major portion in category four (97 percent). The Legislature has previously funded the work necessary in categories one through three, and this appropriation should complete all work in these categories.

Ten of the proposed projects were included in the 1982-83 budget. These projects were deferred by the Legislature last year in favor of handicapped projects which addressed work in categories one through three.

The proposed projects will remove architectural barriers to the physically handicapped at 14 colleges in 9 districts in the state. The projects range in cost from \$20,000 (\$15,000 state share) at the College of Marin to \$634,000 (\$391,000 state share) at Santa Barbara City College.

These projects are needed to assure that mobility-impaired individuals will have access to educational programs at these community colleges. The scope and cost of the various projects are reasonable and we recommend approval of the requested amounts.

#### **B. Equipment for New Facilities**

The budget includes \$783,000 to fund the state's share of two projects to provide equipment for new facilities on community college campuses. The districts will provide \$67,000 for these projects, bringing the total cost to \$850,000.

##### **Kern Community College District—Equip Occupational Laboratory Building**

*We recommend approval of Item 6870-301-146(13), equip occupational laboratory building, Cerro Coso College.*

The budget includes \$547,000 under Item 6870-301-146(13) for the state's share (90 percent) to equip the new occupational laboratory building at Cerro Coso College in the Kern Community College District. The district will provide \$61,000 (10 percent) towards the purchase of new equipment, bringing total expenditures to \$608,000.

At the time it is occupied (Fall 1983), the building will increase laboratory space on the campus from 30 percent to 82 percent of need. The new building will provide 18,850 square feet of laboratory space for programs in art, automotive technology, welding, and metal technology (machine tool), plus 800 square feet for faculty offices. The requested equipment is needed to make the facility operable and the associated costs are reasonable. We recommend approval.

##### **Mendocino-Lake Community College District—Initial Complement of Library Books**

*We recommend deletion of Item 6870-301-146(16), initial complement of library books for Mendocino College, because a functioning library already exists, for a savings of \$236,000.*

The budget proposes \$236,000 for the state's share (97.5 percent) of purchasing an "initial" complement of library books and resources material for the new library facilities at Mendocino College. The district would contribute \$6,000 (2.5 percent) toward the project, bringing the total cost to \$242,000. The district desires to purchase 10,452 volumes covering the areas of science/technology, social sciences, fine arts/literature, reference, and general information. The district states that the rapid growth in enrollment and consequent expansion of teaching staff has mandated a relatively quick acquisition of support material for the library, but that the acquisition program was geared to an "interim" book collection.

The state previously has supplied funds for the acquisition of initial complements of library books. It has done so, however, only where a completely new college was being developed, and thus no facilities or equipment was already available. The Legislature generally has not pro-

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

vided funding for books at already-existing campuses when they construct new library facilities.

The Mendocino College library has been in operation since 1973, and has served the needs of district students since that time. The fact that a new library building is being constructed does not create a need for the state to provide funding for an "initial" complement of library books. Consequently, we see no justification for this proposal, and recommend that the proposed funds be deleted.

**C. Projects to Reduce Instructional Capacity Deficiencies**

The budget includes construction funds for two projects to reduce instructional capacity deficiencies at community college campuses. A total of \$5,360,000 in state funds is requested for these projects. The two districts will provide \$1,745,000, bringing the total cost of the projects to \$7,105,000.

**Saddleback Community College District—General Classroom Building**

*We recommend deletion of Item 6870-301-146(14), construct general classroom building, Saddleback College, because the proposal will not result in useable classroom space.*

The budget includes \$2,619,000 under Item 6870-301-146(14) for the state's share of the costs (61 percent) involved in constructing a *building shell* for a general classroom building at Saddleback College. Information provided by the Chancellor's office indicates that the district will provide \$1,675,000 (39 percent) towards this *partial project*. State funds for working drawings (\$208,400), *for a complete building*, were appropriated by the Legislature in Chapter 910/80 (AB 1171), and the district provided an additional \$112,200. The proposed building, *when completed*, will provide 54,995 assignable square feet of classrooms, laboratories, and offices for business education, family/consumer affairs, and the social sciences.

The Saddleback Community College District has experienced rapid enrollment increases, resulting in space needs which exceed the capacity of the district. During the 1982-83 school year, the district is operating at 86 percent of need in lecture space, 83 percent of need in laboratory space, and 82 percent of need in office space. The general classroom building if completed would reduce these space deficiencies. *The project being presented to the Legislature at this time, however, will not provide any instructional space, or even any useable space.*

The budget indicates that this is Phase I of a general classroom building construction project, but does not indicate what work will be accomplished with the proposed funds. Contrary to what is stated in the budget, the project as presented will not result in 54,995 assignable square feet. Information provided by the Chancellor's office indicates that the first phase will provide only underground utilities and a structural shell. Moreover, the Chancellor's Office indicates that \$5,074,000 will be needed in the future to finish and equip the building.

We recognize the capacity restraints under which the district currently is operating. As we noted earlier, however, the proposed project does not address the district's needs. If the project is approved as proposed, the state will have spent \$2.6 million and the district will have spent \$1.7 million without gaining any additional instructional space. If the project is phased, as proposed, this year's request would, in effect, lock the state into providing additional funds in 1984-85 or 1985-86. The result is not in

the Legislature's interest. This proposal reflects improper budgeting, and undoubtedly *seeks* to restrict the Legislature's budgetary flexibility in the future by putting it in a position where it will be difficult to avoid putting more money into the project.

For these reasons, we recommend that the proposed appropriation be denied. Instead, we suggest that the administration resubmit a project that (1) results in useable space to meet the needs of the district, and (2) is fully funded so that the Legislature can weigh the priority of this project relative to others, knowing the full cost of the project.

#### **Mendocino-Lake Community College District—Library and Alternate Learning Center**

*We recommend approval of Item 6870-301-146 (15), construct library and alternate learning center, Mendocino College.*

The budget includes \$2,741,000 under Item 6870-301-146(15) for the state's share (97.5 percent) to construct a new library and alternate learning center for Mendocino College. The district will provide \$70,000 (2.5 percent) towards the construction of this building, bringing the total construction cost to \$2,811,000.

This 18,871 assignable square foot building would be the first permanent structure on the new campus, and would provide space for the library, instructional facilities, offices, and audio-visual facilities. Mendocino College currently occupies modular relocatable-type facilities at the 12th District fairgrounds, as well as nine other buildings in Ukiah. Site development work at the new campus currently is underway. Upon completion of this project, the district will abandon two leased facilities in Ukiah which are used for the library and student services center. In addition, several modular buildings will be vacated and remodeled for other uses.

The net effect of this project will be to increase library space from 22 to 72 percent of need, increase laboratory space from 93 to 101 percent of need, increase lecture space from 97 to 113 percent of need, and decrease office space from 82 to 81 percent of need. These capacities will be at or below 100 percent when the district removes its modular buildings.

The project is justified and the cost is reasonable. Consequently, we recommend approval of construction funds.

#### **D. Systemwide Project Planning**

*We recommend that Item 6870-301-146(17) be deleted because a backlog of planned projects already exists, for a savings of \$112,000.*

The budget proposes \$112,000 under Item 6870-301-146(17) for the preparation of preliminary plans for capital outlay proposals expected to be included in the 1984-85 budget. The Chancellor's office indicates that the various districts will be providing \$38,000 for this purpose. This district's share of the costs, however, is not reflected in the budget. The proposed funds would provide for approximately \$10 million in construction, assuming the historical ratio of planning costs to construction costs (1.5 percent).

For 1983-84, the Chancellor's Office requested \$36 million to fund the state's share of 73 capital outlay projects. The total value of these projects, including district contributions, is \$52 million. Preliminary plan packages were prepared and submitted for each of these projects.

Of the projects prepared for submittal, 18 projects with a total cost of \$10,879,000 (\$8,041,000 state share) are included in the 1983-84 budget.



**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

This leaves 55 unfunded projects with requests totaling \$41 million. Given the level of state expenditures for community college capital outlay during the past several years, it seems unlikely that this backlog will be exhausted in preparing the 1984-85 budget. Moreover, the cost of updating the estimates included in the preliminary plan packages to reflect 1984-85 price levels is minor, and can be easily absorbed by the districts. Consequently, the need for additional planning funds is not clear, and we recommend that the \$112,000 proposed for this purpose be deleted.

**Projects by Descriptive Category**

In *The Budget for 1983-84: Perspectives and Issues*, we identify a number of problems that the Legislature will confront in attempting to provide for high-priority state needs within available revenues. To aid the Legislature in establishing and funding its priorities, we have divided those capital outlay projects which our analysis indicates warrant funding into the following seven descriptive categories:

1. Reduce the state's legal liability—includes projects to correct life threatening security/code deficiencies and to meet contractual obligations.
2. Maintain the current level of service—includes projects which if not undertaken will lead to reductions in revenue and/or services.
3. Improve state programs by eliminating program deficiencies.
4. Increase the level of service provided by state programs.
5. Increase the cost efficiency of state operations—includes energy conservation projects and projects to replace lease space which have a payback period of less than five years.
6. Increase the cost efficiency of state operations—includes energy conservation projects and projects to replace lease space which have a payback period of greater than five years.
7. Other projects—includes noncritical but desirable projects which fit none of the other categories, such as projects to improve buildings to meet current code requirements (other than those addressing life-threatening conditions), utility/site development improvements and general improvement of physical facilities.

Individual projects have been assigned to categories based on the intent and scope of each project. These assignments do not reflect the priority that individual projects should be given by the Legislature.

The Mendocino College library construction (\$2,741,000) and the equipment for the Cerro Coso occupational lab (\$547,000) fall under category three. The twelve projects funded from COFPHE to remove architectural barriers to the physically handicapped (\$1,864,000) fall under category seven.

**STUDENT AID COMMISSION**Item 7980 from the General and  
various funds

Budget p. E 145

Requested 1983-84 .....	\$88,557,000
Estimated 1982-83.....	89,367,000
Actual 1981-82 .....	88,683,000
Requested decrease (excluding amount for salary increases) \$810,000 (-0.9 percent)	
Total recommended reduction .....	\$207,000

**1983-84 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
7980-001-001—Commission Support		General	\$4,767,000
7980-001-951—Guaranteed Loan Program		State Guaranteed Loan Re- serve	4,465,000
7980-101-001—Awards		General	76,670,000
7980-101-890—Federal Funds		Federal Trust	(11,800,000)
7980-111-001—Cost-of-Living Adjustments		General	2,655,000
Total			\$88,557,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS***Analysis  
page*

1. Student Award Comparison Data. Recommend adoption of supplemental language requiring the Student Aid Commission to submit a report by December 15, 1983, comparing the amount of federal, state, institutional, and other financial aid funds available in other states with the amount of financial aid funds available in California. 1761
2. *Cost-of-Living Adjustments. Reduce Item 7980-111-001 by \$207,000.* Recommend reduction in the amount proposed for cost-of-living adjustments because the adjustment should be applied to the maximum award rather than to the average award. 1764

**GENERAL PROGRAM STATEMENT**

The Student Aid Commission (SAC) is composed of 11 members appointed by the Governor for a four-year term. In addition, two student members serve on the commission for two-year terms.

The commission is responsible for:

- Administering the state's financial aid programs.
- Administering a program which guarantees federally insured loans to undergraduate and graduate students.
- Distributing information on student aid.
- Administering a pilot program (known as Cal-SOAP) designed to increase access to postsecondary educational opportunities for financially disadvantaged students.

The financial aid grant programs which the commission administers include (1) a program that enables financially needy students to attend the California college of their choice, (2) a program that increases disadvantaged students' access to California colleges, (3) a program that ena-

**STUDENT AID COMMISSION—Continued**

bles needy students to train in skilled occupations, (4) a fellowship program for needy graduate and professional students, (5) a program that prepares K-12 bilingual teachers, and (6) a program for financially needy children of law enforcement officers killed or disabled in the line of duty.

The commission is supported by a staff of 163.8 full-time equivalent positions in the current year.

**ANALYSIS AND RECOMMENDATIONS****A. Overview of Funding for 1983-84**

The budget proposes expenditures by the Student Aid Commission totaling \$88,557,000 from the General Fund and the Guaranteed Student Loan Reserve Fund in 1983-84. This is \$810,000, or 0.9 percent, less than estimated current-year expenditures.

The budget proposes *total* expenditures, including expenditures from federal funds, of \$100,357,000 in 1983-84. This is a decrease of \$810,000, or 0.8 percent, compared to total current year expenditures. Of this amount, \$84,092,000 (84 percent of total expenditures) is proposed from the General Fund, an increase of \$1,814,000, or 2.2 percent, above the current-year funding level. Expenditures from the State Guaranteed Loan Reserve Fund are proposed at \$4,465,000 (4.4 percent of total expenditures), which is \$2,624,000, or 37 percent, less than expenditures from this funding source in the current year. Support from the Federal Trust Fund is expected to remain at the current-year level of \$11,800,000.

Table 1 shows support for the commission's activities in the prior, current, and budget years. It indicates that funding for *awards* is expected to increase in 1983-84 by \$1,530,000, which is 1.7 percent more than the current-year amount. The budget proposes to decrease funding for the commission's administrative *operations* by \$2,340,000, or 20.2 percent, in the budget year. This reduction, however, makes no allowance for the cost of any salary or staff benefit increase that may be approved for the budget year.

**Table 1**  
**Student Aid Commission**  
**Budget Summary**  
**(in thousands)**

	<i>Actual</i> 1981-82	<i>Estimated</i> 1982-83	<i>Proposed</i> 1983-84	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Awards .....	\$90,327	\$89,595	\$91,125	\$1,530	1.7%
Guaranteed Student Loans .....	(654,352)	(603,000)	(603,000)	—	—
Administrative Operations.....	10,263	11,572	9,232	-2,340	-20.2
Totals.....	\$100,590	\$101,167	\$100,357	-\$810	-0.8%
General Fund .....	\$82,951	\$82,278	\$84,092	\$1,814	2.2%
Guaranteed Student Loan Reserve Fund .....	5,732	7,089	4,465	-2,624	-37.0
Federal Trust Fund .....	11,907	11,800	11,800	—	—

<sup>a</sup> Estimated expenditures for 1982-83 do not reflect the 2 percent unallotment of \$1,645,000 directed by Executive Order D-1-83.

Table 2 shows the changes proposed in total expenditures between 1982-83 and 1983-84. The amount requested from the General Fund re-

flects a 3 percent cost of living adjustment (COLA) for the commission's award program, offset by a baseline reduction in the Cal Grant B program.

Table 2

**Student Aid Commission Support  
Summary of Proposed 1983-84 Changes  
From 1982-83 Budget  
(in thousands)**

*Program*

## 1. Awards:

1982-83 Current Year Revised ..... \$89,595

## Baseline Adjustments

1. Cal Grant B ..... -\$1,125

2. Cost-of-Living Adjustment ..... 2,655

Total, Baseline Adjustments ..... \$1,530

1983-84 ..... \$91,125

## 2. State Operations:

1982-83 Current Year Revised ..... \$11,572

## Baseline Adjustments

1. Merit Salary Adjustment ..... 69

2. Employee Compensation ..... 44

3. Operating Expenses and Equipment Price Increase ..... 145

4. Restore 27.10 Reduction ..... 73

5. Contract Reduction ..... -2,669

6. Office of Administrative Law ..... -2

Total, Baseline Adjustments ..... -\$2,340

1983-84 ..... \$9,232

3. Total Expenditures in 1983-84 ..... \$100,357

## Total Change:

Amount ..... -810

Percent ..... -0.8%

## Funding Source:

General Fund ..... \$1,814

State Guaranteed Loan Reserve Fund ..... -2,624

The proposed decrease in state operations is made possible primarily by a reduction in the fee for processing guaranteed student loans charged by a private sector loan service.

Table 3

**Student Aid Commission Awards  
(in thousands)**

	<i>Actual 1981-82</i>	<i>Estimated 1982-83</i>	<i>Proposed 1983-84</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Cal Grant A—Scholarships .....	\$58,143	\$57,050	\$58,763	\$1,713	3.0%
2. Cal Grant B—College Opportunity Grants .....	24,588	24,831	24,423	-408	-1.6
3. Cal Grant C—Occupational Education and Training Grants .....	2,426	2,655	2,736	81	3.0
4. Graduate Fellowships .....	2,708	2,548	2,623	75	2.9
5. Bilingual Teacher .....	2,456	2,497	2,572	75	3.0
6. Law Enforcement Personnel Dependent Grants .....	6	14	8	-6	-42.8
7. Cost-of-living adjustments.....	—	—	(2,655)	(2,655)	—
Total, Awards .....	\$90,327	\$89,595	\$91,125	\$1,530	1.7%
General Fund .....	\$78,420	\$77,795	\$79,325	\$1,530	1.9%
Federal Trust Fund.....	11,907	11,800	11,800	—	—

## STUDENT AID COMMISSION—Continued

Table 4  
1982-83 Higher Education Student Assistance  
(in thousands)

	State	Federal	Institutional	Other	Totals
University of California					
Cal Grants:					
a. Scholarships .....	\$11,464 <sup>b</sup>	—	—	—	\$11,464
b. College Opportunity Grants .....	5,475 <sup>b</sup>	—	—	—	5,475
Graduate Fellowships .....	262	\$10,500	\$16,000	\$3,900	30,662
Pell Grants .....	—	19,823	—	—	19,823
Supplemental Educational Opportunity Grants (SEOG) .....	—	5,900	—	—	5,900
Other Grants .....	—	121	27,300	4,200	31,621
Fee Waivers .....	—	—	6,020	—	6,020
National Direct Student Loans .....	—	4,350	9,200	—	13,550
GSL .....	—	—	—	84,244	84,244
Other Loans .....	—	370	10,750	650	11,770
College Work Study .....	—	6,000	4,200	—	10,200
Bilingual Teacher Grant Program (BTGP) .....	210 <sup>b</sup>	—	—	—	210
Totals, UC .....	\$17,411	\$47,064	\$73,470	\$92,994	\$230,939
California State University					
Cal Grants:					
a. Scholarships .....	\$2,671 <sup>b</sup>	—	—	—	\$2,671
b. College Opportunity Grants .....	7,538 <sup>b</sup>	—	—	—	7,538
Graduate Fellowships .....	13 <sup>b</sup>	—	—	—	13
Educational Opportunity Grants (EOP/S) .....	7,112	—	—	—	7,112
Pell Grants .....	—	\$34,425	—	—	34,425
Bilingual Teacher Grant Program (BTGP) .....	2,011 <sup>b</sup>	—	—	—	2,011
Supplemental Educational Opportunity Grants (SEOG) .....	—	6,587	—	—	6,587
Other Grants .....	3,400	400	\$1,980	3,787	9,567
Fee Waivers .....	—	—	1,393	—	1,393
National Direct (Student Loans) ..	—	12,475	1,611	—	14,086
GSL .....	—	—	—	107,275	107,275
Other Loans .....	—	133	17	—	150
College Work Study .....	—	8,431	1,712	666	10,809
Part-Time-On-Campus Employment .....	—	—	12,000	—	12,000
Totals, CSU .....	\$22,745	\$62,451	\$18,713	\$111,728	\$215,637
California Community Colleges					
Bilingual Teacher Grant Program (BTGP) .....	\$417 <sup>b</sup>	—	—	—	\$417
College Opportunity Grants .....	8,258 <sup>b</sup>	—	—	—	8,258
Occupational Ed. and Training Grants .....	607 <sup>b</sup>	—	—	—	607
Educational Opportunity Grants (EOP/S) .....	8,318	—	—	—	8,318
Pell Grants .....	—	\$47,141	—	—	47,141
Supplemental Educational Opportunity Grants (SEOG) .....	—	9,801 <sup>a</sup>	—	—	9,801
Other Grants .....	—	—	\$786	\$1,123	1,909
National Direct Student Loans .....	—	602 <sup>a</sup>	67	—	669
GSL .....	—	—	—	72,515 <sup>b</sup>	72,515
College Work Study .....	—	13,929 <sup>a</sup>	3,482	—	17,411

## Item 7980

## POSTSECONDARY EDUCATION / 1759

Part-Time-On-Campus Employment .....	—	—	4,302	129	4,431
Totals, CCC .....	\$17,600	\$71,473	\$8,637	\$73,767	\$171,477
California Independent Colleges Bilingual Teacher Grant Program (BTGP) .....	\$362 <sup>b</sup>	—	—	—	\$362
Cal Grants:					
a. Scholarships .....	45,268 <sup>b</sup>	—	—	—	45,268
b. College Opportunity Grants .....	5,531 <sup>b</sup>	—	—	—	5,531
c. Occupational Education and Training Grants .....	420 <sup>b</sup>	—	—	—	420
Graduate Fellowships .....	1,893 <sup>b</sup>	—	—	—	1,893
Pell Grants .....	—	\$23,522	—	—	23,522
Supplemental Educational Opportunity Grants (SEOG) .....	—	6,901 <sup>a</sup>	—	—	6,901
Other Grants .....	—	—	\$82,542	—	82,542
Fee Waivers .....	—	—	1,049	—	1,049
National Direct Student Loans .....	—	13,180	1,464	—	14,644
GSL .....	—	—	—	\$153,193 <sup>b</sup>	153,193
Other Loans .....	—	—	9,771	—	9,771
College Work Study .....	—	11,288 <sup>a</sup>	—	—	11,288
Total Institutional Work Fund for Students .....	—	—	12,475	—	12,475
Totals, Ind. Colleges .....	\$53,474	\$54,891	\$107,301	\$153,193	\$368,859
Proprietary and Specialty Schools					
Cal Grants:					
a. Scholarships .....	\$1,976 <sup>b</sup>	—	—	—	\$1,976
b. College Opportunity Grants .....	681 <sup>b</sup>	—	—	—	681
c. Occupational Ed. & Training Grants .....	1,628 <sup>b</sup>	—	—	—	1,628
Pell Grants .....	—	\$36,500 <sup>c</sup>	—	—	36,500
Supplemental Educational Opportunity Grants (SEOG) .....	—	5,597 <sup>a</sup>	—	—	5,597
National Direct Student Loans .....	—	3,809 <sup>a</sup>	\$423	—	4,232
GSL .....	—	—	—	\$68,748 <sup>b</sup>	68,748
College Work Study .....	—	1,008 <sup>a</sup>	252	—	1,260
Totals .....	\$4,285	\$46,914	\$675	\$68,748	\$120,622
Student Aid Commission					
Cal Grants:					
a. Scholarships .....	(61,379)	—	—	—	—
b. College Opportunity Grants .....	(27,483)	—	—	—	—
c. Occupational Ed. & Training Grants .....	(2,655)	—	—	—	—
Graduate Fellowships .....	(2,168)	—	—	—	—
Bilingual Teacher Development Grants .....	(3,000)	—	—	—	—
Totals .....	(96,685)	—	—	—	—
Grand Totals, All Programs .....	\$115,515	\$282,793	\$208,796	\$500,430	\$1,107,534

<sup>a</sup> Source: U.S. Office of Education.<sup>b</sup> Source: Student Aid Commission.

<sup>c</sup> Does not reflect an estimated \$408,000,000 in Social Security Educational Benefits and Veterans Benefits. Note: For NDSL and CW-S Programs in the community college, and proprietary segments, and for NDSL Program in the independent segment, federal and institutional shares are estimated, respectively at 90 percent/10 percent for NDSL and 80 percent/20 percent for CW-S. Except as noted, independent college data is based on a survey of AICCU institutions, adjusted to reflect all California independent institutions. Independent college institutional share of CW-S resides in "Total institutional work fund for students." Cal Grant amounts are awards offered; actual amounts received are about 10.5 percent less because of attrition.

Source: Student Aid Commission.

**STUDENT AID COMMISSION—Continued****B. Student Award Programs**

The award programs include the Cal Grant A, B, and C programs, the Graduate Fellowship program, the Bilingual Teacher Development Grant program, and the Law Enforcement Dependents program. Applicants for student financial aid must meet certain criteria to be eligible for an award. In addition, each program requires recipients to establish financial need.

Table 3 shows that the budget proposes \$91,125,000 in awards during 1983–84, a \$1,530,000 (1.7 percent) increase over the current-year level. Federal support is proposed to remain at the 1982–83 level of \$11,800,000.

**1. State Awards (Item 7980-101-001)***We recommend approval.*

The budget proposes \$79,325,000 from the General Fund for awards in the budget year. This consists of \$76,670,000 in the base budget plus \$2,655,000 for cost-of-living adjustments. The total is \$1,125,000, or 1.4 percent, less than estimated General Fund expenditures during the current year (\$77,795,000). The entire amount of the decrease is due to a baseline adjustment in the Cal Grant B program. This adjustment was made to reflect the decline in the rate at which Cal Grant B recipients are renewing their awards.

Our analysis indicates that the proposed amount is reasonable. The amounts allocated for awards (excluding the amount requested for a cost-of-living adjustment) will provide the same level of support as in the current year, and serve the same number of students who satisfy the eligibility requirements for receiving awards. Given this, we recommend approval.

**2. Total Student Assistance in California**

The Student Aid Commission administers most of the state-supported financial aid programs. Students attending postsecondary institutions in California, however, receive financial aid funds from many sources other than the commission.

Table 4 shows the total amount of financial aid funds provided to students attending postsecondary institutions in California. For 1982–83, the commission estimates that \$1 billion in financial aid funds will be made available to students at these institutions. This amount is approximately \$100 million less than the amount estimated to have been made available in 1981–82.

The table also shows that the state provides a little more than 10 percent (\$115.5 million) of the total amount of financial aid funds received by students at California colleges and universities. Approximately 25 percent of the funds (\$280 million) comes from the federal government, while 19 percent (\$200 million) is provided by the postsecondary institutions themselves. The remainder—45 percent, or \$500 million—comes from other sources, primarily the Guaranteed Student Loan program.

The data included in Table 4 shows that students in the independent colleges receive the largest share of financial aid funds. Specifically, \$368.8 million, or 33 percent of the total goes to these students. Students at the University of California and the California State University receive \$230.9

million (21 percent) and \$215.6 million (19 percent), respectively. Students at the California community colleges and the proprietary institutions receive the remaining funds, which total \$171.4 million (15 percent) and \$120.6 million (11 percent), respectively.

### 3. State Comparison of Student Awards

Table 5 shows the 10 states providing the largest average student aid awards. The amounts shown in the table include only those funds appropriated for financial aid through a state administrative agency, and do not include financial aid support from postsecondary institutions within the state.

In 1981-82, the average award provided by California-sponsored financial aid programs was the second highest in the country. The average California award level in that year—\$1,380 per recipient—was almost twice the average award of \$757 in all 50 states and the District of Columbia.

In the current year (1982-83), California's average award once again ranks second in the country, and the average award level of \$1,446 per recipient is 80 percent greater than the national average (\$800).

**Table 5**  
**Average Student Aid Awards**

<i>Actual 1981-82</i>			<i>Estimated 1982-83</i>		
<i>Rank</i>	<i>State</i>	<i>Average Award</i>	<i>Rank</i>	<i>State</i>	<i>Average Award</i>
1	South Carolina	\$1,577	1	South Carolina	\$1,731
2	California	1,380	2	California	1,446
3	Iowa	1,185	3	District of Columbia	1,315
4	Alaska	942	4	Iowa	1,178
5	Illinois	939	5	Illinois	1,019
6	South Dakota	917	6	Michigan	979
7	Florida	893	7	Alaska	942
8	Mississippi	859	8	Texas	931
9	New York	843	9	South Dakota	917
10	Texas	768	10	Vermont	862
	All States	\$757		All States	\$800

Sources: National Association of State Scholarship and Grant Programs—preliminary data.

### 4. Comprehensive Comparison Data is Needed

*We recommend the adoption of supplemental language requiring the Student Aid Commission to submit a report to the Legislature by no later than December 15, 1983, comparing the amount of federal, state, institutional, and other financial aid funds available in other states, to the amount of financial aid funds available in California.*

While the data in Table 5 gives some indication of the average financial aid grants provided by different states, it is not complete. This data reflects only those funds provided through a state administrative agency. Consequently, it does not reflect additional financial aid funds which are available from federal, institutional, and other sources such as the private sector, foundations, and nonprofit corporations.



**STUDENT AID COMMISSION—Continued**

We believe more comprehensive data on financial aid awards, by state, would be useful to the Legislature. Specifically, it would help the Legislature determine:

- How the level of funding provided for the state's specific aid programs compares with the level provided in other states.
- The extent to which the other states target aid to specific types of students.
- How the states differ in terms of the funding sources used for financial aid. As shown in Table 4, approximately 10 percent of the financial aid funds provided in California is financed by state taxpayers. A comparative study would show the level of contributions made by other states. It would also show the degree to which students and institutions in other states are able to secure funds from other sources such as the private sector and foundations.
- What degree of access students around the country have to financial aid funds. This might indicate, for example, that although South Carolina provides a larger average award to financial aid recipients, it offers fewer awards or imposes more restrictive eligibility requirements than California does.

We believe that this information would provide the Legislature with a better basis for determining the funding requirements of financial aid for its needy students. Accordingly, we recommend that the Legislature adopt the following supplemental language directing the Student Aid Commission to compare student financial aid in California and other states.

"The Student Aid Commission shall undertake a study comparing the amount of financial aid funds available in California to the amount of financial aid funds available in the other 49 states and the District of Columbia. To the extent possible, the study shall include, but not be limited to:

- (a) The number of financial aid programs sponsored in California and in other states.
- (b) The total amount of financial aid funds available to students in California and other states.
- (c) Data on the distribution of financial aid funds, by source. This would cover state, federal, institutional, and other sources of funds. These sources shall be displayed for public, private, and proprietary segments in California and in other states.
- (d) The number of financial aid programs sponsored in other states by their respective state government. This information should include funding levels, eligibility requirements, and number of students receiving aid.

This report shall be submitted to the Legislature, the Department of Finance, the legislative fiscal committees, and the California Postsecondary Education Commission by no later than December 15, 1983. The Postsecondary Education Commission shall submit comments on the report to the Legislature by no later than January 15, 1984."

Preparation of the study would be consistent with the commission's ongoing responsibility of providing policy research concerning financial aid in California.

### **5. Student Aid Delivery: The Student Aid Commission Versus the Segments**

There are two delivery mechanisms available for the distribution of state financial aid to needy students: the Student Aid Commission and the public segments (UC, CSU, CCC). Traditionally, the Legislature has included additional funds for financial aid in the Student Aid Commission's budget whenever there has been an increase in the fees charged by UC and CSU. Specifically, it has been the state's policy to increase funding for Cal Grants A and B in order to help needy students to pay higher student fees at the two segments.

The budget for 1983-84 proposes a departure from this policy. It includes the additional financial aid funds of \$3.7 million and \$11.6 million intended to compensate for fee increases in UC's and CSU's budgets respectively, rather than in the commission's budget. By including the additional financial aid funds in the segments' budgets, the budget targets the money for needy students attending each segment. If the additional financial aid funds instead were included in the Student Aid Commission's budget, it is unclear if the additional funds would be distributed among the two state segments or even if the funds would be awarded to financial needy students in the public segments at all.

This uncertainty exists for two reasons:

- For the past four years, first-year Cal Grant A award recipients had a minimum grade point average (GPA) of at least 2.8. Because its minimum GPA for entering students is 2.0, the CSU system has many financially needy students with a GPA lower than the Cal Grant A minimum. Consequently, including the aid in the CSU budget provides some assurance that a broader range of financially needy students, Cal Grant winners, and those who did not get a Cal Grant award, would receive help from the state in paying the higher fees.
- The state does not guarantee that the public segments receive a specified percentage of awards or award funds in a given year. Instead, awards are distributed to recipients, independent of where they choose to pursue their education. As a result, if the additional funds for financial aid were to be awarded through the commission, a portion of the additional aid intended to offset higher fees could go to students attending private institutions.

For these reasons, we recommend that additional funds earmarked for financial aid to offset higher student fees be added to each segment's budget, as proposed by the administration. This will not prevent Cal Grant recipients from receiving additional aid to cover the increase in student fees, since the segments are able to provide aid to Cal Grant recipients as well as to other financially needy students. Consequently, we conclude that it is not necessary to include additional financial aid funds in the commission's budget for the purpose of compensating for the proposed fee increases at UC and CSU.

### **6. Change in Cal Grant Budgeting Procedures**

The 1983-84 budget reflects a reclassification of funds provided for student awards. Specifically, the budget treats these funds as local assistance, rather than including them in the state operations portion of the commission's budget as they have been in the past. Classifying funding for these awards as a local assistance is consistent with how funding for similar programs is treated. In fact, all other state programs which provide payments or grants to individuals are included in the local assistance portions of the state budget.

**STUDENT AID COMMISSION—Continued****7. Federal Trust Fund (Item 7980-101-890)**

*We recommend approval.*

The budget estimates that \$11,800,000 in federal funds will be available in both the current and budget years to support the Cal Grant A, B, and C award programs. These funds are derived from the State Student Incentive Grant (SSIG) program, a federal program designed to provide an incentive for states to establish or expand grant assistance programs.

**8. Cost-of-Living Adjustments (Item 7980-111-011)**

*We recommend that the amounts proposed for cost-of-living adjustments be reduced to correct for double-budgeting, for a General Fund savings of \$207,000. (Reduce Item 7980-111-011 by \$207,000.)*

The budget requests \$2,655,000 to provide a 3 percent cost-of-living adjustment (COLA) to the average award under each of the commission's grant programs.

Our analysis indicates that the proposed allocation of these funds results in overbudgeting in the amount of \$207,000. This is because the amount requested for these adjustments was based on the *average* award, rather than on the *maximum* award.

Table 6 shows the allocation of COLA funds among the programs (1) as proposed in the budget and assuming that the COLA is applied to the *average* award and (2) as we recommend and assuming that the COLA is applied to the *maximum* award.

Under current practice, eligible students receive awards sufficient to fund tuition and fees up to a specified maximum award level. It has been the state's practice to grant a cost-of-living adjustment only to those recipients receiving the maximum award, since the budget provides sufficient funds to cover any increase in tuition or fees for any student whose award is below the specified maximum. Moreover, the commission's policy is to provide each recipient who attends an institution levying a student charge below the commission's specified maximum award level with an award sufficient to fully fund his/her needs. (The commission can fund these award increases because its baseline budget is adjusted each year for an increase in these awards.) On the other hand, fees which exceed the commission's maximum award will not receive an increase, even though fees may have increased between academic terms, unless a separate cost-of-living adjustment has raised the maximum award. Consequently, it is clear that a COLA is only warranted to reflect the increase in tuition and fees imposed on students receiving the maximum award.

Calculating the amount needed for cost-of-living adjustments on the basis of the average (rather than the maximum) award would result in double-budgeting. This is because the commission budget *already* includes an adjustment designed to compensate for increases in fees below the maximum award level. As the commission states in its budget request, "the average award is calculated on the basis of prior year's experience and modified by economic or other factors which influence it."

To correct for this double-budgeting, we recommend that the amounts budget for cost-of-living adjustments be reduced by \$207,000.

**Table 6**  
**Cost-of-Living Adjustments**  
**Student Aid Commission Awards**  
**(in thousands)**

	<i>Governor's Proposal</i>	<i>Analyst's Estimate</i>	<i>Difference</i>
Cal Grant A .....	\$1,713	\$1,437	-\$276
Cal Grant B <sup>a</sup> .....	711	819	108
Cal Grant C <sup>b</sup> .....	81	90	-9
Graduate Fellowship .....	75	33	-42
Bilingual .....	75	69	-6
Totals .....	\$2,655	\$2,448	-\$207

SOURCE: Student Aid Commission

<sup>a</sup> Includes the subsistence allowance in the COLA calculation.

<sup>b</sup> Includes the book and supplies allowance in the COLA calculation.

### C. Administration

The administration unit provides the services necessary to support the commission's programs. The budget proposes funding for 171.8 full-time equivalent positions for this unit in 1983-84, which is an increase of eight positions above the current-year level. This increase is related to the growth in workload under the State Guaranteed Loan program, and is discussed more fully later in this analysis. A total of \$9,232,000 is requested for administration. This is \$2,340,000, or 20.2 percent, less than the current-year amount. The decrease is primarily due to a \$2,669,000 reduction in the fees charged for processing guaranteed student loans by a private sector loan servicer. Table 7 shows support for the administrative unit in the commission.

**Table 7**  
**Student Aid Commission Administration**  
**(dollars in thousands)**

	<i>Actual 1981-82</i>	<i>Estimated 1982-83</i>	<i>Proposed 1983-84</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Cal Grant A .....	\$1,756	\$1,668	\$1,822	\$154	9.2%
2. Cal Grant B .....	1,225	1,221	1,277	13	1.1
3. Cal Grant C .....	222	233	243	10	4.3
4. Graduate Fellowship .....	174	203	214	11	5.4
5. Bilingual Teacher Grant .....	442	449	458	9	2.0
6. Law Enforcement Personnel Depend- ent Grant .....	2	2	2	—	—
7. Cal-SOAP .....	299	339	356	17	5.0
8. Guaranteed Loan					
(a) Federal component .....	46	61	64	3	4.9
(b) State component .....	5,686	7,028	4,401	-2,627	-37.4
(c) Administration distributed .....	(0)	(0)	(243)	—	—
9. Financial aid information .....	222	183	194	11	6.0
10. Research .....	189	185	201	16	8.6
11. Executive administration .....	(894)	(822)	(865)	(43)	(5.2)
Totals .....	\$10,263	\$11,572	\$9,232	-\$2,340	-20.2%
General Fund .....	\$4,531	\$4,483	\$4,767	\$284	6.3%
State Guaranteed Loan Reserve Fund	5,732	7,089	4,465	-2,624	-37.0%
Personnel-years .....	152.2	163.8	171.8	8.0	4.9%

**STUDENT AID COMMISSION—Continued****1. State Operations—(Item 7980-001-001)**

*We recommend approval.*

The budget requests \$4,767,000 from the General Fund for administration of the commission's programs in 1983–84. This is \$284,000, or 6.3 percent, more than current-year expenditures for this purpose. This increase reflects:

- A \$75,000 increase in rental expense under a new contract between the commission and the Department of General Services.
- A \$31,000 increase in personal services for the creation of a new institutional auditing unit. This increase is discussed more fully, below.
- A \$102,000 increase in operating expenses.
- A \$76,000 increase in employee compensation needed to restore funding for the employer's contributions to the Public Employees Retirement Fund. The Legislature provided for a one-time reduction in these contributions during the current year.

These increases are distributed among the following administrative units in the commission: Cal Grants A, B, and C, the Graduate Fellowship program and the Bilingual Teacher grant program. In addition, a portion of the executive administration is supported from the General Fund. Our review indicates that the proposed level of funding is reasonable, and consequently, we recommend approval.

**2. Bilingual Teacher Grant Report Should be Continued**

Chapter 1632, Statutes of 1982 (AB 2968), requires each state agency to make recommendations as to whether legislatively mandated publications requiring 100 or more employee hours to produce should be discontinued. AB 2960 also requires our office to review the information provided by each agency and respond to the agency's recommendations.

The Student Aid Commission submitted a list of three publications which take more than 100 hours to produce. These reports are:

- the Bilingual Teacher Grant Report
- the Student Expenses and Resources Survey
- the Student Contribution Survey

The commission recommended that the Bilingual Teacher Grant Legislature Report be discontinued.

The Bilingual Teacher Grant program authorized under Ch 1261/80 (AB 2615) provides financial assistance to students pursuing an approved bilingual teaching certificate. AB 2615 merged this program with the Department of Education's Bilingual Teacher Corps program, in an effort to provide more effective administration at a lower state cost. Our review indicates that for the time being, this annual report is still needed, for the following reasons:

- The legislation requires participating institutions of higher education to designate certain employees to coordinate the grant program and provide supplementary services to grant recipients. An annual evaluation is the most effective way to determine whether agencies have complied with this requirement.
- The report is the only statewide data source which provides information on the number of potential bilingual teachers in the state. It also

provides information about a teacher's placement opportunities upon completing the program. Given the large number of school-aged children whose primary language is *not* English, we believe this information is important to determine whether this program is effectively increasing the state's supply of bilingual teachers.

- In addition, this report provides useful information on *future* needs for bilingual teachers. Last year's report identified a growing demand for this program and for more diversified services to recipients, as a result of the increasing number of refugees settling in the state.

For these reasons, we conclude that continuation of this report would provide the Legislature with useful information on the participating teachers and institutions in the bilingual teacher grant program. Consequently, we recommend that the Legislature not change the existing statutory reporting requirement.

### 3. State Guaranteed Student Loan Program (Item 798-001-951)

The administrative unit is the state guarantee agency for the Federal Guaranteed Student Loan (GSL) program, which provides low interest loans to college students. The state's responsibilities include monitoring lenders and institutions to assure compliance with federal policies, and providing necessary services for collecting outstanding loans. These activities are self-supporting through (1) insurance premiums from each guaranteed loan and (2) administrative cost allowances made available by the federal government. There is no General Fund support provided for this program.

a. **Background On The GSL Program.** The GSL program provides low interest loans to college students. Any student with a family income of less than \$30,000 per year automatically qualifies for a loan. Students coming from families with annual incomes greater than \$30,000 must demonstrate financial need in order to qualify for a loan. The maximum loan is \$2,500 per year for undergraduates and \$5,000 per year for graduates.

To secure the loan, a student must pay the lender an origination fee equal to 5 percent of the principal. In addition, an insurance policy must be issued for the loan. An insurance premium is established by the SAC and is paid by the student at the time the loan is disbursed. The current premium is 1 percent per annum, and is applied for period running from the date on which the loan is disbursed to the date when the student is expected to complete his/her education plus 12 months.

The current interest rate on the GSL loans is 9 percent, and students are required to begin payments on their loans six months after completion of their education. Table 8 shows the increasing volume of loans guaranteed by the state during the past 4 years.

Table 8  
Volume of Loans Guaranteed  
(dollars in millions)

	<i>Number</i>	<i>Dollar Volume</i>
1979-80 .....	73,483	\$168.3
1980-81 .....	142,341	469.6
1981-82 .....	237,825	654.4
1982-83 (estimated) .....	219,273	603.0
Total .....	672,922	\$1,895.3

**STUDENT AID COMMISSION—Continued**

**Loan Default Rates.** Because the GSL is a relatively new program, 1981-82 was the first year in which recipients began to repay loans made under the program. Table 9 shows the initial default rate experience, by higher education segment. As of October 31, 1982, the University of California had the lowest rate of default (2.8 percent) while the private vocational schools had the highest rate of default (16.3 percent).

It is difficult to say whether the initial default experience is representative of what's to come. Given the high default rates for some of the segments, however, the commission should be asked to comment during hearings on the actions it plans to take in order to limit the rate of default on student loans.

**Table 9**  
**Default Rates in the Guaranteed Student Loan Program<sup>a</sup>**  
**As of October 31, 1982**

<i>Default Rates</i>	<i>University of California</i>	<i>California State University</i>	<i>California Community Colleges</i>	<i>Private Two-Year</i>	<i>Private Four-Year</i>	<i>Vocational</i>
0-5.0 percent .....	8	12	23	4	56	28
5.1-9.0 .....	2	8	22	2	23	17
9.1-12.5 .....	—	—	10	5	8	10
12.6-15.0 .....	—	—	2	2	3	8
15.1-20.0 .....	—	—	6	1	3	13
20.1-25.0 .....	—	—	1	—	1	11
25.1-30.0 .....	—	—	—	—	1	5
30.1-35.0 .....	—	—	—	—	—	5
35.1-40.0 .....	—	—	—	—	—	2
Over 40.0 .....	—	—	—	—	—	5
Average default rate .....	2.8%	4.7%	8.8%	8.0%	4.8%	16.3%
Cumulative Loan Value (dollars in millions) ..	\$225.6	\$288.9	\$155.8	\$23.8	\$432.4	\$155.6

<sup>a</sup> Applies only to those institutions with loans of at least \$25,000 in repayment status.

**The Level of Reserve Funds.** Table 10 shows the reserve levels for the State Guaranteed Loan Reserve Fund. These funds have been accumulated from the 1 percent insurance premiums paid by GSL recipients, and are set aside to help cover the costs of defaulted loans.

**Table 10**  
**Reserve Fund Status**

<i>Date</i>	<i>Reserve Fund</i>	<i>Loans Guaranteed</i>	<i>Reserve Fund Coverage</i>
June 30, 1980 .....	\$4,757,641	\$170,000,000	2.80%
June 30, 1981 .....	16,273,100	640,000,000	2.54
June 30, 1982 .....	28,646,741	1,328,000,000	2.16

In addition to the funds available in the reserve, the commission has a reinsurance contract with the federal government that limits its liability for defaults. This reinsurance contract enables the commission to repay only a small portion of remaining balance outstanding on defaulted loans, with the federal government absorbing the remaining costs. Under the terms of the contract, however, the higher the state's default rate, the greater the contribution the state must make toward paying off the de-

faulted loan. Table 11 shows the reinsurance coverage and the state guarantee agency's liability for varying rates of default.

**Table 11**  
**Federal Reinsurance Coverage**  
**and State Agency Payments**  
**on Defaulted Loans**

<i>Default Rate</i>	<i>Federal Reinsurance Coverage</i>	<i>State Guarantee Agency's Payment</i>
(1) Up to 5 percent .....	100 percent of the amount of loans in default.	None.
(2) 5 percent to 9 percent .....	Same as (1), plus 90 percent of the amount of defaulted loans for defaults in excess of 5 percent.	10 percent of the amounts in default for those defaulted loans in excess of 5 percent.
(3) More than 9 percent .....	Same as (2), plus 80 percent of the amount of defaulted loans for defaults in excess of 9 percent.	Same as (2), plus 20 percent of the amounts in default for those defaulted loans in excess of 9 percent.

#### **b. GSL Funding for Proposed 1983-84**

##### *We recommend approval.*

The Governor's Budget proposes a funding level for GSLs of \$4,767,000. This is \$2,624,000, or 37 percent, less than the current-year funding level of \$7,089,000. This decrease reflects:

- A \$2,669,000 reduction in costs associated with processing guaranteed student loans.
- A \$100,000 increase for five positions needed to perform certain tasks previously performed by the guaranteed loan program contractor.
- A \$145,000 increase for three positions needed to staff institutional auditing program.
- A \$200,000 increase for other operating expenses and other personal services costs.

***Positions for Increased Workload.*** Although there are major savings in the budget due to the new loan services contract, the new loan service contractor will no longer be providing certain services that the previous contractor offered. The services which were not included in the new contract will have to be performed by commission staff. The commission proposes funding for five positions, as follows:

- One specialist in the information and training unit to coordinate training and development activities with lenders and institutions.
- One specialist in the claims and collections unit to review fraud cases and the activities of the private agencies which collect on defaulted loans.
- Three secretarial positions for clerical support and to process materials needed for compliance reviews with lenders and institutions.

Our review indicates that these tasks must be performed as part of the day-to-day operations of the loan program. Consequently, we recommend the new positions be approved.

***Institutional Auditing Unit.*** Last April, the Legislative Audit Committee completed an audit of postsecondary education institutions which receive state financial aid awards and state guaranteed loans. One of the major findings of this report was that schools and students were overpaid because the commission did not verify whether schools had met enroll-



**STUDENT AID COMMISSION—Continued**

ment and reporting requirements for students receiving financial aid funds. The report suggested that the commission establish an internal audit unit to investigate questionable institutional practices.

The budget proposes \$145,000 and three positions (two auditors, one clerical) for an institutional auditing unit. Approximately two-thirds of these funds would be derived from the guaranteed loan fund and one-third would come from the General Fund. This distribution reflects the relative amount of time auditors will spend reviewing the GSL and the state-funded awards programs.

Our review indicates that these positions are necessary to verify the enrollment status of students receiving awards and loans. Consequently, we recommend that they be approved.

**General Government**

**OFFICE OF CRIMINAL JUSTICE PLANNING**

Item 8100 from the General  
Fund and various funds

Budget p. GG 1

Requested 1983-84 .....	\$19,446,000
Estimated 1982-83.....	15,790,000
Actual 1981-82 .....	12,838,000
Requested increase (excluding amount for salary increases) \$3,656,000 (+ 23.2 percent)	
Total recommended reduction .....	\$3,000,000

**1983-84 FUNDING BY ITEM AND SOURCE**

Item	Description	Fund	Amount
8100-001-001—Support		General	\$2,342,000
8100-001-214—Support		Indemnity	415,000
8100-001-890—Support		Federal	(300,000)
8100-011-890—State operations		Federal	(1,500,000)
8100-101-001—Local assistance		General	10,522,000
8100-101-214—Local assistance		Indemnity	5,672,000
8100-101-890—Local assistance		Federal	(4,000,000)
8100-101-903—Local assistance		Assessment	495,000
Total			\$19,446,000

**SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**

- |  |                          |
|--|--------------------------|
|  | <i>Analysis<br/>page</i> |
| 1. <i>Suppression of Drug Abuse in Schools Program. Reduce Item 8100-001-001 by \$90,000 and Item 8100-101-001 by \$2,910,000. Recommend elimination of proposed new program because the program has not been authorized in statute.</i>   | 1774                     |
| 2. <i>Alternative Funding Source. Reduce Item 8100-001-001 by \$841,000 and Item 8100-101-001 by \$7,612,000 and make corresponding augmentations from the Peace Officers' Training Fund. Recommend surplus in Peace Officers' Training Fund, rather than the General Fund, be used to support</i> | 1775                     |