

OVERVIEW OF POSTSECONDARY EDUCATION

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OVERVIEW OF POSTSECONDARY EDUCATION

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

This section presents data which relate to all postsecondary education in California. Its purpose is to provide historical information and comparative statistics to supplement individual agency and segmental budget analysis. This section is organized as follows:

1. Organization of postsecondary education in California
2. Enrollment
3. Expenditures
4. Student fees
5. Avocational and recreational courses
6. Engineering and computer science education
7. Student affirmative action

1. ORGANIZATION

California's system of public postsecondary education is the largest in the nation, and consists of 136 campuses serving approximately 2.0 million students. This system is separated into three distinct public segments—the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC).

In addition to the public system, the California Postsecondary Education Commission (CPEC) reports that there are approximately 300 independent colleges and universities which serve an estimated 200,000 students. Enrollments in the independent colleges and universities range from a law school with five students to a comprehensive university enrolling over 27,000 students in fall 1980.

2. ENROLLMENT

Table 1 shows the distribution of enrollment among the three public segments, based on fall 1981 data. UC enrollments represented 8 percent of the state total, CSU enrolled 19 percent, and CCC enrolled the remaining 73 percent. Part-time enrollees represented 63 percent of CCC enrollment but only 7 percent of UC enrollment.

Table 2 compares headcount to the number of full time equivalent (FTE) students (or, in the case of the CCC, the average daily attendance (ADA)) for the three segments since 1979–80. An "FTE" is one student taking 15 units; three students taking 5 units; or any variation thereof. ADA refers to actual attendance of students once they are enrolled.

Table 1
California Public Postsecondary Education Enrollment (Headcount) ^a
Fall 1981

Segment	Enrollment				Total Enrollment	Percent of Total
	Full-Time		Part-Time			
	Number	Percent	Number	Percent		
University of California:						
Undergraduate	91,062	92%	7,894	8%	98,956	
Graduate.....	37,551	94	2,219	6	39,770	
Subtotals	128,613	93%	10,113	7%	138,726	8%
California State University:						
Undergraduate	178,609	71%	72,945	29%	251,554	
Graduate.....	14,629	22	53,383	78	68,012	
Subtotals	193,238	60%	126,328	40%	319,566	19%
California Community Colleges	305,490	24%	951,670	76%	1,257,160	73%
Totals	627,341	37%	1,088,111	63%	1,715,452	100%

^a Source: CPEC, Postsecondary Education in California Digest, 1982, pages 44-45.

The table shows a 1.3 percent increase in headcount enrollment and a 0.2 percent decrease in FTE enrollment for the three segments combined in 1983-84. CSU projects an increase of 1.1 percent in FTE enrollments in 1983-84, while UC projects a 1.3 percent FTE increase. CCC headcount is expected to increase by 1.6 percent, while ADA is projected to decrease by 0.9 percent.

Table 2
California Enrollment in Public Higher Education
1979-80 to 1983-84

	Community College		CSU		UC		Total	
	Headcount	ADA	Headcount	FTE	Headcount	FTE	Headcount	FTE/ADA
1979-80	1,248,459	670,115	328,654	232,936	127,857	122,681	1,704,970	1,025,732
1980-81	1,383,236	725,269	336,915	238,646	131,591	126,119	1,851,742	1,090,034
1981-82	1,435,745	750,715	338,572	239,927	134,497	127,985	1,908,814	1,118,627
1982-83 (estimated)	1,449,120	788,270	340,297	239,450	132,616	126,001	1,922,033	1,153,721
1983-84 (proposed)	1,472,260	781,423	339,750	242,040	134,448	127,578	1,946,458	1,151,041
Percent Change 1982-83 to 1983-84	1.6%	-0.9%	-0.2%	1.1%	1.4%	1.3%	1.3%	-0.2%

Ethnic Composition

Table 3 shows the latest available information on the racial and ethnic make-up of students within each of the three public segments.

These data, compiled by CPEC, reflect voluntary self-designations made by students, which have not been verified and are not complete. Many students choose not to report their racial or ethnic status to their campus. For example, no response was received from 15 percent of CSU undergraduate males. The incidence of these "no responses" is shown in the table. Due to high nonresponse rates, CPEC reports that these data may exhibit significant abnormalities and advises that they be used with caution. More discussion on the trends in the racial and ethnic make-up of public higher education students is included in the analysis of each segment's budget.

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Table 3
Undergraduate/Graduate Student Enrollment, by Ethnicity and Sex
Fall 1981

	CCC		CSU		UC	
	Male	Female	Male	Female	Male	Female
Undergraduate:						
White	58.6%	63.2%	55.5%	58.4%	66.8%	68.6%
Black	8.1	8.0	4.9	6.7	2.8	4.4
Hispanic	11.2	9.9	7.5	7.6	5.8	5.1
Asian	7.1	5.4	8.6	8.1	14.1	13.5
American Indian	1.5	1.5	2.0	2.1	0.5	0.5
Other	2.2	1.8	1.8	1.8	1.8	1.7
Nonresident alien	2.9	1.8	4.5	1.8	3.1	1.8
No response	8.4	8.4	15.2	13.4	5.1	4.5
Graduate:						
White	—	—	53.0	59.1	57.8	62.7
Black	—	—	3.5	4.8	2.4	3.5
Hispanic	—	—	5.7	5.6	4.1	4.3
Asian	—	—	7.4	5.0	7.2	6.9
American Indian	—	—	1.6	1.8	0.4	0.5
Other	—	—	1.9	1.5	0.9	0.8
Nonresident alien	—	—	6.5	2.8	13.5	6.6
No response	—	—	20.5	19.4	13.8	14.8

Source: CPEC, Postsecondary Education in California Information Digest, 1982, page 57.

3. EXPENDITURES

Expenditures proposed in the Governor's Budget for postsecondary education in 1983-84 are summarized in Table 4. Total support for all public higher education is proposed at \$7.6 billion in the budget year. Of the total, the state General Fund will provide \$3.1 billion, or 41 percent. The second largest source of support for higher education (34 percent) is categorized as "Other" in the table, and includes student fees and private contributions. The only segment of higher education receiving local support is the community college system. This segment will receive an estimated \$422 million from property tax revenues (also included in the "Other" column of Table 4) in 1983-84.

Table 4
Summary of Proposed 1983-84 Budget for Higher Education
(in thousands)

	General Fund ^a	Other State	Federal	Other ^b	Total
University of California	\$1,181,113	\$44,966	\$1,790,087	\$1,617,421	\$4,633,587
California State University	914,570	10,093	48,296	576,000	1,548,959
Community Colleges	929,927	10,853	—	422,532	1,363,312
Student Aid Commission	84,092	—	11,800	4,465	100,357
Hastings College of Law	7,517	—	816	2,628	10,961
California Maritime Academy	3,906	182	422	2,241	6,751
California Postsecondary Education Commission ..	2,550	—	2	—	2,552
Totals	\$3,123,675	\$66,094	\$1,851,423	\$2,625,287	\$7,666,479
Percent of Total	40.7%	.9%	24.2%	34.2%	100%

^a Excludes salary and benefit increases.

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

Table 5 shows General Fund and local support for public higher education from 1978-79 to 1983-84. As the table indicates, state General Fund and local support is budgeted to decrease by 2.4 percent in 1983-84, prior to salary and benefit increase adjustments.

While the budget proposes to increase state General Fund support for UC by 2.9 percent in 1983-84, it provides for reductions in the amount of state General Fund support going to CSU and CCC. In the case of CSU, the decrease of 1.5% is due to several factors, including an increase in reimbursements attributable to the proposed increase in the State University Fee, and proposed reductions in several programs. The CCC decrease of 15% reflects the anticipated increase in local property tax support, which triggers a decrease in state General Fund support, and an increase in reimbursements attributable to the proposed fee for community college students. This is reflected in Table 5 as a 15 percent reduction in state General Fund support for CCC in 1983-84 and an increase of 8 percent in local property tax support.

The UC and CSU amounts shown in Table 5 will go up significantly if the Legislature approves a salary or staff benefit increase for the budget year. The Department of Finance currently estimates that each 1 percent of salary increase will cost \$9.8 million for UC and \$9.4 million for CSU.

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

	<i>University California of State California University</i>		<i>California Community Colleges</i>		<i>Other Higher Education Agencies^b</i>		<i>Totals</i>	
	<i>State General Fund</i>	<i>State General Fund</i>	<i>State General Fund</i>	<i>Local</i>	<i>Total State and Local</i>	<i>State General Fund</i>	<i>State General Fund</i>	<i>State and Local</i>
1978-79	\$767	\$683	\$847	\$307	\$1,154	\$80	\$2,377	\$2,684
1979-80	902	814	1,029	289	1,318	84	2,829	3,118
1980-81	1,041	933	1,133	325	1,458	94	3,201	3,526
1981-82	1,097	956	1,073	409	1,482	96	3,222	3,631
1982-83 ^c	1,148	929	1,068	388	1,456	95	3,240	3,628
1983-84 Governor's Budget ^d	1,181	915	929	418	1,347	98	3,123	3,541
1983-84 change from 1982-83	2.9%	-1.5%	-15.0%	7.7%	-8.1%	3.1%	-3.6%	-2.4%

^a Excludes all capital outlay and state special support fund.

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

^c Does not reflect 2% reduction made pursuant to E.O. D-1-83.

^d Excludes salary and benefit increases.

Does California Spend Less on Higher Education Relative to Other States? The issue of California's support for higher education relative to support provided by other states appears on the surface to be relatively straightforward; however, our analysis reflects that it is actually rather complex. Recently, we conducted an examination of Census Bureau data on California's expenditures in 1978-79 (the most readily available data).

Having carefully reviewed the Census data, we found that California is relatively generous in its support of higher education.

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Because the Census Bureau reported that California ranked 41st in the nation, in terms of expenditures per \$1,000 of personal income for higher education, some have concluded that California spends *relatively* little on this function of government. If the data from the Census Bureau are taken at face value, this conclusion would seem to be valid: California does *seem* to spend relatively little on higher education. There are many ways, however, to measure support for higher education, and it is not at all clear that the approach used by the Census Bureau is the most appropriate. The same data relied on by the bureau can also provide support for an entirely different conclusion.

Census obtains its data from the Higher Education General Information Survey (HEGIS), which is administered by the National Center for Educational Statistics. As part of this survey, the center requests that all public and private institutions of higher education provide information on expenditures and revenues. Census aggregates this survey data into the format which it eventually publishes.

Two aspects of the Census Bureau's methodology must be carefully considered when drawing conclusions about California's support for higher education. First, Census measures support for higher education in terms of total *expenditures* by public institutions of higher education—that is, expenditures from *all* sources of revenue including fees, endowments, and government funding. Expenditures, however, do not necessarily reflect the amount of support provided to these institutions by state and local government. In fact, use of expenditure data, rather than *appropriations* data, puts California in a particularly unfavorable light because of the state's long-standing tradition of tuition-free education. Because California's public institutions rely to a much lesser extent on student fees to finance higher education, California's commitment of *tax* money per dollar of expenditure is relatively *greater* than that of most states. Thus, the state's rank in terms of expenditures is lower than its rank in terms of taxpayer support. For example, M.M. Chambers' survey of state appropriations for higher education *ranked California 13th in state appropriations for higher education as a proportion of personal income*.

Second, the Census Bureau reports expenditures for what it categorizes as *state* institutions of higher education. This categorization, however, *excludes* California's expenditures on behalf of community colleges. This misrepresents the extent of California's support for higher education in two ways. First, according to Census Bureau personnel, expenditures for higher education credited to at least some other states includes expenditures on behalf of two-year colleges, because these two-year colleges are categorized as state institutions. Thus, the expenditures reported for each state by Census are not entirely comparable. Second, and more importantly, expenditures by California's community colleges, as a proportion of personal income, are higher than for all but a few other states. Exclusion of this key component of higher education in California causes the state's support for higher education to be understated in the Census Bureau's tabulations.

In order to develop a better understanding of how these two aspects of the Census Bureau's methodology affect California's rank in terms of support for higher education, we analyzed data taken directly from the source of the bureau's information—the Higher Education General Information Survey. (Because the fiscal year 1980 survey relied upon by the Census Bureau was not readily available, we used the 1979 survey.) The

results of our analysis are set forth in Table 6.

Table 6 shows how California compares with other states in terms of state support for higher education, using various measures of "state support." Rankings are based on revenue reported by publicly-controlled institutions of higher education per \$1,000 of personal income. The table also provides separate rankings for two-year colleges, four-year colleges and universities, and all publicly-controlled institutions. Each cell in the table shows California's rank among the 50 states in terms of a given type of revenue provided to a given type of institution.

Table 6
California's National Ranking for Higher Education Support by
Various Sources of Revenue Per \$1,000 of
Personal Income
1978-79

	<i>Two-Year Colleges</i>	<i>Four-Year Colleges and Universities</i>	<i>All Institutions</i>
Total Revenue.....	3	39	26
State Revenue.....	3	34	19
Federal Revenue	14	32	27
Local Revenue	4	10	4
State Revenue Plus Local Revenue.....	1	32	13
Fees	46	46	49
Private Contributions	12	35	35
Endowments	N/A	12	13

The first row of Table 6 shows that in terms of total revenue available to four-year colleges and universities, California ranks 39th. This ranking is roughly comparable to what Census reported for California on an expenditure basis (41st). While the state ranked 39th in terms of total revenue available to four-year institutions, it ranked *third* in terms of total revenue available to two-year colleges. As a result, when total revenues at *all* public institutions in each state are compared, California ranks 26th.

Even this rank, however, fails to do justice to the state. This is because 14 community colleges in California did not respond to the HEGIS. No other state had more than four public institutions that did not respond to the survey. Of these fourteen colleges, moreover, nine are located in Los Angeles—one of the nation's largest community college districts. Similarly, when the comparison is based on *state and local revenue* provided to four-year colleges and universities, rather than on total revenue, California's rank improves from 39th to 32nd. This improvement largely reflects the fact that in terms of revenue received from students, California ranks very low—46th out of 50 states. When student revenue is removed from each state's total, therefore, California's relative position in terms of higher education support improves.

Finally, if the ranking is based on state and local revenues provided to *all* public institutions of higher education, California ranks 13th in the nation. This puts the state at approximately the first quartile within the United States. Even so, the ranking still may reflect one additional distortion. The reference year for Table 6—1978-79 was the first year following passage of Proposition 13. In that year, no funds were appropriated for faculty compensation increases at the four-year institutions. In the following year, however, the faculty received catch-up increases. Partly as a result, state expenditures on behalf of higher education increased in 1979—

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80. Thus, state expenditures in 1978–79 were artificially low.

In summary, these data suggest that, as a percentage of personal income, the financial commitment to higher education on the part of California's taxpayers is relatively high—not low.

4. STUDENT FEES**A. Introduction and Background**

Due to the condition of the state's General Fund, a great deal of attention has been given to the issue of student fees at the three segments. Increasing the share of education costs borne by the student offers one option for reducing state expenditures without having to make major reductions in the quality or scope of higher education programs. At the same time, increasing student fees as part of a budget-balancing effort can have an adverse impact on the state's educational system, as well as public access to it. This is especially true if:

- The state fails to provide an adequate amount of financial aid for needy students to compensate for the increase in fees.
- Decisions on student fees are made on an ad hoc, short-term basis, rather than on the basis of a well-thought-out rational plan for setting the levels of and relationships among student fees. For example, when the Governor acted in January 1983 to reduce funding for UC and CSU in response to a revenue shortfall, both systems responded by imposing emergency surcharges on UC and CSU students. Increasing fees on such short notice made it difficult for students to cover their college expenses and for college administrators to accommodate changes in enrollments.
- Decisions on fee levels fail to take into account how the relationship between the fee levels in each segment can influence where a student chooses to go.

Because of the significance of this issue, in the analysis which follows, we allocate a significant amount of space to it in an attempt to provide (1) an overview perspective and (2) options available to the Legislature during 1983. We conclude the discussion with recommendations which are designed to change the way the state sets policy on the fee issue and to respond to specific fee proposals in the Governor's Budget.

In the following sections, we discuss (1) the authority to set fees in California, (2) the growth in UC and CSU fees, (3) fees at comparison institutions, and (4) the differing use of fees at UC and CSU.

1. The Authority to Set Fees.

The University of California (UC). The California Constitution gives the Board of Regents of the University of California the sole authority to set the level of student fees at the university. As described below, the Regents have exercised this authority in establishing two mandatory fees—the Registration Fee and the Educational Fee.

In recent years, the Legislature, through its actions, has influenced the Regents' fee decisions. In making unspecified reductions in the UC budget, the Legislature has recognized that the Regents could offset all or part of the reduction by increases in student fees.

The California State University (CSU). The Board of Trustees of the California State University has the statutory authority under Education Code 89700 to assess fees for facilities or materials provided by CSU. The board is statutorily authorized to charge tuition up to \$25. As described

later, the Trustees have established two mandatory fees—the Student Services Fee and the State University Fee.

In practice, both the Department of Finance and the Legislature have played an active role in determining the level and structure of student fees. For example, the Governor is able to accept or reject the Trustees' fee proposals in preparing the Governor's Budget. Similarly the Legislature can accept or reject proposals regarding fees made by both the Trustees and the Governor in acting on the Budget Bill. Additionally, the Legislature has made unspecified reductions in the CSU budget and directed the Trustees to increase fees by a specified amount.

In 1982–83, however, the Trustees, for the first time, refused to comply with a legislative action. Specifically, the board refused to adopt a two-tiered Student Services Fee. This issue is discussed in greater detail in the analysis of the CSU budget (Item 6610).

The Community Colleges (CCC). The local governing boards of the Community College Districts are allowed to levy only those fees permitted in the Education Code. Currently, local boards may levy up to 18 different fees for specified purposes, up to a maximum charge specified in the Education Code.

2. Growth in Fees at UC and CSU. Charts 1 and 2 show the growth in undergraduate student charges at UC and at CSU, respectively, since 1977–78. Chart 1 shows that if the fee level proposed for UC students in the 1983–84 budget is approved by the Regents, the annual fee paid by UC's undergraduates in the budget year will be \$634, or 89 percent, higher than it was in 1977–78. Chart 2 shows that the budget calls for CSU undergraduate fees in 1983–84 to be \$671, or 245 percent above what they were in 1977–78.

3. UC's and CSU's Fees Versus Fees Charged by Comparison Institutions.

Resident Students. Charts 3 and 4 show how the 1982–83 fees charged resident students by UC and CSU compare to fees charged at each segment's public comparison institutions. As shown in Chart 3, UC undergraduates during the current year are paying \$255, or 18 percent, less in student charges than the average undergraduate student at UC's four public comparison institutions. In the case of graduate students, student charges at the comparison institutions are \$727, or 37 percent, higher than they are at UC.

Chart 4 shows a similar pattern in the fees charged by CSU and its 18 corresponding public comparison institutions. At CSU, both undergraduate and graduate students must pay an annual fee of \$441 for the 1982–83 academic year. In contrast, undergraduate fees at the comparison institutions are \$874, or 67 percent, higher than CSU's; while graduate fees at the comparison institutions are \$1,011, or 70 percent, higher than at CSU.

Nonresident Students. In the case of nonresident students, a different picture emerges. Nonresident charges at both UC and CSU are higher than they are at each segment's corresponding comparison institutions. Table 7 shows that UC's undergraduate nonresident student charges are \$608, or 16 percent, higher than those imposed by its comparison institutions. At CSU, undergraduate nonresident student charges are \$423, or 13 percent, higher than charges imposed by its 18 comparison schools.

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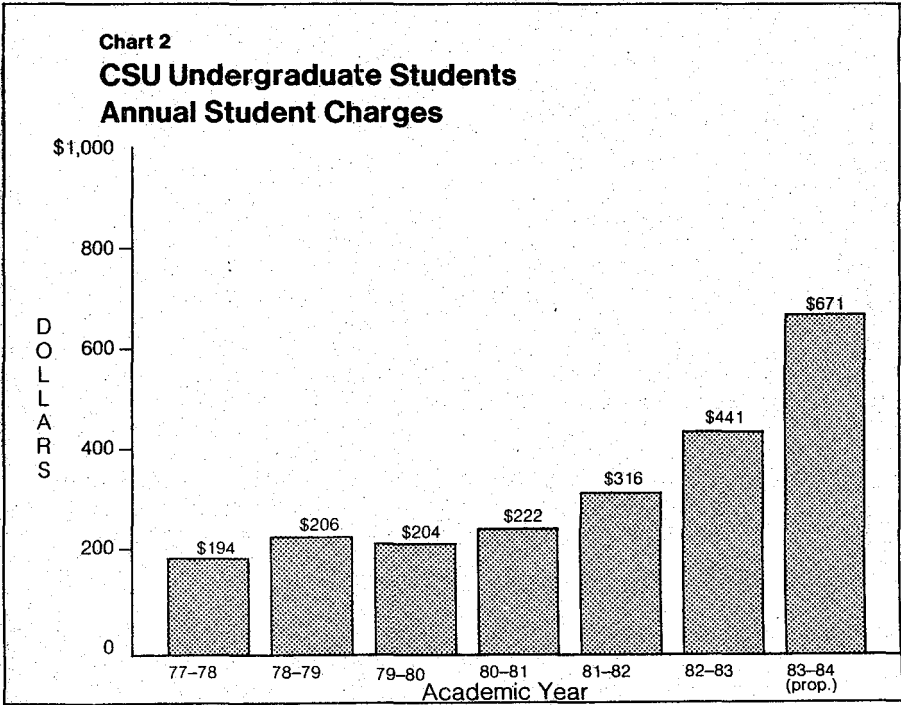
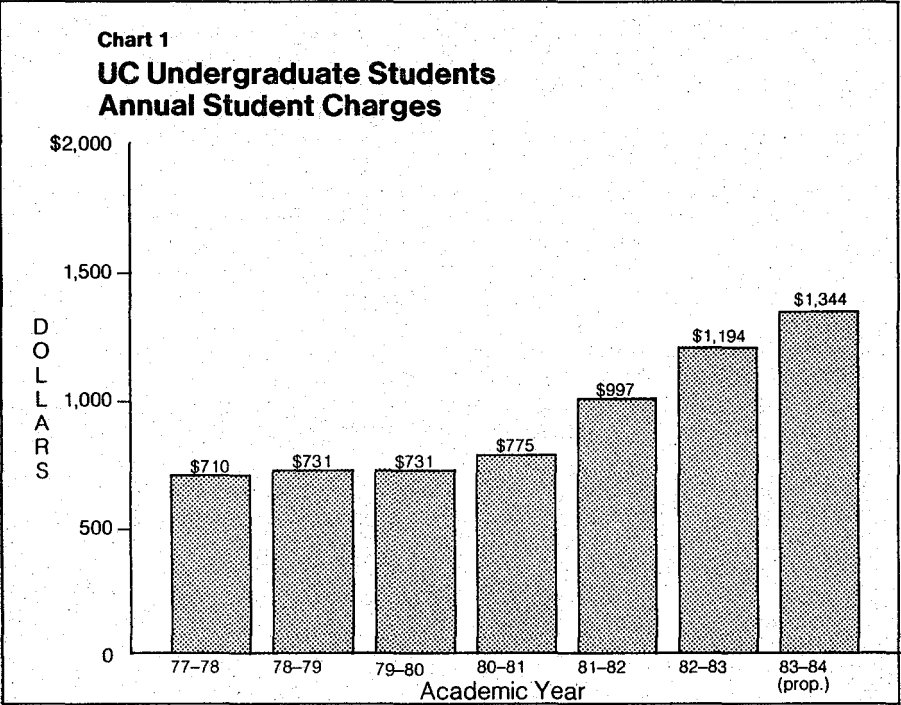


Chart 3
Resident Student Charges at UC
and its Comparison Institutions 1982-83

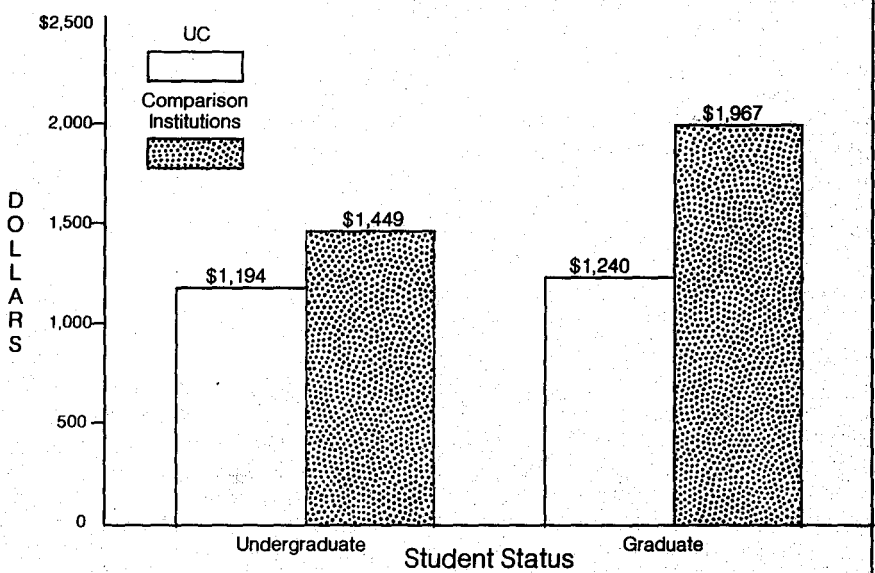
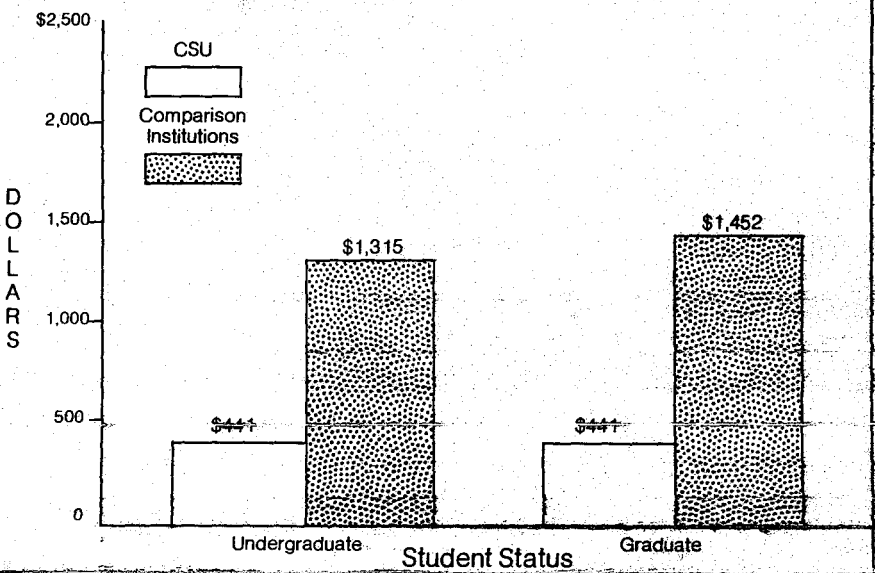


Chart 4
Resident Student Charges at CSU
and Its Comparison Institutions 1982-83



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Table 7
Nonresident Student Charges at the Four-Year
Public Segments and Their Comparison Institutions
1982-83

	Undergraduates	Graduates
1. <i>University of California</i>	\$4,344	\$4,390
Comparison institutions ^a	3,736	4,272
Difference	608	118
Ratio: UC to comparison group	1.15	1.03
2. <i>California State University</i>	\$3,591	\$3,591
Comparison institutions ^b	3,168	3,008
Difference	423	583
Ratio: CSU to comparison group	1.13	1.19

^a Represents the average of UC's four public comparison institutions.

^b Represents the average of CSU's 18 public comparison institutions.

4. *The Differing Use of Student Fee Revenue at UC and CSU.* Students are charged a variety of fees in the three segments of higher education. These fees can be divided into two categories—mandatory fees and incidental user fees. This section will discuss the mandatory fees charged to UC and CSU students and the use of the resulting fee revenue. (Currently, community college students do not pay mandatory fees, although they may pay user fees such as parking or health services fees.)

University of California. UC students pay two mandatory fees—the Registration Fee and the Educational Fee. *The Registration Fee* funds student services, other than financial aid, which are complementary to the instructional program. Although the Board of Regents establishes the maximum dollar level of the registration fee, campuses have flexibility in determining the actual fee level and the specific activities to be funded by the fee. *The Educational Fee* is a systemwide fee which funds financial aid and related programs. Between them, these two fees fund all student services programs except 75 percent of the student affirmative action program, disabled student services, and admissions and records. Table 8 shows the specific programs funded by these fees.

Table 8
University of California
Programs Funded By Student Fees

<i>Registration Fee</i> ^a	<i>Educational Fee</i>
Social and cultural activities	Student financial aid
Supplementary educational activities	Financial aid administration
Counseling and career guidance	Student affirmative action
Student health services	

^a Specific activities vary by campus and can include arts and lectures, intercollegiate athletics, recreational programs and capital outlay projects related to student services.

California State University. CSU students pay two mandatory fees—the Student Services Fee and the State University Fee. Both are system-wide fees, and the fee level is established by the Board of Trustees. *The Student Services Fee* funds:

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

The State University Fee was established in 1982–83 in response to a \$27 million reduction in the CSU's budget. Fee revenue from this source is a direct offset to the total General Fund appropriation for support of the system. Revenue from this fee is not earmarked to fund specific programs, although it is not used to offset the costs of instruction.

As indicated above, the policies governing the use of student fee revenue at UC and CSU are not consistent with one another. Thus, while educational fee revenue was used to provide \$41 million in financial aid for UC students in 1981–82, CSU uses no fee revenue for financial aid.

Furthermore, many of the student services funded by fee revenue at UC and CSU are supported by General Fund appropriations in the community colleges. Examples of these services include counseling, career guidance, and financial aid administration.

B. The State's Student Fee Policy

1. **Past Legislative Policy on Student Fees.** California has long maintained a tradition of no tuition and low fees in an attempt to maintain maximum access to the public institutions of higher education. This tradition stems from both a policy commitment and an availability of adequate fiscal resources. In recent years, however, resources have become scarce and the state has begun to reexamine its traditional position. The most recent examination was required by ACR 81 of 1982.

2. Recent Action on Student Fees.

The ACR 81 Study. In March 1982, the Legislature adopted Resolution Ch 23/82 (ACR 81), which required the California Postsecondary Education Commission (CPEC) to conduct a study of student fees and financial support for the state's system of postsecondary education. A report setting forth the commission's findings was transmitted to the Legislature in May, 1982. The main recommendation contained in the report is:

"If increased fees are necessary to avoid arbitrary cuts in enrollment and diminished quality, then student charges should be raised and financial aid must be provided to offset those increases for students with demonstrated financial need."

In addition, CPEC recommended in the report that:

- The state bear the principal responsibility for supporting public postsecondary education.
- Student charges be kept as low as possible.
- The level of full-time undergraduate charges in each segment be set so as to yield an amount of revenue equal to a specified percentage of the average state General Fund appropriation for higher education

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during the three preceding years. CPEC further recommended that the fee levels be set so as to yield between 40 percent and 50 percent of the appropriations base for the University, and between 10 percent and 20 percent of the base for the State University.

- Financial aid be made available to needy students so that choice among the state's postsecondary education segments is not driven by price alone.

Budget Action. Following receipt of the CPEC report, the Legislature, in acting on the 1982 Budget Bill, took several actions affecting student fees. It increased the fee charged University of California (UC) students by \$197 per student bringing the undergraduate fee to \$1,194 per year. A portion of the increased revenues resulting from the higher fee was earmarked to provide additional financial aid for needy students.

The Legislature also increased the fee charged California State University (CSU) students by \$125 per student, bringing the fee to \$441 per year. In addition, the Legislature provided CSU with \$3.4 million in additional funds, to be used for financial aid to needy students.

In addition, the Legislature adopted supplemental language addressing the general subject of student fees. Specifically, the Supplemental Report of the Conference Committee on the 1982 Budget Bill included language:

- Requiring UC to provide information as part of its annual budget submission that will permit a review of fee-funded programs and the allocation of fee revenues.
- Recognizing that when fee increases are necessary, additional financial aid for needy students is also necessary to maintain the state's commitment to access in public higher education.
- Specifying that UC and CSU student charges should be adjusted in the future based on a rational plan linking fees to some measure of state support for UC and CSU, as called for in the ACR 81 study.
- Requiring CPEC to conduct additional research on the impact of student charges, and to submit the results of the study to the Legislature on December 1, 1982. This effort essentially was intended to follow-up on some of the issues recommended for further study in the original ACR 81 study, including what the state's policy should be regarding the types of activities that ought to be funded with student fee revenues and the impact that student charges at one segment have on other segments.
- Directed the Regents of the University of California to develop a plan for implementing professional school tuition, beginning September 1983. This plan is due to the Legislature on March 1, 1983.

Finally, the Board of Governors of the Community Colleges agreed to develop a contingency fee proposal for the 1983-84 year, to be implemented only if the state's fiscal condition warrants additional reductions in state support for community colleges. A plan was adopted by the Board of Governors on December 10, 1982. A detailed review of the plan is included in our analysis of the community college budget (Item 6870-101-001).

C. Problems With the Current State Policy

Our review of the current student fee situation indicates that there are three major problems with the state's current policy.

1. *Fee Levels Not Driven by Policy.* Currently, the issue of fee level

is being determined by the state's fiscal condition rather than by legitimate policy considerations. For example, when it became necessary for the Governor to make 2 percent midyear budget reductions in 1981-82 and 1982-83, UC and CSU responded by raising student fees. As CPEC has pointed out, such midyear fee increases make it difficult for students and their families to plan ahead for the costs of higher education. If the Legislature believes this problem warrants attention, it may wish to consider the adoption of Budget Bill or supplemental report language which would prevent the segments from offsetting midyear budget reductions by increasing student fees.

2. *No Interrelationship Between Segments.* Currently, fee policies for each segment are determined independently. As we discuss under the "authority to set fees" section of this discussion, UC and CSU have separate fee-setting authority while the authority to set CCC fees is maintained by the Legislature. This leads to the situation wherein the segments have different levels and uses of fee revenues.

3. *Tuition Versus Fees.* For years, the debate over postsecondary education policy in California has centered on the question of whether *tuition* should be charged at the three segments.

California has long adhered to a "no-tuition" policy for state residents. Students attending the two four-year segments, however, pay fees. "Tuition" refers to charges designed to contribute toward the cost of instruction. "Fees" can be used to fund everything but the costs of instruction.

As mentioned, under the state's "no-tuition" policy, revenues from the fees charged students at UC and CSU cannot be used to fund instructional costs. The implications of this policy, in terms of UC and CSU, are twofold. First, the level and use of student fees depends heavily on how "instructional costs" are defined. Second, because fee revenues tend to be allocated to specific programs, the current policy results in a de facto split between "state-supported" and "student-supported" programs.

Defining "Instructional Costs." "Instructional costs" can be defined narrowly or broadly. On the one hand, instructional costs are defined to cover only faculty salaries. Because faculty salaries consume about 35 percent of the UC support budget and 43 percent of the CSU support budget, use of this definition under the current policy would allow student fee revenue to support the remaining programs in the segments' budgets without violating the "no-tuition" policy. On the other hand, a broad definition of "instructional costs" would include faculty salaries, clerical and support costs associated with faculty, library costs, research, all equipment and facilities used for the instructional program, along with the maintenance of such equipment and facilities, and the administrative costs associated with these expenses. Under this definition, the use of student fee revenue would have to be confined to a relatively small fraction of the segments' costs if "tuition" were to be avoided.

Responsibility for Funding Programs. Under the state's "no-tuition" policy, revenue from student fees must be segregated from all other revenues going to the segments, so that the expenditure of these funds can be accounted for separately. As a result, individual programs become clearly identified as "student-supported" or "state-supported." Over time, this division of responsibility takes on a life of its own, and makes it more difficult for the segments to respond to changes in funding needs and availability.

Problems With a "No-Tuition" Policy. The current policy toward tuition and fees has at least four major drawbacks. First, it tends to put emphasis on *what* students pay for, (rather than on *how much* they pay).

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Second, it tends to foster inconsistencies between how students are treated at different segments in terms of what they must pay for. Third, by creating a set of protected categorical programs, the current policy reduces the flexibility of the Legislature and the segments to the point where it can produce unintended and undesirable results. Fourth, artificial constraints on fee levels may promote the distribution of higher education costs on a regressive basis. Each of these problems is discussed below.

Misplaced Emphasis. The original intent of the state's "no-tuition" policy was to provide quality education at the postsecondary level to all eligible Californians at a cost the students and their families could afford. By focusing attention on *what* students pay for, however, the current policy diverts attention away from how much they are paying and their ability to make these payments. As long as it can be demonstrated that all student fee revenue is being used for "noninstructional" purposes, the trend of the level of fees can become of secondary importance.

Over time, the state's "no-tuition" policy is no guarantee that the cost to students of obtaining a higher education will continue to be affordable. In theory, merely changing the definition of "instructional costs" could permit an increase in the fees charged at UC from \$1,200 to \$7,000 per year without resulting in "tuition." Although the Legislature and the segments currently adhere to a very broad definition of "instructional costs," during the past two years the line between instructional and noninstructional costs has been redrawn on several occasions so that fees can be increased without becoming "tuition" and as CPEC points out in its ACR 81 study, the "no-tuition" policy has failed to keep fees from rising rapidly. In fact, CPEC reports that during the last five years, the rate of increase in student charges at UC and CSU has exceeded the rate of increase at all but one of the segments' comparison institutions in other states.

In sum, California's "no-tuition" policy has led to excessive concern with terminology and budget accounting. Meanwhile, many students and their parents believe that they are paying tuition. At the time they must make out their check to UC or CSU, the distinction between "fees" and "tuition" is lost.

Inconsistencies Between Segments. A second problem with California's "no-tuition" policy stems from the fact that under such a policy, student fee revenues must be clearly identified as supporting specific programs. As stated, this leads to discussions of what are the appropriate responsibilities of students versus the state.

Adherence to a "no-tuition" policy fosters segmental funding inconsistencies because of the difference in fee levels between UC and CSU. In the current year, student fees at UC are nearly three times student fees at CSU. The Legislature, by endorsing the CPEC ACR 81 report, has endorsed the policy of maintaining higher fees at UC than at CSU. But under the current "no-tuition" policy, as long as there is more fee revenue being collected by UC than by CSU, UC students will be paying for some programs that the state is supporting for CSU students. These funding inconsistencies could be avoided by combining fee revenues with state funds and setting fees as a set percentage contribution by students towards the cost of their education.

Categorical Protection for Student Services Programs. Under the state's current "no-tuition" policy, student fee revenue can be used only for specified student services. As a result, these student services have

become the equivalent of categorical programs with a dedicated revenue source, allowing the level of funding for each service to be determined outside of the regular budgeting and priority-setting process. This has two implications of importance to the Legislature. First, it causes programs funded from student fees to be more insulated from budget reductions during periods of fiscal constraints. Since reducing expenditures in fee-funded programs does not permit General Fund budget reductions, these programs have fared better than instructional programs during the past two years when significant budget reductions were made at each segment. Second, because fee revenue cannot be used to maintain the instructional program, any cut-backs in state funding necessitated by fiscal restraints take their toll in this area.

The combined effect is that instructional programs—which constitute the UC's and CSU's *raison d'être*—tend to be cut while ancillary programs like counseling and health services are maintained. As noted earlier, this puts the cart before the horse. It is by no means clear, moreover, that this reflects the preferences of those who the “no-tuition” policy is designed to protect: students and their families. It may be that students would prefer to maintain the instructional programs when expenditures must be reduced, even if it requires a cut in student service programs. The “no-tuition” policy, however, prevents such a trade-off from being made.

Potentially Regressive Funding Structure. Fees and tuition are payments by individual students and their families toward the cost of a higher education. Most costs of higher education that are *not* covered by revenue from fees and tuition are borne by the general California taxpayer. As shown in Table 10, the median family income of UC and CSU students is above the median family income of the general California taxpayer.

The state's policy for setting fee levels has always taken ability-to-pay partially into account through the appropriation of funds for student financial aid. The “no-tuition” policy, however, prevents the state from distributing all costs on the fairest basis—ability-to-pay. Under the “no-tuition” policy, an artificial ceiling is placed on the amount that can be collected from UC and CSU families, because no fee revenue can be used for instructional costs. All costs of higher education *instruction* must be borne by the general taxpayer even though the general taxpayer is less well off than UC and CSU students' families. As a result, the “no-tuition” policy prevents the state from distributing costs on what might best reflect the ability to pay, and thus might promote a regressive distribution of higher education costs.

D. Where We Are Now—The Outlook for 1983–84

1. **ACR 81 Study—Phase II.** The California Postsecondary Education Commission (CPEC) recently submitted the second part of its study regarding student charges in higher education. The major recommendations contained in this part of the study are as follows:

- If state appropriations are not sufficient to maintain existing standards of access and quality, UC and CSU should have the flexibility to use revenue from student charges to supplement other revenues available for support of their instructional programs.
- Graduate and professional students should pay a fee that is moderately higher than what undergraduates pay.
- The state should reaffirm its policy to provide additional financial aid so as to offset the effects of increases in student charges on needy students.

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- In the long run, the state should phase-in state General Fund support for UC's financial aid programs which currently are funded by educational fee revenues.

2. *The Governor's Fee Proposals For 1983-84.* Table 9 summarizes the fee levels proposed for each of the three segments in the Governor's budget and compares them to the fee levels that prevailed in 1981-82 and 1982-83. In the case of UC, the budget proposes a \$150 increase in the Education Fee for both undergraduate and graduate students. For CSU, the budget proposes a State University Fee increase of \$230 for both undergraduate and graduate students.

Table 9
Higher Education Fees

University of California	1981-82	1982-83	1983-84 (Proposed)	Change	
				Amount	Percent
Undergraduates					
Education fee	\$475	\$625	\$775	\$150	24.4%
Registration fee ^a	463	510	510	—	—
Other required fees	59	59	59	—	—
Total	\$997	\$1,194	\$1,344	\$150	12.6%
Graduates					
Education fee	\$535	\$685	\$835	\$150	21.9%
Registration fee	463	510	510	—	—
Other required fees	45	45	45	—	—
Total	\$1,043	\$1,240	\$1,390	\$150	12.9%
Health Sciences	\$1,043	\$1,240	\$1,390	\$150	12.1%
(Medicine, dentistry, veterinarian medi- cine)					
California State University					
Undergraduates					
Student services fee	\$205.50 (Full-Time) 175.50 (Part-Time)	\$216	\$216	—	—
State university fee	46.00	150 (Full-Time) 48 (Part-Time)	380 (Full-Time) ^c —	\$230	153.3%
Other required fees ^b	65.00	75	75	—	—
Total Full-Time Stu- dents	\$316.00	\$441	\$671	\$230	52.1%
Graduates					
Student services fee	\$205.50 (Full-Time) 175.50 (Part-Time)	\$216	\$216	—	—
State university fee	46.00	150 (Full-Time) 48 (Part-Time)	380 (Full-Time) —	\$230	153.3%
Other required fees	65.00	75	75	—	—
Total Full-Time Stu- dents	\$316.00	\$441	\$671	\$230	52.1%
California Community Colleges					
Fees for full-time stu- dents	—	—	\$100	\$100	n/a
Fees for part-time stu- dents	—	—	\$60	\$60	n/a

^a Average fee charged by nine campuses.

^b Average fee charged by 19 campuses.

^c Governor's Budget proposes a \$230 increase for all students. Amount shown is fee for full-time students.

In addition, the budget proposes that community college students be required to pay a new fee. Specifically, full-time students would pay \$50 per semester and part-time students taking less than six units would pay \$30 per semester.

E. Options for Legislative Action

As mentioned, California has maintained a long tradition of low or no student fees in higher education institutions. The following discussion is presented in light of this fact and the countervailing realities of the 1983-84 Governor's Budget and the fiscal condition of the state. We believe that even if low fees are maintained, much better rationality can be brought into the system.

There are many different criteria that could be used as the basis for setting student fees. Different methods for setting these charges can be expected to have different effects on the types of students attending each segment and on the distribution of enrollment among academic programs. This section summarizes some of the primary criteria that could be used for fee-setting purposes and options considered by the Legislature in recent years.

1. ***By Type of Student.*** One approach would be to set different fee levels for different types of students. Among the variables that might be taken into consideration in this regard are:

- Number of units, and
- Family income.

Number of Units (Full-time versus Part-time). One alternative would be to require part-time students (those taking less than six units) to pay a smaller fee than full-time students. Such a policy might be warranted by the fact that students who attend school on a part-time basis generally have less access to campus services than do full-time students. For example, part-time students are not eligible for financial aid. Furthermore, a differential fee policy of this type would tend to make it easier for those students who are working and have family obligations to attend college. In effect, the lower fee for part-timers would serve as an indirect form of student assistance, in recognition of the particular needs of some of these students.

UC currently charges undergraduate students who are enrolled for 10 or fewer units the full registration fee and one-half of the educational fee paid by full-time undergraduates. Graduate students receiving approval to enroll for one-half or less of the regular course load also pay the full registration fee and half of the educational fee. In addition, the university administers special part-time professional degree programs, for which the system has adopted a separate fee policy.

In 1982-83, the CSU charged graduate and undergraduate students attending on a limited (enrolled for six units or less) basis approximately \$100 less than students enrolled on a full-time basis.

Family Income. Student charges could also be based on the student's (or his/her family's) ability to pay. Table 10 shows the distribution of dependent undergraduate students by family income, for each segment in 1979-80. The data in this table should be used with considerable caution because:

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- A high proportion of students do not report their family income. This is particularly true for students attending the community college and the proprietary segments.
- The data does not reflect the income position of those students who are financially independent. For example, it does not reflect 55 percent of community college students, because these students are financially independent.

A significant portion of the students attending public postsecondary educational institutions come from families with relatively high income. For example, looking only at those dependent undergraduates at the UC who reported their family's income, about 63 percent came from families with incomes exceeding the statewide average, while 37 percent came from families with incomes below the average. (See Table 11).

Table 10
Total Family Income of Dependent^a Undergraduates
1979-80 Academic Year

	<i>Total</i>	<i>University of California</i>	<i>California State University</i>	<i>California Community Colleges</i>	<i>Independent Colleges</i>	<i>Proprietary Institutions</i>
Under \$6,000.....	11.7%	5.2%	7.5%	14.1%	7.5%	15.2%
\$6,000 to \$11,999	10.1	7.7	8.7	11.1	8.6	9.9
\$12,000 to \$17,999	8.7	8.7	8.6	8.7	9.7	6.8
\$18,000 to \$23,999	7.7	9.3	10.0	6.8	10.2	4.4
\$24,000 to \$29,999	7.2	9.7	9.9	6.0	9.5	5.5
\$30,000 to \$35,999	5.5	10.2	7.9	4.0	7.8	3.7
\$36,000 to \$41,999	2.9	6.1	4.2	2.0	4.4	1.7
\$42,000 to \$47,999	1.8	4.1	2.7	1.2	2.4	0.8
\$48,000 and above.....	6.1	15.1	7.6	3.7	12.9	3.7
No estimate	38.3	23.9	32.9	42.4	27.0	48.3
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Mean income	\$21,005	\$28,990	\$24,439	\$17,895	\$26,219	\$17,261
Percent of students in segments who are dependent ^a	51.3%	71.0%	57.3%	44.5%	67.7%	55.3%

^a As defined by the Federal Government.

Source: "A Report on the Expenses and Resources of Students, California Student Aid Commission," 1982.

Table 11
Dependent Students Parental Income Compared to the State's
Median Family Income^a

	<i>Percent of Dependent Students Above the Statewide Median Family Income</i>	<i>Percent of Dependent Students Below the Statewide Median Family Income</i>
University of California.....	63.1%	36.9%
California state universities	52.5	47.5
California community colleges	32.7	67.3
Independent colleges.....	54.9	45.1
Proprietary schools.....	32.4	67.6
All California students.....	41.7	58.3

^a This data excludes those cases in the SEARS sample which did not include an estimate of family income. This data defines California's median income to be \$21,541/year as reported in the 1980 Census.

To some extent, the state has indirectly adopted a fee policy based on the ability to pay. This is because the Student Aid Commission provides \$100 million in financial aid for needy students, assuring that needy students pay little or no fees at the public institutions.

2. *By Type of Enrollment.* A second approach would be to set different fee levels based on the type of courses. Among the variables that might be taken into consideration in this regard are:

- Costs of instruction, and
- Earning potential.

The Costs of Instruction. One alternative in this category would be to base student fees on the costs of instruction in their particular academic program. According to CPEC, this method of setting fees is used by 17 other states. The major problem with this method, however, is that it is difficult to develop a uniform method for determining—and perhaps even defining—the costs of instruction. Specifically, this approach to fee-setting requires not only an identification of instructional costs but also a determination as to whether instruction-related costs, such as research, public service, and the pro rata share of libraries and plant maintenance costs, should be included in the calculation.

High Cost Program. A variation of the cost-of-instruction approach would require students enrolled in high cost programs to pay a higher fee than those enrolled in other programs. For example, because graduate programs cost more per student than undergraduate programs, due to the specialized nature of this instruction and the typically low student-faculty ratios, the high-cost approach would impose a higher fee on graduate students. Currently, the University of California charges graduate students \$46 more per year than it charges undergraduates.

Fees could also be differentiated to reflect the high cost of specific academic programs. For example, medical and other health programs are far more costly to operate than other programs because of the rich faculty ratios and high equipment costs that are required. Consequently, higher fees could be applied to students enrolled in these higher cost programs.

Potential Earnings of Students. Another alternative in this category would be to base fee levels on the earning potential of students enrolled in different programs. For example, students who graduate from medical and dental school generally can expect to command a higher income than what students graduating from other programs can expect to earn. There are, however, certain drawbacks to this method. This is because:

- It is difficult to link specific majors with specific occupations.
- It is difficult to forecast the potential earnings of the various occupations in the economy.
- The use of average salaries in a class of occupations can ignore the wide variations within an occupation.

3. *By The Cost of Student Support Services.* A third approach to fee-setting would be to base fee levels on the cost of support services provided directly to the students. Currently, the student fee revenues collected by both four-year public segments in California are restricted to the support of specified programs such as health services, student activities, admission/registration services, and other noninstructional activities. For over fifty years, charges for the costs of instruction have not been levied on California residents attending the public segments. This is the basis for the

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claim that California provides tuition-free public higher education to its residents.

As we discuss in this analysis, there are serious limitations to this method of setting student fees. The most important of these limitations is that the policy tends to create a protected categorical aid program for student services at both UC and CSU, forcing the segments to look to their instructional activities whenever budget reductions must be made. Over time, this can cause the quality of the instructional program to deteriorate, even as the quality of services supporting that program (student activities, for example) is maintained or even improved. Since education is the primary mission of both segments, this is tantamount to putting the cart before the horse.

In addition, there is no clear agreement on what student fees should be used for. In fact, UC and CSU use different definitions of "student services" in deciding what is eligible for support with fee revenue. For example, UC uses fee revenue to fund its student affirmative action programs, while CSU funds these programs using state aid. And, of course, to the students, the importance of the distinction is unclear.

4. *By Comparison Institution.* A fourth approach to setting student fees would be to base fee levels at the three segments on what each segment's comparison institutions (that is, what similar colleges and universities in other states) charge. Were California to adopt such a policy today, it would require an increase in the resident undergraduate and graduate fees charged at UC and CSU, and a decrease in the fees charged nonresident students. The most obvious drawback to this methodology is that it would tend to let legislatures and boards of trustees in other states set policy for California's three segments. This policy could turn out to be at odds with California's policy toward promoting access and quality in public postsecondary education.

5. *By Segment Attended.* A fifth approach to fee setting would be to simply set fee levels based on which of the three public segments the student attends. Currently, the fees charged at the three public segments vary considerably. Fees are the highest at UC and the lowest at the community colleges. One rationale for maintaining a gap between the fee levels charged by each segment is that the costs of instruction vary between the segments due to salary levels, academic program offerings, and facilities. This appears to be part of the reason why the Legislature has endorsed the concept of maintaining a gap between the fees charged by each segment (even though it is on record to the effect that the current gap between the public segments is too large). As shown in Table 12, the gap in fees between UC and CSU has increased from \$516 in 1977-78 to \$753 in 1982-83. (Note, however, that the ratio in UC's to CSU's fee levels has decreased since 1977-78).

In some respects, however, this approach begs the question. It sheds no light on what criteria should be used in establishing the size of the gap between the fees charged by each segment. This is illustrated by the lack of any discernable consistency in the relationship between UC and CSU fees over time.

6. *Options Considered by the Legislature in Recent Years.* In recent years, three options to the current policy governing student charges have been considered by the Legislature.

Table 12
The Relationship of Fee Levels Between UC and CSU

	<i>The Gap^a</i>	<i>Ratio in Fee Levels: UC to CSU^b</i>
1977-78	\$516	3.66 to 1
1978-79	525	3.55 to 1
1979-80	527	3.58 to 1
1980-81	553	3.49 to 1
1981-82	681	3.15 to 1
1982-83	753	2.71 to 1
1983-84 (proposed)	673	2.00 to 1

^a Represents the difference between UC's fee level less CSU's fee level.

^b Represents UC's fee level as a proportion of CSU's fee level.

Professional School Tuition. In 1981, the Assembly's version of the 1981-82 Budget Bill provided for higher student charges in professional degree programs. A higher charge for these programs can be based on one or more of the following considerations: (1) some professional degree programs involve higher costs per student than other programs, (2) graduates of these programs generally earn higher incomes than other graduates, and (3) similar institutions generally charge higher fees or tuition for such programs. This option undoubtedly would result in charging "tuition" for certain programs. Among the programs considered for professional school tuition are medicine, dentistry, veterinary medicine, and law.

Graduate Fee Differential. In 1982, both houses of the Legislature considered a recommendation made by our office that would require graduate students to pay higher fees than undergraduates. This differential could be based on the fact that graduate education generally is more expensive than undergraduate education on account of (1) lower student/faculty ratios, (2) the use of faculty, rather than teaching assistants, for instruction, (3) the higher cost of laboratory equipment used by graduate students, and (4) the availability of more individualized attention for purposes of academic advising. A graduate student fee differential could also be based on the facts that (1) the direct benefits of a graduate degree to the student typically exceed the direct benefits of an undergraduate degree, and (2) similar public institutions generally charge a higher fee to graduate students.

Community College Fees. In 1982, the Legislature briefly considered imposing mandatory fees on community college students. This option is proposed in the Governor's Budget for 1983-84. Imposing a fee on community college students could be based on the following considerations:

- A current policy of no mandatory fees results in a subsidy to the wealthy as well as the poor. As a result, the taxpayers (many of whom are not wealthy) must support the educational costs of many students who do not warrant or require a subsidy because of their economic position.
- If financial aid is provided to needy students, imposition of a fee need not have a significant adverse impact on access to community colleges.
- A no-fees policy tends to encourage overinvestment in education. Consequently, even a modest fee would require consumers to make better decisions on the benefits to be gained by attending community colleges. Given the limits on state-funded enrollments, those students

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who value education the least would be the ones most likely not to attend, creating places for those who place a higher value on education.

F. Linking Financial Aid to Fee Increases

Whatever policy the Legislature adopts toward student charges, it is essential that this policy be linked to its policy toward student financial aid. This is because any increase in student fees must be accompanied by an increase in the amount of funds available for financial aid to needy students if the state's policy of promoting access to higher education is to be served. The availability of financial aid is the key ingredient in assuring that a student's financial circumstances do not limit his or her educational opportunities. Because the policies toward student charges and financial aid are interdependent, any shift in one should be accompanied by a corresponding change in the other.

1. *How Much Aid is Enough?* The California Postsecondary Education Commission has developed a model which simulates the impact of student fee increases on enrollments, fee revenues and financial aid requirements. Our review indicates that this model (commonly referred to as the CPEC model) provides the best basis available for linking decisions on fees with decisions on financial aid. It is the only model available which uses a uniform methodology to determine financial aid requirements for all three public segments.

Table 13 shows the additional financial aid requirements estimated by the CPEC model to result from each additional \$100 fee increase imposed on students in the public four-year segments. Financial aid requirements associated with community college fee increases, as estimated by CPEC, appear in the community college section of this *Analysis*.

Table 13
Financial Aid Requirements
(aid requirements in thousands)

Fee Increase	University of California			California State University		
	Undergraduate	Graduate	Total	Undergraduate	Graduate	Total
\$100	\$2,111	\$803	\$2,914	\$3,160	\$230	\$3,390
200	5,127	2,378	7,505	8,113	684	8,797
300	8,152	3,937	12,089	13,071	1,139	14,210
400	11,196	5,524	16,720	18,047	1,594	19,641
500	14,248	7,096	21,344	23,044	2,048	25,092

Source: CPEC Tuition Model, Version 4

2. *Source of Funding: The State Versus the Students.* Most of the financial aid provided by the state comes from the state's General Fund. UC, however, supplements financial aid money received from the state (and other sources) with funds generated by student fees.

In 1982, the Legislature expressed its intent to discontinue the use of student fee revenue for financial aid. It did so by adopting the following supplemental language.

"It is the intent of the Legislature that it should be the long-term policy that the state assume responsibility for funding financial aid currently provided by student fee revenues."

In order to implement this policy, the state would have to (1) substitute

General Fund support for the student fee revenue now being used to fund UC's financial aid program and (2) insure that any increase in the need for financial aid resulting from fee increases is funded from state funds, rather than with fee revenues.

G. Legislative Analyst Recommendations

Later in our analysis of the three segments' (UC, CSU, CCC) budgets, we make a variety of fee recommendations which can be categorized into policy recommendations and specific recommendations.

Policy Recommendations:

- ***We recommend that the state abandon the distinction between fees and tuition.*** We believe that the current policy needs to be overhauled. The current system is contrived and sustains meaningless distinctions.
- ***We recommend that any fee increase be linked to appropriate increases in student financial aid.*** This linkage is essential if the state's policy of promoting maximum access to higher education is to be served.

Specific Recommendations:

- ***We recommend that the 1983-84 budget provide for a higher fee for UC graduate students than for undergraduate students.*** Specifically, we recommend that the annual charge required of resident graduate students on general campuses be increased by \$90 in 1983-84. We believe this increase is warranted so as to bring the contributions made by graduate students toward the cost of this education more in line with (1) the cost to the state of providing this education and (2) the benefits that these students derive from graduate education. We also recommend that an additional \$0.7 million be appropriated for student financial aid so that low-income students continue to have access to UC. (See Item 6440.)
- ***We recommend that health science students be required to pay an additional charge.*** Specifically we recommend an annual differential charge of \$300 for medical, dental, and veterinary medicine students so as to bring the contributions of these health science students toward the cost of this education more in line with (1) the cost to the state of providing this education and (2) the direct benefits that these students derive from this education. We also recommend that an additional \$0.5 million be appropriated for student financial aid so that low-income students continue to have access to UC. (See Item 6440.)
- ***We recommend that the Legislature require CSU to impose a higher fee on graduate students than it imposes on undergraduate students.*** Specifically, we recommend an increase of \$70 in the annual student charge for resident graduate students so as to bring this charge more in line with (1) the cost to the state of providing this education and (2) the direct benefit that graduate students derive from this education. We further recommend that an additional \$159,000 be appropriated for student financial aid so that low-income students continue to have access to CSU. (See Item 6610.)
- ***We recommend that, at both UC and CSU, student fee revenues be budgeted as offsets to the General Fund support appropriation rather than be accounted for separately and budgeted for support of specific student service programs.***

Each of these recommendations is discussed more fully in the analysis for the individual segments.

OVERVIEW OF POSTSECONDARY EDUCATION—Continued**5. AVOCATIONAL, RECREATIONAL, AND PERSONAL DEVELOPMENT COURSES**

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 college (CCC) budget if state support for avocational, recreational, and personal development courses was reduced. Subsequently, the Legislature reduced the CCC budget by \$30 million as a means of withdrawing state support from courses of this type.

Our analysis indicates that the University of California (UC) and the California State University (CSU) systems offer courses with titles that are similar to those in the community colleges system from which state funding has been withdrawn. These two segments, however, are budgeted to continue receiving state General Fund support for these courses in 1983–84. This section discusses the policy adopted by the Legislature toward avocational, recreational, and personal development courses in the community college system, and explores the impact of extending this policy to the two senior segments of higher education.

A. Avocational, Recreational, and Personal Development Courses in the Community Colleges

Legislative Action. In its ACR 81 study, CPEC recommended that the Legislature direct the Board of Governors of the Community Colleges to determine which avocational, recreational, and personal development courses should be either eliminated from the community college curriculum or offered on a self-support basis. CPEC maintained that such a directive would assure that only those courses or programs with the greatest *state* priority would receive *state* funding.

CPEC based its recommendation on the following considerations:

- 19 percent of the *credit* workload in community colleges in 1981 was in the areas of physical education and fine arts.
- Courses offered for credit in these areas were funded by the state at the 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 in 1982–83, and included language in the Budget Act requiring the Board of Governors to specify which courses would not be eligible for state support.

Board of Governors' List. Table 14 shows the list of courses that are no longer eligible for state support, as determined by the Board of Governors. Almost all of the courses which appear on the list were being offered for credit in the past, because:

- Most physical education and fine arts courses historically have been offered for *credit*, and
- state 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 district funding of

noncredit ADA not specified in statute.) This action resulted in a savings of \$4.4 million, beginning in 1981-82.

Table 14
Courses Ineligible for State Support
California Community Colleges

Credit Courses Eliminated	-\$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. ^a	
3. Ham radio construction, operation, and licensure.	
4. Self-help home sewing and needlecraft courses ^a except a single introduction course in clothing construction.	
5. Self-help specialized cooking courses ^a 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 ^a , 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 ^a and skin diving ^a ; camping; backpacking, rockclimbing, mountaineering, and orienteering; ballroom, belly, square, ethnic ^a , 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 ^a and lapidary; crafts ^a ; stained glass; calligraphy ^a ; tole painting; enameling; intaglio ^a ; 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.	
Noncredit Courses Eliminated	-\$655,600
1. Lecture and forum series except those designed specifically for older adults.	
2. Re-licensure courses.	
Total Reductions.....	<u>-\$29,220,131</u>

^a 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.

In reporting to the Legislature its decisions on course deletion, ("The Deletion of Selected Credit and Noncredit Courses From the California Community College Curriculum," August 1982), the Board of Governors pointed out several problems which it encountered in developing and applying the criteria used in determining which courses would be deleted. These problems included:

- Having to delete a large number of courses traditionally offered by colleges and universities.

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

- Having to delete courses which carry *transfer* credit to four-year postsecondary institutions.
- Having to delete courses which are offered by UC and CSU, for which they receive state funding.

We believe that several aspects of the Board of Governors' action warrant legislative review:

- ***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 purposes 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.

- ***Entire Reduction Has Not Been Achieved.*** As of this writing, the Chancellor's office has not achieved the full \$30 million reduction specified in the 1982 Budget Act; it is still short \$779,869. In addition, the budget language requires that the entire reduction *not* be made on a pro rata basis. Consequently, the budget language would seem to require that the board find additional courses for which state support can be eliminated.
- ***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 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 student demand for them. Other districts, such as the San Francisco District, are continuing to offer many of the courses on the board's list free of charge, supporting them from nonstate sources.

B. Avocational, Recreational, and Personal Development Courses at CSU and UC.

Following submission of the Board of Governors' report, we asked UC and CSU to review the list of proposed course deletions and identify similar courses which they offered and for which they received state support. In response, UC and CSU advised us that the guidelines and categories developed by the community colleges could not appropriately be applied to another segment of higher education because:

Table 15

CSU and UC Avocational, Recreational, or Personal Development Courses

Categories	CSU		UC	
	Number of FTE Students Enrolled in Similar Courses	General Fund Expenditure ^a	Number of FTE Students Enrolled in Similar Courses	General Fund Expenditure ^b
Single semester or single quarter conversational foreign language courses which have no prerequisite or which are designed for travelers.	14.34	\$27,447	None	
Private Pilot's Ground School	None		None	
Ham radio construction, operation, and licensure	1.53	2,928	None	
Self-help home sewing and needle-craft courses, except a single introduction course in clothing construction.	None		None	
Self-help specialized cooking courses, except a single introductory course in cultural foods.	None in 1980-81		None	
Self-help courses in home gardening, home livestock production, home and appliance repair and maintenance, antique and furniture repair, refinishing, and upholstering, and wood-working.	13.31	25,475	None	
Self-help courses in pet selection, care, and grooming.	None		None	
Self-help courses in consumer maintenance of automobiles, motorcycles, bicycles, recreational vehicles, and boats.	33.79	64,674	None	
Self-help courses in personal finance, personal income tax preparation, law for the layman, and real estate for the consumer.	176.71	338,223	None	
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	None	
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	129.45	475,599
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	None	
International study/travel courses.	None		None	
Avocational photography.	None		17.5	64,295
Courses related to specific avocations such as stamp or coin collecting.	None		None	
Genealogy.	None		None	
Real estate courses except those courses designed to lead to the sales license.	281.36	538,523	40.0	146,960
Total	1,684.24	\$3,223,635	186.95	\$686,854

^a Based on marginal cost of \$1,914/FTE student.^b Based on marginal cost of \$3,674/FTE student.

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

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

Nonetheless, UC and CSU provided us with a list of courses with similar *titles*. Table 14 provides a summary of these courses.

Comparable Policy Recommended

As we point out in our analysis of the UC and CSU budget items, given the criterion used by the Legislature in the 1982 Budget Act, we can find no basis for continuing to provide state support for transferable avocational, recreational, and personal development courses offered by UC and CSU—particularly when state support is no longer provided for these courses in the community colleges. For example, we see no reason why a full-time, matriculated student in the community colleges who enrolls in a badminton course must pay a fee for that course, while a full-time matriculated student in UC or CSU can enroll in a badminton course without charge.

CPEC takes the position that personal development courses offered by UC and CSU should not be subject to an additional fee, given that students in both of these segments already pay fees of \$1,194 and \$441, respectively. On the other hand, we point out that these fees pay for specific student services and institutional support costs, and contribute nothing toward instructional costs. Thus, the state is continuing to provide General Fund support for certain courses at UC and CSU, but not for the same courses in the community colleges.

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 two segments of higher education. This would allow the two senior segments to offer courses similar to those on the board's list on a self-supporting basis. Consequently, we recommend later in this analysis that state support for avocational, recreational, and personal development courses offered by UC and CSU be deleted, for a General Fund savings of \$687,000 and \$3,224,000, respectively.

6. ENGINEERING AND COMPUTER SCIENCE EDUCATION**A. Overview**

Private industry, government, and higher education in California and the United States are all experiencing a severe shortage of well-educated engineers and computer scientists, at all degree levels. The problem is particularly acute in the university community, where the number of engineering and computer science faculty is failing to keep up with growing enrollments in those fields. Employers of engineers and computer scientists would like the state's postsecondary institutions to expand the

supply of engineering and computer science graduates. Yet colleges and universities are unable to fully respond due to shortages of faculty, equipment, and facilities.

The purpose of this section is to review the dimensions of this problem with respect to UC and CSU, and to suggest some remedies that would not require the commitment of new resources by the state. This discussion will be limited to the fields of engineering and computer science, where the problems are seen as most severe. We recognize, however, that the problem is not confined to these fields.

Enrollments. Six of the eight UC general campuses offer undergraduate and graduate degrees in engineering, and all eight offer programs in computer science. Thirteen of CSU's 19 campuses offer undergraduate degrees in engineering; 10 offer graduate degrees. Undergraduate and graduate degrees in computer science are offered by 13 and 9 CSU campuses, respectively.

Charts 5, 6, 7, and 8 show the undergraduate and graduate enrollments in engineering and computer science at UC and CSU during the past five years. The charts show that (1) undergraduate enrollments in both engineering and computer science at UC and CSU have increased *substantially*, with larger percentage increases in computer science, and (2) graduate enrollments have increased slightly, again with the greater percentage increase in computer science. The five-year percentage increases at the *undergraduate* level are as follows:

- UC engineering—41 percent
- UC computer science—204 percent
- CSU engineering—53 percent
- CSU computer science—284 percent

The five year increases at the *graduate* level are:

- UC engineering—12 percent
- UC computer science—47 percent
- CSU engineering—8 percent
- CSU computer science—73 percent

As a result of the increasing demand for courses in these fields, many of the programs at UC and CSU have been declared "impacted." This means that special admission procedures have been established to choose from among the qualified applicants. While all UC campuses have had to resort to special admissions procedures, seven CSU campuses are not impacted and continue to use regular admission procedures and standards.

Foreign Student Enrollment. Foreign student enrollment in engineering programs is considerably above foreign student representation in UC and CSU as a whole. For example, although foreign students represent 12 percent of all UC graduate students, they represent 32 percent of graduate engineering students. Table 16 shows the proportion of degrees awarded to foreign students in relation to the percentage of the student population they comprise.

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

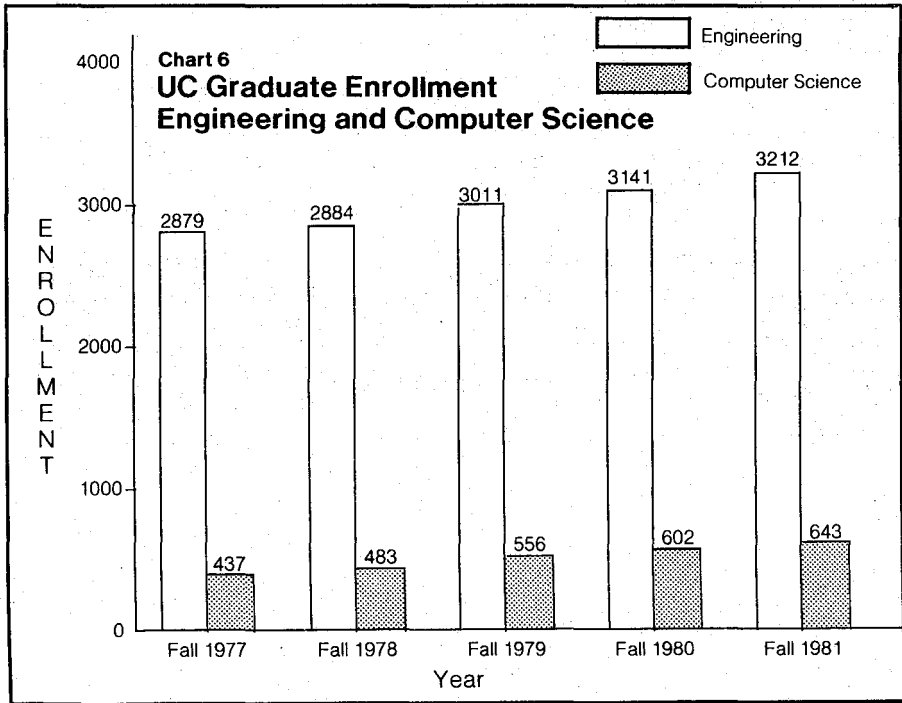
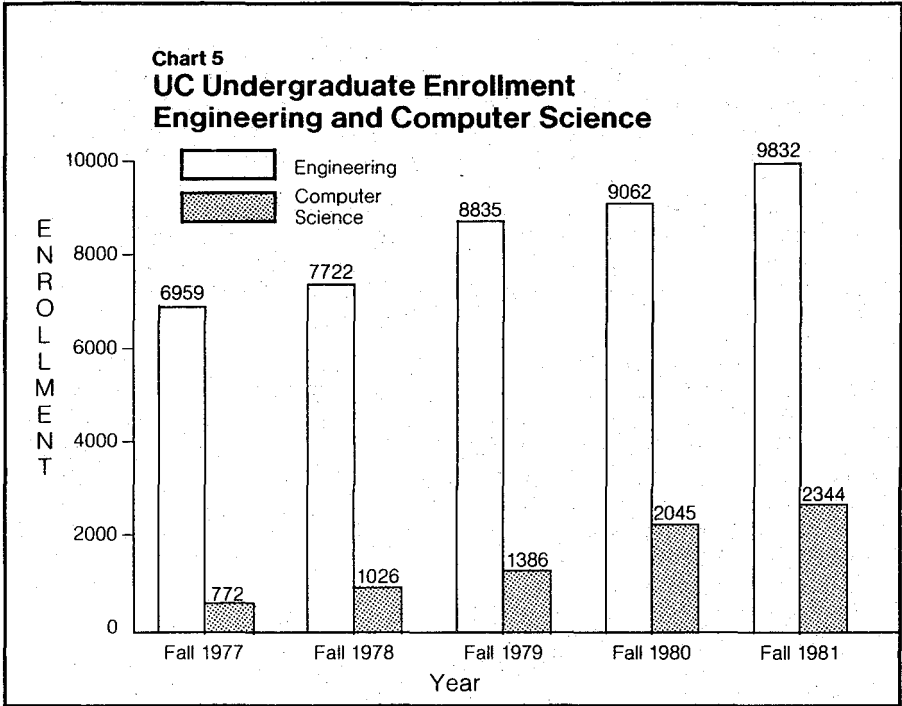


Chart 7
CSU Undergraduate Enrollment
Engineering and Computer Science

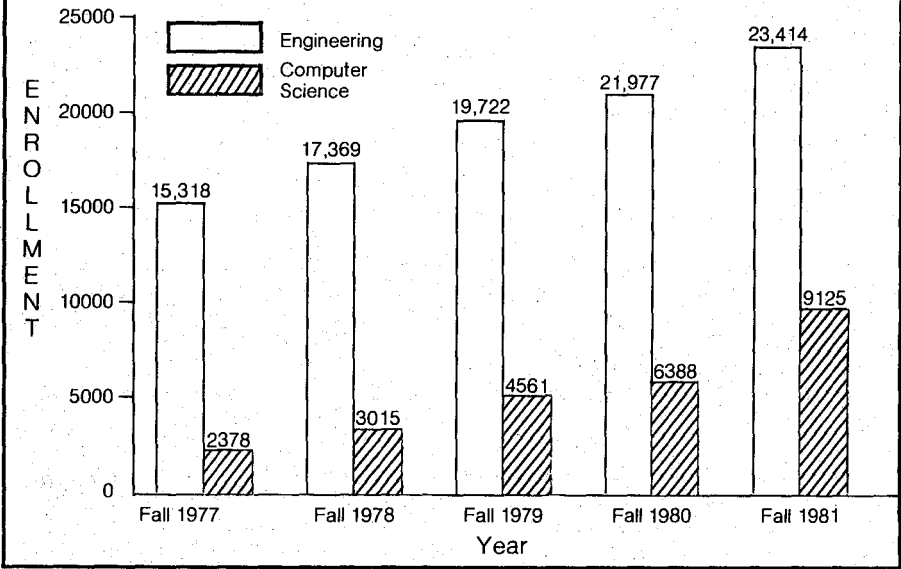
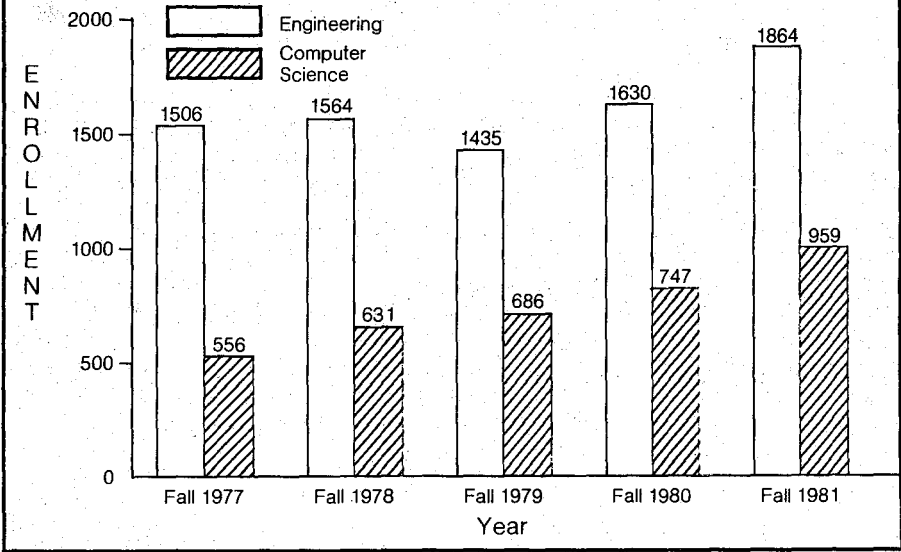


Chart 8
CSU Graduate Enrollment
Engineering and Computer Science



OVERVIEW OF POSTSECONDARY EDUCATION—Continued

Table 16
Engineering Degrees Awarded to Foreign Students
1981

<i>Foreign Students As A Percent Of:</i>	<i>UC</i>	<i>CSU</i>
Undergraduate Enrollment	2.0	9.3
Undergraduate Engineering Degrees Awarded.....	8.9	20.1
Graduate Enrollment	11.7	9.2
Graduate Engineering Degrees Awarded:		
Masters	32.1	44.2
Doctorate	32.6	—

Source for number of degrees awarded: California Postsecondary Education Commission.

Table 16 shows that far greater numbers of foreign students receive degrees in engineering than would be indicated merely by their numbers on campus. CPEC found the same situation with respect to foreign students in 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. UC maintains that over 60 percent of its foreign graduates remain in the country. Regardless of the exact number, it is evident that a substantial portion of the state's investment is lost when foreign students leave the country.

B. Policy Needed Governing the Enrollment of Foreign Students in Engineering and Computer Sciences

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.

Supplemental language to the 1982 Budget Act directed UC to develop, by December 1, 1982, a policy on graduate engineering enrollments which would address the appropriate balance between domestic and foreign students. We discuss the UC report in our analysis of the UC budget (see Item 6440).

Foreign enrollment in CSU's engineering and computer science graduate programs is also very high. Consequently, we recommend that the Legislature adopt the following supplemental language, similar to that aimed at UC, directing CSU to develop a policy on the enrollment of foreign students in these programs:

CSU shall develop a policy on the enrollment of foreign students in graduate programs in engineering and computer science. CSU shall submit the policy, along with a plan for implementing the policy, to the legislative budget committees by 12/1/83.

C. Faculty

Both UC and CSU report substantial difficulty in recruiting and retaining engineering and computer science faculty. As a result, they have vacant faculty positions which they fill with part-time faculty, often from industry. Table 17 shows the distribution of engineering and computer science faculty at UC and CSU, by permanent and part-time positions. The table shows that at UC, 16 percent of the faculty is part-time and at CSU, 24 percent is part-time. Not all of the part-time faculty reflects the systems' inability to recruit full-time faculty. UC and CSU typically employ part-time faculty in most departments in order to (1) draw on special expertise and (2) maintain flexibility to respond to changing enrollment and course patterns. At UC, for example, a systemwide guideline of 10 percent temporary (part-time) faculty has been established for all campuses. During our campus visits, however, we were told that engineering and computer science departments at both UC and CSU are forced to hire more part-time faculty that they would choose to hire if they were able to fill all permanent positions. Table 17 shows that vacancy rates are 14 percent at UC and 7 percent at CSU. This includes those positions now filled by part-time faculty that the segments would prefer to fill with permanent faculty, as well as unfilled positions.

Table 17
Engineering and Computer Science Faculty: UC and CSU

Type of Faculty	UC		CSU	
	Number	Percent	Number	Percent
Permanent FTE				
Professor Series	520	82.8%	631	66.9%
Lecturers	9	1.4	86	9.1
Instructors	—	—	4	—
Subtotal	529	84.2%	721	76.0%
Part-Time FTE ^a	99	15.8%	222	24.0%
Total	628	100.0%	943	100.0%
Vacancy Rate	—	(14.4%)	—	(7.3%)

^a Represents 307 people at UC and 726 people at CSU.

Source: CPEC, *Engineering and Computer Science Education in California Public Higher Education*, September 1982.

Causes of Faculty Recruitment Problem

Campuses report three major causes of the faculty recruitment problem: low faculty salaries compared to salaries in private industry, poor equipment and facilities compared to those in industry, and large teaching and advising loads due to faculty shortages. This section discusses options for addressing the first two problems—low faculty salaries and inadequate equipment/facilities. To the extent that these barriers to faculty recruitment can be removed, the third problem—faculty workload—will correct itself as more faculty are hired. In the discussion of options, we focus on those which would not require additional resources, in recognition of the state's current fiscal situation.

Faculty Salaries. After studying the salary differential between the university and industry, the UC Regents implemented a special salary scale for engineering and computer science faculty. (Business administration faculty were also covered by the special scale.) The new salary scale

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

sets salaries for these faculty 10 to 20 percent higher than regular faculty salaries. In 1982–83, UC funded one-half of the salary increase by reallocating about \$3 million of other salary funds. UC intends to fully implement the new scales as soon as funds become available. Information on the impact of the higher salaries on recruitment is not yet available.

CSU has attempted, without success, to take similar action. CSU requested a General Fund augmentation of \$6 million in 1981–82 to increase the salary scale for engineering and computer science faculty. The increase was denied by the Legislature. The following year, CSU proposed to reallocate funds internally in order to support higher salaries for these faculty, but again was prevented from doing so by Supplemental Language to the 1982 Budget Act, on the basis that this matter should be handled through collective bargaining. Because the provisions of collective bargaining should become effective for CSU in 1983–84, this language will no longer be necessary.

Equipment and Facilities. Salary level is not the sole determinant of an individual's decision to accept an appointment with the university. In fact, faculty in many fields forego higher salaries by accepting a faculty appointment. They do so for the personal benefits derived from teaching and conducting research in a university environment. When these benefits are diminished by factors such as obsolete equipment and inadequate research facilities, prospective faculty will be less willing to forego higher salaries in industry. Campus administrators, particularly those at UC, told us that the lack of modern research equipment and facilities was a serious obstacle to recruitment.

One way to address this problem would be to provide additional state funding for the purpose of upgrading university research equipment and facilities. While this might be a desirable option, it does not appear to be feasible at present, given the constraints on the state's General Fund. Another option, however, would be to focus recruitment efforts on faculty with a primary interest in teaching, rather than research. These people would presumably be less affected in their decisions by the university/industry differential in equipment and facilities.

Faculty Hiring. Because of recruitment problems in engineering and computer science, both UC and CSU have been willing to grant exceptions to existing salary scales for these faculty. Our analysis indicates that these recruitment problems might also warrant exceptions to current hiring policies as well. Under current hiring policies at both UC and CSU, most faculty hired have PhDs and, particularly at UC, have demonstrated excellence in research. Under these standards, many applicants with abilities in teaching may be deemed unqualified.

Expansion of faculty eligibility standards to include persons other than those with PhDs or established research records might be justified by the fact that the greatest demand for instruction in engineering and computer science is at the undergraduate level. It would seem that much of the undergraduate curriculum, particularly at lower division levels, could be taught by faculty without PhDs or established research records.

If expanding the pool of persons eligible for faculty appointments was successful in attracting additional teaching faculty (as we believe it would be), it would benefit UC and CSU in three ways. *First*, it would allow the segments to offer instruction in engineering and computer science to more qualified students. *Second*, it would help reduce the larger-than-normal faculty workloads and class sizes that characterize engineering and

computer science departments. *Third*, it would reduce the systems' dependence on part-time faculty. UC and CSU administrators report that excessive use of part-time faculty can be a problem because part-time faculty are not available for student advising and generally do not become as committed as permanent faculty to the institution and to its students.

Currently, UC and CSU have a faculty appointment called "lecturer," which requires teaching but no research. As shown in Table 17, 9 percent of CSU engineering and computer science faculty hold lecturer appointments, while 1 percent of UC faculty in those fields are lecturers. One way for the segments to respond to the faculty shortage in engineering and computer science would be to increase the number of lecturers. Because lecturers are not considered permanent faculty, however, a better response might be to establish a new permanent faculty series for engineering and computer science.

Lecturer appointments with the universities are limited to four years and lecturers are not granted membership in the academic senates. The lecturer series is intended to meet temporary instructional workload demands. Because the demand for graduates in engineering and computer science by industry is expected to continue throughout this century, enrollment in these programs is likely to be high for some time. Consequently, a solution should be found that increases the pool of qualified *permanent* faculty.

D. Instructional Equipment

The lack of up-to-date instructional equipment is a major problem facing UC and CSU in many subject areas. This problem is worse in high technology fields such as engineering and computer science, where rapid technological advances are making equipment obsolete at an increasingly rapid rate.

In 1976-77, the state began the instructional equipment replacement program at both UC and CSU, under which funds are provided on an annual basis to offset some of the costs of depreciation. This program is intended to fund the replacement of existing equipment as it depreciates, and is not intended to upgrade equipment so as to keep up with technological advances. In any event, the current funding level for this program is not sufficient to meet even depreciation requirements.

Table 18
UC Instructional Equipment Needs and Funding
1982-83

Annual Need:	
1982-83 Estimated Depreciation.....	\$18,626,000
1982-83 Appropriation.....	11,647,000
Unfunded Depreciation	6,979,000
Backlog:	
Replacement Cost of Obsolete Equipment.....	221,657,000
Obsolete Equipment As Percentage of Replacement Value of Total Equipment Inventory.....	55 percent

Tables 18 and 19 compare annual depreciation to the funds available for equipment replacement at UC and CSU. Table 18 shows that in the current year (1) UC's estimate of equipment depreciation will exceed funding for equipment replacement by \$7 million, and (2) the backlog of obsolete equipment at the start of the year was \$222 million, which is equal to 55 percent of UC's equipment inventory replacement value.

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

Table 19 shows that CSU's 1982-83 appropriation of \$4.4 million amounts to less than 2 percent of the system's total equipment inventory replacement costs. This translates to a 59-year life-cycle for equipment, which is well below the actual useful life of equipment on campuses.

Table 19
CSU Instructional Equipment Replacement Funding
1982-83

1982-83 Appropriation	\$4,368,000
Appropriation as Percent of Total Inventory	1.7 percent
Life-Cycle of Funding	59 years

Our campus visits and discussions with administrators have convinced us that *the instructional equipment problem is a threat to the quality of the instructional programs*, particularly in the high technology fields. Unfortunately, a massive commitment of new state resources would be needed to upgrade this equipment. For example, a recent CPEC study of engineering and computer science needs at UC found an annual need for (1) \$7.5 million to replace obsolete equipment and (2) an additional \$11.8 million to modernize existing programs by purchasing state-of-the-art equipment. When other high technology fields such as biology and physics are included, the annual need is probably close to \$50 million, which is nearly four times the level provided for all equipment replacement in the Governor's Budget. The CPEC study reports that equipment needs at CSU are even greater than those at UC. To put the needs in perspective, the Governor's Investment in People program provided a total of \$2 million for instructional equipment purchases at UC and CSU.

New Funding Approach for Equipment Needed

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

A new approach to the funding of instructional equipment for high technology education is needed for two reasons. First, while a formula based on *replacing* equipment as it depreciates may be appropriate for some kinds of equipment, it is not appropriate for high technology programs where rapid technological advances require equipment *modernization* on a regular basis. Second, a policy is needed to differentiate the state's role in funding state-of-the-art equipment from private industry's role.

Clearly, the condition of the state's General Fund does not permit it to provide the additional resources needed to modernize existing laboratories at UC and CSU. Even if this funding could be provided, however, university laboratories would soon be rendered obsolete by new technological advances. On the other hand, private industry has both the resources and the incentive needed to help maintain state-of-the-art laboratories. A new funding approach for tapping these resources should be developed.

UC and CSU should consider expanding cooperative efforts with industry as a means for securing funding for state-of-the-art technology at their campuses. One such effort would involve internship programs in which students would be exposed to state-of-the-art equipment at industry sites.

Because (1) current funding for instructional equipment in high-technology programs is woefully inadequate and (2) it is unlikely that state resources can be provided to meet these needs in the near future, we recommend that the Legislature adopt the following supplemental 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 a regular part of the curricula in high-technology programs. The new funding model should be submitted to the Legislature for review during hearings on the 1984-85 Governor's Budget.

7. STUDENT AFFIRMATIVE ACTION PROGRAMS

A. Overview

All three segments of higher education, as well as the State Department of Education (SDE), administer programs that are aimed at increasing the representation of ethnic minority and low-income students in public higher education in California.

Table 20 shows that in 1981-82, the state provided \$28.8 million from the General Fund for support of the major student affirmative action programs administered by the three postsecondary education segments. This amount was supplemented by an additional \$3.9 million in student fee revenue that went for affirmative action programs at UC.

Table 20

Summary of Student Affirmative Action Programs in Postsecondary Education

Program	1981-82 Funding		
	General Fund	Student Fees	Totals
UC:			
Student Affirmative Action (SAA)	\$4,050,000	\$1,468,000	\$5,518,000
Educational Opportunity Program (EOP)	—	2,400,000 ^a	2,400,000 ^a
Academic Enrichment Program (AEP)	54,000	—	54,000
CSU:			
Student Affirmative Action (SAA)	2,398,000	—	2,398,000
Educational Opportunity Program (EOP)	6,903,000 ^a	—	6,903,000
CCC:			
Extended Opportunity Programs and Services (EOP/S)	14,435,000 ^a	—	14,435,000
Transition Project	222,000	—	222,000
Intersegmental:			
MESA	450,000 ^b	—	450,000 ^b
Cal-SOAP	268,000	—	268,000
Totals	\$28,780,000	\$3,868,000	\$32,648,000

^a Excludes financial aid awards of \$5.5 million for UC, \$7.2 million at CSU, and \$11.2 million at CCC.

^b Excludes private funding of \$594,000.

The affirmative action programs administered by the University of California (UC) and the California State University (CSU) are described in detail in our analysis of the proposed budgets for these two segments.

The state's community colleges receive funding for two affirmative

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

action-type programs: Extended Opportunity Programs and Services (EOP/S), which has been funded since 1969, and the Community College Student Transition Project, which has been funded since 1981. The EOP/S program is aimed at increasing the enrollment of low-income and disadvantaged students in the community colleges. The Student Transition Project is aimed at increasing the transfer rate of students from underrepresented groups, from two-year to four-year colleges.

In addition to the programs run by the three segments, two intersegmental programs receive state funds: the Mathematics, Engineering, Science Achievement (MESA) program, and the California Student Opportunity and Access Program (Cal-SOAP). MESA works with minority students in grades 9–12 to increase minority enrollment in university and college programs in math and science-related fields. MESA is funded jointly by the state and the private sector, and operates at centers located on college campuses (including seven UC and nine CSU campuses). Cal-SOAP consists of five consortia of colleges which work with secondary schools to expand postsecondary opportunities for low-income students.

Services Provided. Most of the affirmative action programs have two related goals: (1) to attract more students from underrepresented groups to institutions of higher education and (2) to increase the chances that these students will complete their education. The first of these goals involves *outreach* activities, where program staff contact and work with students in secondary schools. The second goal is addressed through *support services* provided on the college or university campus.

Outreach programs range from those putting an emphasis on tutoring and academic skills-building to those that emphasize information dissemination for purposes of recruiting students into higher education. Table 21 divides the various outreach programs into these two categories, developmental and informational, and lists the services typically provided under each type.

Table 21
Outreach Programs and Services^a

<i>Developmental Outreach</i> (Academic Focus)	<i>Informational Outreach</i> (Recruitment Focus)
Tutoring	Academic advising
Academic skills building	Career advising
Academic advising	Information dissemination
Role model presentation	Campus tours
Information dissemination	Admission counseling
Field Trips	Financial aid counseling
Parent meetings	

^a The classification of outreach programs into "developmental" and "informational" was suggested by CPEC in its 1982–83 *Budget Report on Affirmative Action Programs*.

Support services provided on campus include summer orientation programs, tutoring, academic skills building, counseling, career planning, and financial assistance. These kinds of services generally are available to all students on campus. Affirmative action programs provide *additional* services to students from underrepresented groups, and thus supplement the regular programs.

B. Analysis

In preparing for our analysis of the 1983-84 budget, we conducted an in depth review of affirmative action programs at UC and CSU. Our review focused on these programs from the standpoint of administrative efficiency, accountability, and funding source. We did not evaluate the effectiveness of these programs because CPEC has been given that responsibility by the Legislature.

Our review identified a number of problems with respect to UC and CSU affirmative action programs. These problems include:

- Poorly defined target populations that often overlap each other (UC and CSU).
- Duplication of services in outreach programs (UC and CSU).
- Inconsistencies in how programs are funded (UC and CSU).
- Inconsistencies in how programs are administered (CSU).
- Administrative inefficiency (UC).
- Inadequate accountability at the state level (UC).
- Obstacles to data collection and evaluation (UC).

A discussion of these problems and our recommendations for addressing them are contained in the UC and CSU sections of this analysis.

In the remainder of this section, we discuss a major issue involving affirmative action programs generally—what types of outreach services should be provided by postsecondary institutions?

Postsecondary Role in Outreach Needs Clarification

As noted above, there are two types of outreach programs—developmental outreach and informational outreach. Developmental outreach focuses on academic skills and tutoring; informational outreach provides information to students on postsecondary education institutions and programs. Our analysis indicates the need to clarify the role of postsecondary education in both areas.

Developmental Outreach. Currently, developmental outreach programs (tutoring and academic enhancement) are provided by (1) K-12 districts under both state and federal programs, (2) UC, through its Student Affirmative Action (SAA) program and Academic Enrichment Program (AEP), and (3) MESA, an intersegmental program that receives both state and private funding.

UC has become involved in developmental outreach programs because of its belief that K-12 districts have not done an adequate job of preparing students for college. The Legislature has endorsed UC's efforts by providing funds to UC for developmental outreach programs.

There can be no question that students from underrepresented groups must receive better academic preparation if the goals of affirmative action programs are to be achieved. We believe, however, that there are certain drawbacks to having postsecondary institutions themselves involved in providing developmental outreach services. Academic instruction of secondary school students clearly is the primary mission of K-12 education. Moreover, the districts are in the best position to provide these services. Local schools have access to college-bound and potentially college-bound students throughout the school year. In contrast, UC must initiate contact with these students from outside the school system. Consequently, the services required by these students can be provided more effectively and at lower cost if the K-12 system takes the lead in doing so.

UC's primary mission is to provide a college education to students, not

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

to prepare students for college. To the extent UC operates developmental outreach programs for secondary school students, its resources and effort are diverted from its primary mission.

For these reasons, we conclude that the effectiveness of state-funded developmental outreach programs will be enhanced if responsibility for these programs is lodged with the State Department of Education.

Informational Outreach. All three higher education segments are currently involved in informational outreach programs. We believe that these services, in contrast to developmental outreach services, should continue to be provided by the higher education segments. Our analysis indicates, however, that there is a need to (1) reorganize outreach services on an intersegmental basis and (2) clarify the objective of informational outreach functions.

Currently, there is considerable duplication among the three segments in terms of their informational outreach programs. Outreach staff from each segment typically prepare their own schedules for high school visits without regard to what other outreach staff are doing. As a result, a number of different visitations may be made to the same high schools to provide what essentially is the same information on postsecondary education, career opportunities, and financial aid.

Our analysis indicates that this problem could be alleviated and the effectiveness of the program enhanced if the Legislature were to clarify the goal of outreach programs. Some campuses believe the goal of these programs is to increase the number of students from underrepresented groups enrolled in postsecondary education in general. Others believe the goal is narrower: to increase the enrollment of students from underrepresented groups at a specific segment, or even at a particular campus. To the extent programs are directed toward the narrower goal, intersegmental cooperation is discouraged, and opportunities to coordinate and eliminate duplication of effort are lost.

C. Recommendation

We recommend that the Legislature adopt supplemental language which strengthens state policy toward postsecondary student affirmative action programs.

Based on our review, we recommend that the following supplemental language be adopted in Items 6440-001-001, 6610-001-001, 6870-001-001, and 6100-001-001:

It is the intent of the Legislature that postsecondary student affirmative action programs conform to the following state policies as soon as possible:

- Developmental outreach programs (tutoring and academic enhancement) for minority and low-income secondary school students are the sole responsibility of the K-12 segment. This includes assuring that all students are aware of college and university requirements for various majors so that college-bound students can take the necessary courses.
- The three public postsecondary segments shall provide informational outreach services.
- The goal of postsecondary outreach programs is to increase the enrollment of underrepresented students in postsecondary institutions *generally*, instead of at individual institutions or campuses. To meet this goal, and to promote the efficient use of resources, postsecondary outreach programs shall be organized and funded on an intersegment-

tal basis, rather than by individual segments acting alone.

- CPEC shall evaluate postsecondary affirmative action programs on a regular basis. Outreach programs shall be evaluated based on the enrollment of students from underrepresented groups in higher education generally, rather than at specific campuses or segments.

We recognize that a transition period would be necessary before these policies could be implemented successfully. Accordingly, we recommend that CPEC, along with UC, CSU, CCC, and SDE, develop the specific details of such a policy, and a plan for implementing the policy. This plan would provide for (1) the timing and the amount of the transfer of funds from UC to SDE, to reflect the transfer of responsibility for developmental outreach programs, and (2) the funding mechanism and delivery system needed for the intersegmental outreach programs.

In our analysis of the UC and CSU budgets, we make additional recommendations concerning these segments' affirmative action programs that are consistent with our recommended statewide policy. Specifically, we recommend that:

- At both UC and CSU, the EOP and SAA programs be consolidated into one program having two components—outreach and support services—and that Relations With Schools (RWS) be consolidated with the outreach component.
- State funds budgeted to support MESA through the UC and CSU be transferred to SDE.
- UC conduct an evaluation of its early outreach program and academic enrichment program.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

Item 6420 from the General

Fund and Federal Trust Fund

Budget p. E 64

Requested 1983-84	\$2,550,000
Estimated 1982-83.....	2,437,000
Actual 1981-82	2,366,000
Requested increase (excluding amount for salary increases) \$113,000 (+4.6 percent)	
Total recommended reduction	None

1983-84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
6420-001-001—Support		General	\$2,550,000
6420-001-890—Support		Federal Trust	(2,000)

GENERAL PROGRAM STATEMENT

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

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION—Continued

The commission has 54.4 full-time equivalent positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes two appropriations totaling \$2,552,000 for support of CPEC in 1983–84. This is \$112,000, or 4.6 percent, more than estimated current-year expenditures. This increase, however, makes no allowance for any salary or staff benefit increase that may be approved for the budget year.

Table 1 presents a summary of expenditures and funding sources for the commission. The table shows that the budget proposes an appropriation of \$2,550,000 from the General Fund for support of the commission in 1983–84. This is \$113,000, or 4.6 percent, more than estimated current-year expenditures. In addition, the table shows that federal support is expected to decline to a level of \$2,000, which is \$1,000 (33 percent) less than the current-year amount.

Table 1
California Postsecondary Education Commission
(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>
Academic Affairs.....	\$1,080	\$1,023	\$1,059	\$36	3.5%
Analytical Studies	572	556	592	36	6.5
Administration.....	813	892	927	35	3.9
Reimbursements	–8	–31	–26	5	16.1
Totals	\$2,457	\$2,440	\$2,552	\$112	4.6%
<i>General Fund</i>	<i>\$2,366</i>	<i>\$2,437</i>	<i>\$2,550</i>	<i>\$113</i>	<i>4.6%</i>
<i>Federal Trust Fund</i>	<i>91</i>	<i>3</i>	<i>2</i>	<i>–1</i>	<i>–33.3</i>
Personnel-Years.....	54.6	54.4	56.5	2.1	3.8%

A. 1983–84 Budget (Item 6420-001-001)***We recommend approval.***

Table 2 shows the details of the net \$113,000 increase in General Fund support proposed for the budget year. The significant General Fund budget changes consist of:

- A \$115,000 increase in personnel costs consisting of (1) a \$30,000 increase in merit salary adjustments, (2) a \$17,000 decrease in salary savings, and (3) a \$102,000 increase to replace the current-year one-time reduction in the employer contributions to the PERS fund.
- A \$23,000 increase to offset the effects of inflation on operating expenses.
- A \$24,000 decrease in funds used to conduct a study on the admission standards of the University of California (UC) and the California State University (CSU) systems. The study will be completed during the budget year at a cost of \$41,000.

In addition, the budget proposes an increase of 2.1 positions for 1983–84. The budget proposes to add one accounting officer position, using funds that would otherwise be paid to the Department of General Services for accounting services. An additional 1.7 temporary help positions are to be used to help process and verify transcripts which would be used in the UC

and CSU eligibility study (discussed above).

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

Table 2
California Postsecondary Education Commission
General Fund Support
Summary of Changes from 1982-83 Budget
(in thousands)

1982-83 Current Year Revised		\$2,437
A. Baseline Adjustments		138
1. Increase in Personnel Costs	(\$115)	
a. Merit salary adjustments	30	
b. Salary savings	-17	
c. Personnel benefits	102	
2. Price Increase		
a. Price increase for operating expenses	23	
B. Reductions		-25
1. Eligibility Study	-24	
2. Office of Administrative Law	-1	
Total Change (amount/percent)		\$113 (4.6%)
Total, 1983-84 Support Budget		\$2,500

B. Federal Trust Fund (Item 6420-001-890)

We recommend approval.

The budget requests \$2,000 from the Federal Trust Fund to be used for the acquisition of materials for the commission's library. Our review indicates that the proposed use of funds is reasonable, and we recommend that the request be approved.

C. Legislatively-Mandated Publications

Chapter 1632, Statutes of 1982 (AB 2960), requires each state agency to make recommendations annually regarding the continuation of legislatively-mandated publications requiring 100 or more employee hours to produce. Chapter 1632 also requires our office to review the information provided by each agency and make appropriate recommendations.

The commission indicates that nine annual reports are mandated by the Legislature, and that each report should continue to be submitted for the budget year. These reports are:

- Women and Minorities in Higher Education
- Report on the State of Health Sciences Education
- Program Review of the Postsecondary Education Commission
- Annual Faculty Salary Report
- College-Going Rates
- Affirmative Action Registry
- Resource Directory in Higher Education
- Guide to California Colleges and Universities
- Information Digest on Higher Education

Our review of the list indicates that the commission's recommendations are reasonable.

UNIVERSITY OF CALIFORNIA

Item 6440 from the General
Fund and various funds

Budget p. E 68

Requested 1983-84	\$1,202,051,000
Estimated 1982-83	1,167,051,000
Actual 1981-82	1,113,492,000
Requested increase (excluding amount for salary increases) \$35,000,000 (+3.0 percent)	
Total recommended reduction	\$61,858,000

1983-84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
6440-001-001—Support		General	\$1,181,113,000
6440-001-046—Institute of Transportation Studies		Transportation	903,000
6440-001-140—Agroecology Program		Environmental License	222,000
		Plate	
6440-001-144—Research in Mosquito Control		California Water	100,000
6440-001-146—Equipment Replacement and De- ferred Maintenance		COFPHE	18,983,000
6440-001-189—Energy Institute, Utilities Conserva- tion, and Institute of Appropriate Technology		Energy Resources	730,000
Total			\$1,202,051,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Avocational, Recreational, and Personal Development Courses.* Reduce Item 6440-001-001 by \$687,000. Recommend deletion of state support for courses similar to those offered at community colleges that are no longer eligible for state funding. 1534
2. *Instructional Equipment for High-Technology Programs.* Recommend adoption of supplemental report language directing UC to develop a new funding model for instructional equipment needed for high-technology programs, because the current model is not adequate. 1537
3. *Drew/UCLA Medical Education Program.* Reduce Item 6440-001-001 by \$443,000. Recommend proposed augmentation be reduced to reflect anticipated enrollment. 1540
4. *Affiliated Medical Resident Funding.* Recommend adoption of supplemental report language directing UC to report on three specific alternative methods for funding affiliated residents, because the current method does not promote the Legislature's goals in providing this funding. 1546
5. *UCLA Medical School.* Reduce Item 6440-001-001 by \$1,368,000. Recommend reduction to correct for overfunding of UCLA medical school by the current formula used to fund affiliated medical residents. 1548
6. *Affiliated Residency Funding.* Recommend adoption of supplemental report language directing UC to provide data on the allocation of state affiliated residency funds 1548

- among and by four UC medical schools because data is needed for legislative oversight.
7. Private Grants and Gifts for Research. Recommend adoption of supplemental report language directing UC to report on the extent to which it is recovering the full costs of privately-supported research. 1551
 8. *Cooperative Extension Funding. Reduce Item 6440-001-001 by \$100,000.* Recommend deletion because additional funding will be available from nonstate sources and can be used to replace General Fund support. 1554
 9. *Use of UC Libraries. Reduce Item 6440-001-001 by \$313,000.* Recommend Legislature (1) request UC to increase fees charged to external users of UC libraries and (2) reduce General Fund support by the amount of additional revenue that will be generated by the higher fees. 1556
 10. Student Affirmative Action. Recommend adoption of supplemental report language directing UC to evaluate its early outreach program and Academic Enrichment Program, so that there will be no loss of effectiveness when these activities are transferred to the State Department of Education. 1570
 11. *Student Affirmative Action. Reduce Item 6440-001-001 by \$198,000 and increase Item 6100-005-001 by \$198,000.* Recommend transfer of funding for the Mathematics, Engineering, Science Achievement (MESA) program from the UC budget to the State Department of Education budget, because this type of program should be the responsibility of the K-12 segment. 1570
 12. Student Affirmative Action. Recommend adoption of supplemental report language directing UC to consolidate its Educational Opportunity Program and its Student Affirmative Action program, because both programs are providing similar services to the same target population. 1570
 13. Use of Student Fee Revenue. Recommend adoption of Budget Bill and supplemental report language specifying that (1) all revenue from the educational fee be designated as UC general fund income and used as an offset to the amount of funding required from the state General Fund, and (2) funds from the registration fee be used to support only specified activities, because current fee policies have limited the flexibility of the Legislature and UC in allocating funds to areas where they are most needed. 1574
 14. Student Health Services Funding. Recommend adoption of supplemental report language directing UC to prepare a plan for funding student health services as auxiliary enterprises, beginning in 1984-85, so that those who benefit from these services bear the cost of financing them. 1577
 15. *Graduate Fees. Reduce Item 6440-001-001 by \$2,921,000.* Recommend Legislature direct UC to increase graduate student fees by \$90 so that the amount contributed by graduate students toward the cost of their education better reflects (1) the cost to the state of providing this education, and (2) the direct benefit graduate students derive from it. 1580

UNIVERSITY OF CALIFORNIA—Continued

16. *Graduate Student Financial Aid. Increase Item 6440-001-001 by \$672,000.* Recommend augmentation for student financial aid so that low-income graduate students continue to have access to UC. 1580
17. *Health Science Fees. Reduce Item 6440-001-001 by \$540,000.* Recommend the Legislature direct UC to increase fees charged to students in medicine, dentistry, and veterinary medicine by \$300, so that the amount contributed by these health science students toward the cost of their education better reflects (1) the cost to the state of providing this education and (2) the direct benefits these students derive from it. 1582
18. *Health Science Student Financial Aid. Increase Item 6440-001-001 by \$540,000.* Recommend augmentation for student financial aid so that low-income health science students continue to have access to UC. 1582
19. *Collective Bargaining.* Recommend enactment of legislation directing UC to submit cost estimates with all memoranda of understanding (MOU) when MOUs are submitted to the Legislature for approval, so the Legislature will have complete information on the fiscal impact of collective bargaining agreements. 1586
20. *Retirement System Funding. Reduce Item 6440-001-001 by \$56,500,000.* Recommend that the state contribution toward UC retirement benefits be based on the economic assumptions used by the Public Employee Retirement System (PERS), because the assumptions used by the Regents are overly cautious, given the pattern of retirement system funding across the state. 1589
21. *Disabled Student Funding.* Recommend unspecified reduction because federal funds are available to serve Department of Rehabilitation clients who are enrolled at UC. 1591

Summary of Legislative Analyst's Recommended Fiscal Changes

<i>Activity</i>	<i>Program Changes</i>	<i>Impact on General Fund</i>
Avocational, recreational courses	—\$687,000	—\$687,000
Drew/UCLA	—443,000	—443,000
UCLA Medical School	—1,368,000	—1,368,000
Cooperative Extension	—	—100,000
Libraries	—	—313,000
MESA	—	—198,000
Graduate student fees	—	—2,921,000
Graduate financial aid	+672,000	+672,000
Health science student fees	—	—540,000
Health science financial aid	+540,000	+540,000
Retirement	—	—56,500,000
Totals	—\$1,286,000	—\$61,858,000

Recommendations Overview

We are recommending reductions to the UC budget totaling \$61.9 million. Most of this amount, however, (\$59.4 million) can be achieved without cutting programs or reducing services. Specifically, we have found that the state's contribution to UC for retirement benefits can be reduced by \$56.5 million without reducing benefit levels or impairing the security of the fund. In addition, we have identified the following funds that could be used in place of General Fund support to support the university's programs during 1983-84: (1) \$2.2 million in student fees, (2) \$0.3 million in library fees, and (3) \$0.1 million in fees paid by users of Cooperative Extension services. Finally, we recommend that \$0.2 million in support of the MESA program be transferred to another budget item. The remaining \$2.5 million in recommended reductions constitute program reductions.

GENERAL PROGRAM STATEMENT

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

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

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

During the current year, the university has 58,559 full-time equivalent (FTE) academic and non-academic employees, and is providing instruction to 132,616 students.

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

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

UNIVERSITY OF CALIFORNIA—Continued

ANALYSIS AND RECOMMENDATIONS

1983-84 Budget Overview

Table 1 shows the total UC budget for the prior, current, and budget years.

The budget for 1983-84 totals \$4.6 billion, and has three components: (1) the support budget (\$2.6 billion), (2) sponsored research and other extramural activities (\$747 million), and (3) the three U.S. Department of Energy (DOE) laboratories (\$1.3 billion). No state funds are provided for sponsored research and the DOE laboratories.

Table 1
UC Expenditure Budget
(dollars in thousands)

	Actual 1981-82	Estimated 1982-83 ^a	Proposed 1983-84 ^b	Change	
				Amount	Percent
I. Support Budget					
1. Instruction					
A. General campus	\$460,010	\$497,787	\$504,886	\$7,099	1.4%
B. Health sciences	211,911	217,363	220,413	3,050	1.4
C. Summer sessions	7,373	8,532	8,925	393	4.6
D. University extension	56,805	61,670	64,566	2,896	4.7
2. Research	117,476	114,160	113,830	-330	-0.3
3. Public Service	50,295	51,042	51,042	—	—
4. Academic Support					
A. Libraries	83,145	89,985	90,305	320	0.4
B. Organized activities—other	88,432	93,695	96,195	2,500	2.7
5. Teaching Hospitals	571,466	649,438	716,329	66,891	10.3
6. Student Services	99,261	98,987	98,987	—	—
7. Institutional Support	156,011	145,168	145,168	—	—
8. Operation and Maintenance of Plant	149,013	162,111	163,096	985	0.6
9. Student Financial Aid	41,443	41,831	45,521	3,690	8.8
10. Auxiliary Enterprises	151,448	144,401	157,301	12,900	8.9
11. Unallocated Adjustments					
A. Provisions for Allocation	—	17,138	22,680	5,542	32.3
B. Fixed Costs and Economic Factors	—	—	38,903	38,903	—
12. Special Regents' Programs	30,779	37,730	39,027	1,297	3.4
Totals, Support Budget	\$2,274,868	\$2,431,038	\$2,577,174	\$146,136	6.0%
II. Sponsored Research and Other Activities	671,349	706,116	747,463	41,347	5.9
III. Department of Energy Labs	1,164,958	1,234,855	1,308,950	74,095	6.0
Grand Totals	\$4,111,175	\$4,372,009	\$4,633,587	\$261,578	6.0%
Personnel ^c	59,451	58,559	58,811	252	0.4

^a Does not reflect the one-time reduction of \$23.0 million imposed by the Governor.

^b Does not include salary and benefit increases.

^c All of the personnel are associated with the support budget; none are with Sponsored Research or the Department of Energy Labs.

The sources of funding for the university's support budget are shown in Table 2. The Governor's Budget proposes a total support budget of \$2.6 billion, which is \$146.1 million, or 6 percent, more than estimated current-

year expenditures. The proposed increase would be funded from the following sources:

- State General Fund appropriation: \$32.7 million (up 2.8 percent).
- University general funds: \$1.7 million (up 3.7 percent).
- State restricted appropriations: \$2.3 million (up 12.5 percent).
- Local government: \$0.4 million (up 5 percent).
- University restricted sources: \$111.1 million (up 9.7 percent).

A decrease in funding from other sources of \$2.1 million (4 percent) is projected, primarily because prior-year balances have declined.

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

	<i>Estimated 1982-83^a</i>	<i>Proposed 1983-84</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
1. General Funds:				
A. State Appropriation.....	\$1,148,438	\$1,181,113	\$32,675	2.8%
B. University General Funds:				
1. Nonresident tuition	37,723	39,029	1,306	3.5
2. Other student fees	5,600	5,600	—	—
3. Other current funds	2,800	3,200	400	14.3
Subtotals	\$46,123	\$47,829	\$1,706	3.7%
C. Funds Used as Income:				
1. Federal overhead	\$44,347	\$43,946	— \$401	—0.9%
2. Department of Energy overhead and management	2,371	2,797	426	18.0
3. Prior year balances	4,109	1,121	—2,988	—72.7
4. Other	1,342	2,231	889	66.2
Subtotals	\$52,169	\$50,095	—\$2,074	—4.0%
General Funds Totals	\$1,246,730	\$1,279,037	\$32,307	2.6%
2. Restricted Funds:				
A. State Appropriations:				
1. Transportation research	\$878	\$903	\$25	2.8%
2. Agroecology program	211	222	11	5.2
3. Mosquito research	100	100	—	—
4. Deferred maintenance	5,082	5,334	252	5.0
5. Instructional equipment	11,647	13,649	2,002	17.2
6. Energy research	695	730	35	5.0
Subtotals	\$18,613	\$20,938	\$2,325	12.5%
B. Federal Grants and Appropriations	\$11,689	\$11,689	—	—
C. Local Government	\$8,555	\$8,983	\$428	5.0%
D. University Sources:				
1. Student fees	\$213,560	\$236,044	\$22,484	10.5%
2. Sales and services	107,133	112,706	5,573	5.2
3. Teaching hospitals	597,042	663,933	66,891	11.2
4. Endowments	21,790	23,097	1,307	6.0
5. Auxiliary enterprises	143,318	156,218	12,900	9.0
6. Other	305	305	—	—
7. Prior year balances	24,573	25,197	624	2.5
8. Special Regents' Programs	37,730	39,027	1,297	3.4
Subtotals	\$1,145,451	\$1,256,527	\$111,076	9.7%
Restricted Funds Totals	\$1,184,308	\$1,298,137	\$113,829	9.6%
Totals (Support Budget)	\$2,431,038	\$2,577,174	\$146,136	6.0%

^a Does not include one-time reduction of \$23.0 million imposed by the Governor.

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"General Fund" versus "general funds". One source of revenue to UC is the state General Fund. There are other revenue sources, however, that are combined with the state General Fund for purposes of *expenditure*. These sources include nonresident tuition revenue, the state's share of federal overhead receipts, and some minor student fees. Because these various sources of revenue are combined for expenditures, it is not possible to identify expenditures by revenue source. Consequently, the term "general funds" is used to refer to the combined total of the state General Fund and the other general-purpose revenues available to the university. It should be noted that the state General Fund appropriation accounts for 92.3 percent of budgeted "general funds" for 1983-84.

Table 2 shows that the state *General Fund appropriation* to UC is proposed to increase by \$32.7 million, or 2.8 percent, above estimated current-year expenditures. The actual increase proposed for the university would be larger in both dollar and percentage terms if allowance were made for salary or staff benefit increases that may be approved for the budget year. The university estimates that each 1 percent increase in UC salaries will cost \$5.3 million for academic employees and \$4.5 million for nonacademics. (Please see the discussion of faculty salaries under Item 9800-001-001.) Table 2 also shows that total expenditures from *general funds* (state General Fund plus other general purpose revenues) are proposed to increase by 2.6 percent.

Table 3 shows, however, that the *real* increase in the university's general funds expenditures is proposed to be 3.7 percent. In both 1982-83 and 1983-84, UC will use revenue from increased student fees to offset reductions in state General Fund support. Consequently, excluding these revenues from the comparison of expenditures between these two years gives a misleading impression of the amount of funds available for general-purpose expenditures. Table 3 shows that an additional \$14.8 million in student fee revenue is proposed to be used in 1983-84 to offset General Fund reductions.

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

	<i>Estimated</i> 1982-83	<i>Proposed</i> 1983-84	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
State General Fund appropriation	\$1,148,438	\$1,181,113	\$32,675	2.8%
Other general purpose revenue	98,292	97,924	-368	-0.4
Subtotal, General Funds	\$1,246,730	\$1,279,037	\$32,307	2.6%
Student fee offset	12,200	26,960	14,760	121.0
Adjusted Totals	\$1,258,930	\$1,305,997	\$47,067	3.7%

Table 4 shows the source of funding for individual programs. For example, the table shows that \$485.4 million of the general campus instruction budget of \$504.9 million is provided by general funds. Similarly, general funds account for \$46.4 million of the \$716.3 million budget for teaching hospitals. Patient charges for services will provide \$663.9 million of the hospitals' budgets, and endowments will contribute another \$122,000.

Table 4
Source of Funds by Program
(1983-84 Governor's Budget)
(dollars in thousands)

	<i>General Funds</i>	<i>Federal Funds</i>	<i>Student Fees and Tuition</i>	<i>Sales and Services</i>				<i>Endow- ments</i>	<i>Other Sources</i>	<i>Totals</i>
				<i>Teaching Hospitals</i>	<i>Educational Activities</i>	<i>Support Services</i>	<i>Auxiliary Enterprises</i>			
Instruction:										
General Campus.....	\$485,427	\$52	\$935	—	\$1,336	\$329	—	\$2,019	\$14,788	\$504,886
Health Sciences.....	177,906	599	—	—	38,542	—	—	1,162	2,204	220,413
Summer Session	—	—	8,925	—	—	—	—	—	—	8,925
University Extension	—	—	64,566	—	—	—	—	—	—	64,566
Total Instruction.....	\$663,333	\$651	\$74,426	—	\$39,878	\$329	—	\$3,181	\$16,992	\$798,790
Research	\$98,267	\$3,038	\$14	—	\$318	\$1,108	—	\$6,215	\$4,870	\$113,830
Public Service:										
Community Service.....	\$1,300	—	\$3,124	—	\$5,865	—	—	\$504	\$1,149	\$11,942
Cooperative Extension	27,617	\$8,000	—	—	215	—	—	5	—	35,837
Drew Postgraduate Medical School.....	2,516	—	—	—	—	—	—	—	—	2,516
Calif. College of Podiatric Medicine	747	—	—	—	—	—	—	—	—	747
Total Public Service.....	\$32,180	\$8,000	\$3,124	—	\$6,080	—	—	\$509	\$1,149	\$51,042
Academic Support:										
Libraries	\$98,982	—	—	—	126	—	—	\$1,059	\$138	\$90,305
Museums and Galleries.....	1,591	—	—	—	50	—	—	223	—	1,864
Intercollegiate Athletics	—	—	1,162	—	131	—	—	—	103	1,396
Ancillary Support—General Campuses	3,508	—	783	—	2,353	25	—	2	—	6,671
Ancillary Support—Health Sciences	43,691	—	—	—	37,855	4,089	—	9	620	86,264
Total Academic Support.....	\$137,772	—	\$1,945	—	\$40,515	\$4,114	—	\$1,293	\$861	\$186,500
Teaching Hospitals.....	\$46,353	—	—	\$663,944	—	—	—	\$122	\$5,910	\$716,329
Student Services:										
Social and Cultural Activities	—	—	\$17,410	—	\$1,864	\$146	—	\$15	—	\$19,435
Supplemental Educational Services.....	—	—	3,192	—	122	—	—	1	\$16	3,331
Counseling and Career Guidance	—	—	16,921	—	110	642	—	—	—	17,673
Financial Aid Administration	—	—	12,297	—	—	9	—	—	570	12,876
Student Admissions and Records	\$651	—	16,181	—	767	—	—	—	—	17,599

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Table 4—Continued
Source of Funds by Program
(1983–84 Governor's Budget)
(in thousands)

General Funds	Federal Funds	Student Fees and Tuition	Sales and Services				Endow- ments	Other Sources	Totals
			Teaching Hospitals	Educational Activities	Support Services	Auxiliary Enterprises			
Student Health Services	—	—	18,062	—	132	4,027	—	18	22,239
Student Affirmative Action	3,653	—	1,405	—	—	—	—	—	5,058
Disabled Students	776	—	—	—	—	—	—	—	776
Total Student Services	\$5,080	—	\$85,468	—	\$2,995	\$4,824	—	\$34	\$98,987
Institutional Support:									
Executive Management	\$30,165	—	\$991	—	—	\$1,894	—	\$286	\$34,853
Fiscal Operations	15,902	—	396	—	—	2,249	—	1,731	20,278
General Administrative Services	23,814	—	6,039	—	\$10	6,038	—	3	40,783
Logistical Services	20,001	—	496	—	—	1,327	—	1,122	22,946
Community Relations	5,637	—	124	—	—	355	—	516	7,001
Employee Benefits	18,881	—	139	—	—	98	—	109	19,307
Total Institutional Support	\$114,400	—	\$8,185	—	\$10	\$11,961	—	\$914	\$145,168
Operation & Maintenance of Plant	\$150,921	—	\$6,093	—	—	—	—	\$473	\$163,096
Student Financial Aid	651	—	39,953	—	—	—	\$2	4,824	45,521
Auxiliary Enterprises	—	—	1,078	—	—	—	156,216	7	157,301
Unallocated Adjustments:									
Provisions for Allocation	—\$9,719	—	\$15,758	—\$11	—\$60	\$634	—	\$5,525	\$21,459
Program Maintenance: Fixed Costs & Economic Factors	38,578	—	—	—	—	—	—	325	38,903
Total Unallocated Adjustments	\$31,301	—	\$15,758	—\$11	—\$60	\$634	—	\$5,525	\$62,804
Special Regents' Programs	—	—	—	—	—	—	—	\$39,027	\$39,027
TOTALS, BUDGETED PROGRAMS	\$1,279,037	\$11,689	\$236,044	\$663,933	\$89,736	\$22,970	\$156,218	\$23,097	\$2,577,174
Sponsored Research and Other Activities	—	\$469,448	—	—	—	—	—	\$278,015	\$747,463
Department of Energy Laboratories	—	1,308,950	—	—	—	—	—	—	1,308,950
Totals (Budgeted & Extramural Pro- grams)	\$1,279,037	\$1,790,087	\$236,044	\$663,933	\$89,736	\$22,970	\$156,218	\$23,097	\$4,633,587

Table 5 shows the individual components for the proposed net \$32.7 million increase in state General Fund support for the university. The largest component is a proposed \$38.9 million increase requested to maintain the existing level of service. These funds would be used primarily to fund merit salary adjustments and to offset the effect of inflation on the prices that UC must pay to maintain existing services. The budget also proposes \$7.7 million to adjust existing programs for changes in workload. Most of the workload change is due to an increase in undergraduate enrollment. Finally, the budget proposes a reduction of \$16.3 million to reflect (1) an increase in students fees, (2) termination of state funding for the Institute on Global Conflict and Cooperation, and (3) the impact on UC's nonresident tuition income of 1982 legislation exempting certain nonresident graduate students from paying tuition.

Table 5
UC General Fund Support
Summary of Changes from 1982-83 Budget
(Excluding Salary and Benefit Increases)
(dollars in thousands)

1982-83 Base Budget.....		\$1,148,438 ^a
A. To Maintain Existing Budget:		
1. Merit increases and promotions	\$17,121	
2. Price increases	20,707	
3. Social security	750	
4. UC income adjustment	368	
Total, amount needed to maintain existing budget.....		\$38,946
B. Restoration of 1982-83 One-time Adjustments:		
1. Retirement payments		2,359
C. Workload Changes:		
1. General campus instruction.....	5,419	
2. Health sciences instruction	1,277	
3. Operation and maintenance of plant	985	
Total, workload changes.....		7,681
D. Budget Change Proposals:		
1. Student fee offset	-14,760	
2. Institute on Global Conflict and Cooperation	-330	
3. AB 2627	-1,221	
Total, budget change proposals		-16,311
Total Change:		
Amount	\$32,675	
Percent	2.8%	
Total, 1983-84 Support		\$1,181,113

^a Does not reflect \$23.0 million one-time reduction imposed by the Governor.

Budget Presentation

The university's budget is divided into 12 programs. The first three—Instruction, Research, and Public Service—encompass the primary higher education functions. The next seven—Academic Support, Teaching Hospitals, Student Services, Institutional Support, Operation and Maintenance of Plant, Financial Aid, and Auxiliary Enterprises—provide supporting services to the three primary functions. The remaining func-

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tions—Special Regents' program and Unallocated Adjustments—include special resource allocations and budget reporting procedures which affect all of the other ten programs.

I. INSTRUCTION

The Instruction program includes (1) general campus instruction, (2) health science instruction, (3) summer session, and (4) university extension. Table 6 displays the instruction budget for the university in the prior, current and budget years. For 1983–84, a total of \$798.8 million is proposed for instruction, of which \$663.3 million is from general funds. The proposed budget for Instruction is \$13.4 million, or 1.7 percent, higher than the current-year budget for this program.

Table 6
UC Instruction Budget
Summary of Expenditures and Personnel
(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>
General campus	\$460,010	\$497,787	\$504,886	\$7,099	1.4%
Health sciences	211,911	217,363	220,413	3,050	1.4
Summer session	7,373	8,532	8,925	393	4.6
University extension	56,805	61,670	64,566	2,896	4.7
Totals	\$736,099	\$785,352	\$798,790	\$13,438	1.7%
General funds	\$612,345	\$656,957	\$663,333	\$6,376	1.0%
Restricted funds	123,754	128,395	135,457	7,062	5.5
Personnel (FTE)	19,716	20,077	20,302	225	1.1%

A. Enrollment

Table 7 shows the recent trends in UC enrollment, expressed in full-time equivalent (FTE) students. A full-time undergraduate student at UC takes an average of 15 units during each of the three quarters. Thus, one FTE equals one student attending full-time, two students each attending one-half time, etc. Ninety-three percent of UC students attend full-time.

Enrollment Up in Current Year. Each fall, UC surveys the nine campuses to determine how actual enrollment compares to enrollment estimates on which the current-year budget is based. Table 7 shows that UC general campus enrollment for 1982–83 was *budgeted* at 113,784. The revised estimate indicates that *actual* enrollment will be 115,151 or 1.2 percent (1,367 students) above the budgeted level. (The CSU enrollments are also up an estimated one percent above the budgeted level.)

Control Section 24.40 (previously Section 28.90) of the annual Budget Act permits the Director of Finance to authorize the accelerated expenditure of budget funds by UC and CSU (not to exceed \$5 million total) when actual systemwide enrollments exceed budgeted enrollments by at least 2 percent. This may be done in anticipation of a General Fund deficiency appropriation. Because current-year actual enrollment exceeds budgeted enrollment by less than 2 percent, the costs associated with the increased enrollment will be absorbed by UC.

1983–84 Budgeted Enrollment Increase. Table 7 shows that budgeted enrollment for 1983–84 is above *budgeted* enrollment in 1982–83 by 1,577 FTE (1.3 percent). When compared to actual enrollment in the current year, however, the proposed increase is only 210 FTE.

Budgeted enrollment changes, by category, are as follows:

- General campus undergraduate—up 1,475 (1.6 percent) over the current-year budgeted level, and up 426 (0.5 percent) from the current-year revised level.
- General campus graduate—no change from the current-year budgeted level, but down 318 (1.3 percent) from the current-year revised level.
- Health sciences—up 102 (0.8 percent) over the current-year budgeted level, but down 198 (1.6 percent) from the current-year revised level.

Table 7
Full-Time Equivalent Students (FTE)
(Three-Quarter Average)

	<i>Actual</i> <i>1981-82</i>	<i>Budgeted</i> <i>1982-83</i>	<i>(Revised)</i> <i>1982-83</i>	<i>Proposed</i> <i>1983-84</i>	<i>Change from</i> <i>Budgeted</i> <i>1982-83</i>	
					<i>Number</i>	<i>Percent</i>
Berkeley						
General Campus						
Undergraduate	18,398	18,828	(18,035)	18,828	—	—
Graduate	7,825	7,436	(7,390)	7,436	—	—
Health Sciences	789	771	(771)	768	-3	-0.4%
Subtotals	27,012	27,035	(26,196)	27,032	-3	0.0%
Davis						
General Campus						
Undergraduate	13,460	13,000	(13,510)	13,200	200	1.5
Graduate	3,248	2,892	(3,051)	2,892	—	—
Health Sciences	1,979	1,908	(1,908)	1,895	-13	-0.7
Subtotals	18,687	17,800	(18,469)	17,987	187	1.1%
Irvine						
General Campus						
Undergraduate	8,058	8,191	(8,428)	8,750	559	6.8
Graduate	1,336	1,206	(1,317)	1,206	—	—
Health Sciences	1,068	1,035	(1,035)	1,028	-7	-0.7
Subtotals	10,462	10,432	(10,780)	10,984	552	5.3%
Los Angeles						
General Campus						
Undergraduate	19,186	18,792	(19,242)	18,738	-54	-0.3
Graduate	7,468	7,252	(7,143)	7,252	—	—
Health Sciences	3,874	3,894	(3,894)	4,048	154	4.0
Subtotals	30,528	29,938	(30,279)	30,038	100	0.3%
Riverside						
General Campus						
Undergraduate	3,032	3,063	(3,111)	3,204	141	4.6
Graduate	1,347	1,258	(1,273)	1,258	—	—
Health Sciences	46	48	(48)	48	—	—
Subtotals	4,425	4,369	(4,432)	4,510	141	3.2%
San Diego						
General Campus						
Undergraduate	9,557	9,765	(10,009)	10,095	330	3.4
Graduate	1,273	1,233	(1,330)	1,233	—	—
Health Sciences	1,069	1,086	(1,086)	1,080	-6	-0.6
Subtotals	11,899	12,084	(12,425)	12,408	324	2.7%
San Francisco						
Health Sciences	3,697	3,775	(3,775)	3,752	-23	-0.6
Subtotal	3,697	3,775	(3,775)	3,752	-23	-0.6%

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Table 7 —Continued
Full-Time Equivalent Students (FTE)
(Three-Quarter Average)

	Actual 1981-82	Budgeted 1982-83	(Revised) 1982-83	Proposed 1983-84	Change from Budgeted 1982-83	
					Number	Percent
Santa Barbara						
General Campus						
Undergraduate	12,678	12,623	(12,978)	12,955	332	2.6
Graduate	2,028	1,838	(1,838)	1,838	—	—
Subtotals	14,706	14,461	(14,816)	14,793	332	2.3%
Santa Cruz						
General Campus						
Undergraduate	6,107	5,988	(5,986)	5,955	-33	-0.6
Graduate	512	419	(510)	419	—	—
Subtotals	6,619	6,407	(6,496)	6,374	-33	-0.5%
Total University						
Undergraduate	90,476	90,250	(91,299)	91,725	1,475	1.6%
Graduate	25,037	23,534	(23,852)	23,534	—	—
General Campus	115,513	113,784	(115,151)	115,259	1,475	1.3%
Health Sciences	12,522	12,217 ^a	(12,217) ^a	12,319 ^a	102	0.8
Total	128,035	126,001	(127,368)	127,578	1,577	1.3%

^a Includes a reduction of 300 medical residents as an estimate of the enrollment reduction related to the legislative reduction of \$2 million for nonprimary care residents. Exact numbers of positions and the distribution of the reduction by campus is not available. Consequently, individual campus totals do not tie to systemwide total.

B. General Campus Instruction

General campus instruction includes the cost of faculty, teaching assistants, and related instructional support for the eight general campus programs. Table 8 shows the general campus instruction budget for the prior, current, and budget years. An increase in general funds of \$5.1 million or 1.1 percent, is proposed in 1983-84, in addition to any increase needed to cover salary and benefit increases approved for the budget year. The proposed increase is for funding the instructional costs associated with an additional 1,475 FTE undergraduates. In addition, an increase of \$2 million from the Capital Outlay Fund for Public Higher Education (COFPHE) is proposed for the replacement of instructional equipment.

1. Undergraduate Enrollment Increase

The Governor's Budget proposes an augmentation of \$5.1 million to fully fund the estimated 1983-84 undergraduate enrollment at UC. Because current state policy guarantees admission to UC for all eligible undergraduates, we recommend that this augmentation be approved.

2. Faculty Workload

The UC has contracted with a private research firm since 1977-78 for an annual survey of faculty workload. Five surveys have been completed to date. Table 9 compares the findings from these surveys that pertain to instructional activities.

Table 8
Instruction—General Campus
Summary of Expenditures and Personnel
(dollars in thousands)

<i>Elements</i>	<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. Faculty	\$212,145	\$233,231	\$235,062	\$1,831	.8%
2. Teaching assistants.....	26,494	29,813	30,300	487	1.6
3. Instructional support.....	132,860	133,907	135,655	1,748	1.3
4. Other.....	2,688	3,116	3,116	—	—
5. Equipment replacement	9,698	10,876	12,876	2,000	18.4
6. Instructional computing.....	4,066	4,078	4,078	—	—
7. Technical education.....	—	1,000	1,000	—	—
8. Employee benefits.....	72,059	81,766	82,799	1,033	1.3
Totals.....	\$460,010	\$497,787	\$504,886	\$7,099	1.4%
General funds.....	\$444,886	\$480,328	\$485,427	\$5,099	1.1%
Restricted funds.....	15,124	17,459	19,459	2,000	11.5
Personnel (FTE)					
Faculty	6,738	6,509	6,593	84	1.3%
Teaching Assistants.....	1,794	2,042	2,076	34	1.6
Other	4,903	4,832	4,902	70	1.5
Totals	13,435	13,383	13,571	188	1.4%

Table 9
Time Devoted to Instructional Activities: Regular Faculty^a
1977-78 to 1981-82
(average hours per week)

	<i>Academic Year</i>				
	<i>1977-78</i>	<i>1978-79</i>	<i>1979-80</i>	<i>1980-81</i>	<i>1981-82</i>
Total, All Instructional Activities	28.4	27.6	27.5	28.9	27.7
Regularly scheduled course instruction	5.8	5.5	5.3	5.6	5.7
Supervising independent special study	2.4	2.3	2.7	2.6	2.6
Course preparation	10.8	10.7	10.1	11.6	10.4
Other instructional activities.....	9.5	9.3	9.4	9.0	9.0

^a Source: Faculty Time-Use Study Report for 1981-82 Academic Year, page 32. These data are for full-time regular faculty members paid only from "Instruction and Research" funds.

Table 9 shows a 4 percent decrease in the average number of hours per week spent on all instructional activities between 1980-81 and 1981-82.

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

Table 10
Effect of Faculty Workload Increases on Budgeted Enrollments and Cost

	<i>Percent Workload Increase</i>	
	<i>One Percent</i>	<i>Five Percent</i>
Budgeted faculty FTE	6,593	6,593
FTE equivalent of workload increase	66	330
Enrollment increase supported by workload increase ^a	1,154	5,768
Faculty-related costs avoided by workload increase ^b	\$1.9 million	\$9.6 million

^a Based on student/faculty ratio of 17.48:1.

^b Based on 1983-84 budgeted salary and benefit costs per faculty of \$28,993

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Table 10 shows the relationship between faculty workload increases, enrollment, and cost. The table shows that each 1 percent increase in faculty workload could, in theory, support an enrollment increase of 1,154 students and avoid salary and benefit costs of \$1.9 million that otherwise would have to be spent to hire additional faculty.

3. Avocational, Recreational, and Personal Development Courses

We recommend that state support for avocational, recreational, and personal development courses offered by UC be deleted because similar courses offered at community colleges are not state-funded, for a General Fund savings of \$687,000. (Reduce Item 6440-001-001 by \$687,000).

Review by CPEC and Action by the Community Colleges

As we pointed out in the postsecondary education overview included in this *Analysis*, 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 of the highest state priority would continue to receive funding. 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 made fee-supported.

In response to the Legislature's action, the CCC Board of Governors adopted a list of courses which are ineligible for state support. In its report to the Legislature, the Board of Governors pointed out that (1) CSU and UC continue to offer similar courses, for which they receive state support and (2) credit for many of these courses taken at community colleges is transferable to the senior segments and counts towards graduation.

Table 11**UC Avocational, Recreational, or Personal Development Courses**

<i>Category^a</i>	<i>Enrollment (FTE)</i>	<i>General Fund Expenditure^b</i>
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.	129.45	\$475,599
Avocational Photography	17.5	64,295
Real estate courses except those designed to lead to the sales license	40.0	146,960
Total.....	186.95	\$686,854

^a Represents three of the 17 categories identified by the CCC Board of Governors for which community colleges can no longer receive state support. UC reported no course offerings in the other 14 categories.

^b Based on a marginal cost of \$3,674 per FTE student.

Avocational, Recreational, and Personal Development Courses Offered by UC. Following submission of the Board of Governors' report, we asked UC to review the list of proposed course deletions and identify similar courses which it offered and for which it received state General Fund support. In response, UC advised us that the 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 of UC is different from that of the community colleges; consequently, courses with similar titles are not similar in content.
- Establishing policies on course credit and curricula is the sole responsibility of the faculty.

UC did, however, provide us with a list of courses with similar *titles*. Table 11 provides a summary of these courses.

Inconsistent State Policy on Funding Courses. Given the action taken by the Legislature in the 1982 Budget Act, we can find no basis for continuing to provide state support for transferable avocational, recreational, and personal development courses offered by UC—particularly when state support is no longer provided for these courses in the community colleges. At the present time, there is the anomaly that a full-time, matriculated sophomore student in the community colleges who enrolls in, say, a badminton course must pay a fee for that course, while a full-time, matriculated sophomore student in UC can enroll in a badminton course without charge. There is a further anomaly in current policy: because a fee-supported community college badminton course carries transfer credit to the public four-year institutions, such a course would appear to carry baccalaureate standing comparable to UC and CSU courses.

If the Legislature approves the list of courses that the Board of Governors has proposed be withdrawn from state support, we believe the same funding policy should be applied on a consistent basis to the other two segments of higher education. This would allow UC and CSU to offer courses similar to those on the board's list, on a self-supporting basis. Consequently, we recommend that state support for avocational, recreational, and personal development courses offered by UC be deleted, for a General Fund savings of \$687,000. In order to implement this recommendation, we recommend that the Legislature adopt the following supplemental report language:

"It is the intent of the Legislature that state support for avocational, recreational, and personal development courses at UC be reduced by \$687,000. UC shall identify courses in these categories which are more appropriately offered on a self-supporting basis and report to the Legislature on the implementation of this item by December 15, 1983."

4. Foreign Enrollment in Engineering and Computer Science

As discussed in the postsecondary education overview, graduate programs in engineering and computer science at UC are characterized by the disproportionately large enrollment of foreign students. UC reports that 39 percent of its graduate students in engineering and computer science are foreign students.

Last year in the *Analysis*, we expressed concern about the disproportionately large enrollment of foreign graduate students given (1) the shortage

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of engineers, and (2) the fact that foreign students are less likely than domestic students to take engineering jobs in California. Subsequently, the Legislature directed UC to develop a policy statement on foreign enrollment in these programs. This policy was supposed to address (1) means for increasing domestic student enrollment, (2) the appropriate balance between foreign and domestic students, and (3) the potential for reducing the size of these graduate programs if sufficient domestic enrollment is not forthcoming.

UC's response to the Legislature's directive is basically an endorsement of the status quo. In its report, UC expresses hope that domestic graduate enrollments will increase in the future, due to increased private funding of graduate student stipends and increasing undergraduate enrollment. The university, however, offered no specific alternatives for increasing domestic enrollment.

UC maintains that the current balance between foreign and domestic students is appropriate, and claims that the increase in the percentage of foreign students in recent years was due to the growth in programs at the younger UC campuses at a time when domestic demand for these programs was low. UC states that reducing the size of graduate programs in response to declining domestic demand would result in (1) a loss of faculty and (2) a reduction in high-demand *undergraduate* programs because graduate students are needed as teaching assistants for undergraduate courses.

Our analysis of the data supplied by UC indicates that the enrollment of domestic students in these graduate programs could be increased. Table 12 shows the change in the enrollment of foreign students in graduate engineering and computer science programs over a six-year period, by campus. The table shows that there is a wide variation in the enrollment of foreign students across campuses in 1981, ranging from 28 percent at Irvine to 45 percent at Santa Barbara. In addition, the table shows that the growth in foreign enrollment is *not* explained by the growth in enrollment at UC's newer engineering and computer science programs, as UC claims in its report. For example, over the six-year period, *total* enrollment at Santa Barbara in these programs increased by only 14 students, while foreign enrollment increased by 84 students. Similarly, total enrollment at San Diego increased by 28 students, while foreign enrollment increased by 54 students. In contrast, UC Irvine was able to increase its total enrollment by 139 students while increasing foreign enrollment by only 55 students. These data appear to indicate that the high enrollment of foreign

Table 12
Enrollment of Foreign Graduate Students in
Graduate Engineering and Computer Science Programs

Campus	1975			1981			Change		
	Total Enroll- ment	Foreign Enroll- ment	Percent Foreign	Total Enroll- ment	Foreign Enroll- ment	Percent Foreign	Total Enroll- ment	Foreign Enroll- ment	Percent Foreign
Berkeley	1,538	581	37.8%	1,602	605	37.8%	64	24	—
Davis	325	74	22.8	544	205	37.7	219	131	14.9%
Irvine	115	16	13.9	254	71	27.9	139	55	14.0
Los Angeles	959	418	43.6	917	406	44.3	-42	-12	0.7
San Diego	180	22	12.2	208	76	36.5	28	54	24.3
Santa Barbara	303	58	19.1	317	142	44.8	14	84	25.7
Totals	3,420	1,169	34.2%	3,842	1,505	39.2%	422	336	5.0%

students is more a result of individual campus policies and priorities, than a lack of domestic student demand.

Table 13 shows the percentage of both foreign and domestic applicants to UC graduate programs in engineering and computer science that is offered admission to UC, by campus. This table also shows that there is a wide variation in policies across campuses. While 87 percent of the domestic students who apply to Davis are offered admission, only 44 percent of those who apply to Los Angeles are offered admission. There is also a wide range in the percentage of foreign students offered admission, from 17 percent at San Diego to 51 percent at Los Angeles. Moreover, while most campuses admit domestic students at a much higher rate than foreign students, at Los Angeles, a *greater* percentage of the *foreign* applicants is offered admission than of domestic applicants. These data are a further indication that the domestic student demand is sufficient to support increased domestic enrollment.

Table 13
Percentage of Applicants Offered Admission to UC
Graduate Programs in Engineering and Computer Science, Fall 1982

<i>Campus</i>	<i>Domestic Students</i>	<i>Foreign Students</i>
Berkeley	46%	19%
Davis	87	24
Irvine	49	21
Los Angeles	44	51
San Diego	59	17
Santa Barbara	59	24
Average	51%	25%

Our review of the data indicates that UC should be able to increase the proportion of domestic students enrolled in its graduate engineering and computer science programs by reducing some of the variation in policies among the six campuses. If UC is not willing to take such actions, the Legislature may wish to consider reducing graduate enrollments to the levels needed to meet the enrollment level of domestic students. While UC maintains that such a reduction would result in a loss of faculty and would cause a corresponding reduction in the size of undergraduate programs, our analysis indicates that neither of these consequences would occur. Because there is currently a 14 percent vacancy rate among engineering and computer science faculty, programs could be reduced without cutting back faculty. In addition, the two campuses we contacted reported that less than 20 percent of their graduate students serve as teaching assistants in undergraduate courses. Consequently, graduate programs could be reduced without any adverse impact on the supply of teaching assistants for undergraduate courses.

5. Instructional Equipment in High-Technology Programs

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 section of this *Analysis*, (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

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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 for the replacement of this equipment. We also point out, however, that it is unlikely that state resources can be provided in the near future to establish and maintain state-of-the-art laboratories in all programs. For this reason, we conclude that efforts should be made to secure the use of equipment owned by private industry.

Given the importance of this issue, 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 a regular part of the curricula in high-technology programs. The new funding model should be submitted to the Legislature for review during hearings on the 1984-85 Governor's Budget."

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

In the 1980 Budget Act, the Legislature switched support for the Instructional Equipment Replacement program from the General Fund to the Capital Outlay Fund for Public Higher Education (COFPH). These funds are used by UC to replace obsolete instructional equipment.

The budget proposes a \$2 million augmentation for the program in 1983-84, increasing funding from \$11.6 million to \$13.6 million. Our analysis indicates that this increase is warranted. In the postsecondary overview section, we point out that funding for this program has lagged behind annual depreciation, resulting in a large backlog of obsolete equipment. In addition, UC estimates its annual depreciation needs to be in excess of current funding by \$7 million. Consequently, we recommend that the Legislature approve the augmentation.

Table 14
Instruction—Health Sciences
Summary of Expenditures and Personnel
(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>
Faculty	\$115,703	\$118,638	\$120,865	\$2,227	1.9%
Instructional support	96,208	73,336	74,159	823	1.1
Employee benefits	—	25,389	25,389	—	—
Totals	\$211,911	\$217,363	\$220,413	\$3,050	1.4%
General funds.....	167,459	176,629	177,906	1,277	0.7
Restricted funds.....	44,452	40,734	42,507	1,773	4.4
Personnel (FTE)					
Faculty	2,115	2,102	2,120	18	0.9%
Other	2,458	2,685	2,704	19	0.7
Totals	4,573	4,787	4,824	37	0.8%

C. Health Science Instruction

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

For 1983-84, the budget proposes a General Fund increase of \$1,277,000, or 2 percent, above the budget for the current year. The proposed increase is for faculty and support costs related to the enrollment of 48 medical students and 170 residents in the Drew/UCLA medical education program. No other program or enrollment changes are proposed.

1. Charles R. Drew Postgraduate Medical School

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

As shown in Table 15, the Governor's Budget proposes \$5,237,000 for Drew programs in 1983-84—\$2,720,000 for the Drew/UCLA medical education program, and \$2,517,000 for a separate public service program. No increase is proposed for the public service program above the current-year level. An increase of \$1,277,000 is proposed for the Drew/UCLA medical education program.

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

	<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. Drew/UCLA Medical Education Program	\$1,355	\$1,443	\$2,720	\$1,277	88.5%
2. Public Service	2,480	2,517	2,517	—	—
Totals.....	\$3,835	\$3,960	\$5,237	\$1,277	32.2%

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

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

The state currently is funding 20 FTE for this program. Funding was provided for the first 10 FTE in 1979-80, and for the second 10 FTE in 1980-81. Thus, there have been 20 state-funded faculty FTE at Drew since July 1980. These faculty were funded in order to plan the curriculum in preparation for the first class of 24 in 1983-84.

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Proposed Drew Augmentation Is Not Justified

We recommend a \$443,000 reduction to eliminate funding for faculty and support expenditures that are not justified on the basis of enrollment, for a General Fund savings of \$443,000. (Reduce Item 6440-001-001 by \$443,000.)

The budget proposes an augmentation of \$1,277,000 for the Drew/UCLA program in 1983-84, consisting of:

- \$934,000 for 18 faculty positions.
- \$343,000 for library, administrative, and maintenance costs.

Faculty Positions. The state currently pays for 20 faculty FTE at Drew. The proposed increase of 18 positions would fund Drew at the level needed to support planned enrollment (38 FTE). Planned enrollment, however, will not be achieved until 1984-85. In 1983-84, only 24 of the 48 medical students will be enrolled. (All 170 residents will be enrolled.) Using current budgeting formulas, which provide one faculty for every 3.5 medical students, our analysis indicates that the budget has provided for seven faculty positions which are not justified. Consequently, we recommend that \$415,000 (the amount associated with seven new faculty positions) be deleted.

Support Costs. The budget proposes to fully fund library books and administrative costs for the program. As noted, however, the program will not be fully operational in 1983-84. Consequently, library and administrative costs are overfunded in the budget. We recommend that \$28,000 be deleted from the proposed augmentation, to provide a level of funding for library and administration that is consistent with 1983-84 enrollment levels.

2. UC Medical Residents

State General Fund support currently is provided for about 4,000 medical residents. This support is provided in the form of faculty and a portion of resident stipends.

In 1982-83, the Legislature took two separate actions which will reduce the number of residents in the future. First, the Legislature approved UC's plan for reducing its 1982-83 General Fund budget by 2.5 percent, as required by the Governor. This plan provided for a reduction of 70 medical residents. This reduction has been implemented. Second, as part of the Medi-Cal reform package, the Legislature reduced UC's budget by \$2 million, and indicated that the reduction should be taken from the support for nonprimary care residents. UC estimates that 300 resident positions will have to be reduced to meet the \$2 million reduction.

Although \$2 million was deleted from the UC budget, beginning in 1982-83, the enrollment reductions have not yet been made. UC is in the process of developing a new systemwide plan for medical residents which will identify the enrollment reductions, by campus and type of hospital. UC expects to complete the plan by March 1983. The Legislature may wish to ask UC to provide information on the detailed allocation of the \$2 million reduction during budget hearings.

3. Affiliated Residents

At the University of California, there are two kinds of medical residents—UC residents and affiliated residents. UC residents are hired by the five UC hospitals, and receive a portion of their stipends from UC. In addition, they receive most of their training at UC hospitals. Affiliated residents are hired and paid by non-UC hospitals which have affiliation agreements with UC, and those residents receive most of their training at those non-UC hospitals.

The concept behind such affiliations is that the quality of residency training programs is improved by association with a university medical school. The majority of hospital residency training programs throughout the state and country are affiliated with a university medical school.

UC affiliates with three types of hospitals: county, Veterans Administration, and community hospitals. Table 16 shows the total number of residents (UC and affiliated) by type of hospital. The table shows that of a total of 4,306 residents, 40 percent are UC residents and the remaining 60 percent are affiliated with UC.

Table 16
UC Medical Residents by Hospital Type, 1982-83

	<i>Number</i>	<i>Percent</i>
UC Hospitals	1,711	40%
Affiliated Hospitals:		
County	618	14
VA	841	20
Community	1,136	26
Subtotal	2,595	60%
Total	4,306	100%

The UC receives state General Fund support for both UC and affiliated residents, according to a formula based on student/faculty ratios. For UC residents, the state provides funds for one faculty and related support costs for every seven residents (7/1). For *county* hospital-affiliated residents, the same 7/1 ratio is used. For *all other affiliated* residents (VA and community hospitals), the state pays for one faculty and related support costs for every 10 residents (10/1). The total state budget for UC medical residents in 1982-83 is \$41 million. Of the total, \$25 million is for UC residents and \$16 million is for affiliated residents.

Recurring Concern Over Formula

In 1977-78, we first raised the concern that the funds UC received through the formula for affiliated residents were not reaching the affiliated hospitals, either as cash or in-kind contributions. We noted that the problem appeared to be most prevalent for affiliated programs in family practice. The *Supplemental Report to the 1977 Budget Act* requested that UC report on its allocations to UCLA for affiliated residency programs in family practice. (The report was limited to the University of California, Los Angeles (UCLA) because the problem appeared to be greater at that campus.) The UC acknowledged allocating fewer funds to affiliated family practice programs than the amounts these programs generated for UCLA from the state. UC maintained that it allocated funds on the basis of need, rather than according to how the formula generated the funds.

Our continuing review of the issue caused us to again bring it to the attention of the Legislature in 1979-80. At that time, we noted that the

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problem was not limited to family practice programs, but that affiliated programs generally were not receiving funds from UC, even though UC was receiving funds from the state on behalf of these affiliated programs. We noted that (1) the funding formula provided more money to UC than UC needed to spend on affiliated programs and (2) because these programs are "money-makers," the number of affiliated programs had expanded rapidly.

In 1981-82, the Legislature, per our recommendation, directed UC to report on (1) the funds allocated to UCLA on behalf of its residents in affiliated hospitals and (2) the funds allocated to each affiliated hospital. In addition, the Legislature directed that UC make this report available to the affiliated hospitals, which, for the most part, had not been aware that their residents generated state funds for UC's medical schools. (The Legislature directed that this report be prepared just for UCLA, as a test of the work required to prepare the report and the value of the information contained in it.)

The UC submitted the report in February 1982. It was not, however, distributed to the affiliated hospitals until we notified UC in October 1982 that it had not complied with the legislative directive to make the report available to all hospitals affiliated with UCLA.

Table 17
Affiliated Hospital Funding at UCLA:
State Funds Generated to UCLA Versus Funds Allocated to
Affiliated Hospitals, 1980-81
(dollars in thousands)

	<i>Enrollment</i>	<i>State Funds Generated to UCLA</i>	<i>State Funds Allocated by UCLA to Hospital</i>
County Hospitals:			
Harbor	350	\$3,159	\$423
Olive View	22	199	—
Rancho Los Amigos	1	9	—
San Bernardino	60	541	89
Subtotal	433	\$3,908	\$512 (13%)
Veterans Administration:			
Brentwood	26	\$164	\$42
Sepulveda	100	632	307
Wadsworth	181	1,144	67
Subtotal	307	\$1,940	\$416 (21%)
Community Hospitals:			
Antelope Valley	12	\$76	—
Cedars-Sinai	158	998	\$32
Children's	1	6	—
Kern	40	253	9
Northridge	17	107	—
St. Mary's	32	202	—
Santa Monica	23	145	—
Shrine and Kaiser	2	13	—
Ventura	32	202	—
Subtotal	317	\$2,002	\$41 (2%)
Total	1,057	\$7,850	\$969 (12%)

Source: University of California, Los Angeles

The remainder of this section is devoted to our analysis of the UCLA report.

UCLA Funding Allocations

Table 17 displays (1) the state funds allocated to UCLA as a result of the enrollment in each affiliated residency program and (2) the portion of those funds actually allocated by UCLA's medical school to the various hospitals.

Table 17 shows that the enrollment of 1,057 affiliated residents generated a total of \$7.8 million in state funds for allocation to the UCLA medical school. Of that amount, less than \$1 million (12 percent) was allocated by UCLA to the affiliated hospitals. The portion that was allocated to the affiliated hospitals varies greatly by type of hospital. Veterans Administration hospitals received the single largest amount—21 percent of the funds their programs generated for UCLA. Community hospitals received the least—only 2 percent of the amount their programs generated for UCLA. Community hospitals generated \$2 million for UCLA through the enrollment of their residents, but received only \$41,000 from UCLA.

UCLA's Allocations Are Not Justified

UC officials offer three main reasons why UCLA fails to pass along to affiliated hospitals the funds which it receives based on the enrollment of residents at those hospitals. We have discussed this situation with UCLA and Systemwide officials, as well as with representatives from 11 of the 16 affiliated hospitals shown in Table 17. On the basis of these discussions, we conclude that the reasons given for the disparity between generated and allocated revenues are not valid.

Formula Funding. The UC maintains that a formula is just a guideline, and it is not reasonable to expect that the formula used by the state in allocating funds to UC be used to allocate resources to the hospitals. The UC cites the basic student/faculty ratio of 17.5/1 that is used for funding the entire general campus program—undergraduates and graduates—as an example of a funding formula that cannot be used to allocate funds. The UC claims that use of that formula by the state does not mean that it must have a 17.5/1 ratio in every program or in every classroom.

We agree that the use of a formula for state budgetary purposes does not mean that the same formula should be used to allocate funds among classrooms. This, however, is not at all analogous to the formula in question.

A formula is used to fund costs on the *average*, when specific costs are either unknown or variable. While it is true that there are not 17.5 students per faculty in every department or in every classroom, there are *exactly* 17.5 students per budgeted faculty member in the UC general campus system as a whole. Some programs have more and some have less, but the average is 17.5.

In contrast, although affiliated community hospitals are *funded* at a resident/faculty ratio of 10/1, the actual allocation of funds implies a ratio of 317/1. There are 317 affiliated residents in community hospitals, and UCLA has allocated funds for only *one* faculty position at one of the hospitals. Unlike the situation with regard to faculty-student ratios on the general campus, where some programs are above average and some are below, all 16 affiliated hospitals (including county and VA hospitals) are

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below the formula average. This is because, as UCLA states, most of the funds generated under the formula remain at UCLA.

Allocations Based on Need. UCLA officials state that their goal is to insure high quality programs. To achieve this goal, they allocate funds as they deem necessary, rather than simply rely on the formula. In the words of these officials:

“ . . . the school must constantly *review the resources of each hospital* and the school's needs and then plan the deployment of University resources in such a way that there is a synergistic relationship between the two. . . . The School's primary objective in making its allocations is not to achieve equity, but to contribute to the attainment of excellence at *each hospital*.” (Emphasis added.)

Our review indicates that UCLA does not have sufficient involvement with every program operated by its affiliated hospitals to justify its claim that funds are allocated where they are most needed based on a review of the needs and available resources of *each* hospital. On our field visits, we found a tremendous variation in the level of effort expended by UCLA on behalf of its affiliated programs. For example, at one Veterans Administration hospital, a UCLA faculty committee selects all the residents, recruits all the faculty, approves all major equipment purchases, and participates in all curriculum decisions. At this particular hospital, we were told, there is virtually no distinction between UC and the affiliated hospital—that all faculty and facilities belong to both.

At the other extreme, however, we found community hospitals with which UCLA has virtually no involvement. These hospitals select their own residents, hire their own faculty, and make all of their own curriculum decisions. Not all the faculty at these community hospitals have UCLA faculty appointments, which is contrary to UC's own policy. (UC maintains that the primary way that it assures quality programs is by requiring that all faculty who teach affiliated residents undergo the faculty appointment and promotion process that UCLA's own medical school faculty undergo.) For those faculty at these hospitals who *do* have UCLA clinical (unpaid) faculty appointments, UCLA does not participate in the review process for faculty promotion. Residency program directors at two community hospitals stated that UCLA faculty have never visited their programs for purposes of reviewing program quality. In addition, *all but one community hospital we contacted are required to pay honoraria to UCLA faculty for lectures to their residents.* (No such honoraria are paid by county and VA hospitals.)

Allocating Funds to Support Core Program. UCLA officials claim that the best use of these funds is to keep them at the UCLA medical school and its major county affiliate, because all other programs will benefit from a strong core program. These officials state:

“Although resources are allocated by the State on a formula basis, it would be unwise for the School of Medicine to allocate resources on the same or similar basis. The State receives the most value for the funds provided to the School of Medicine at Los Angeles by having most of such funds allocated for faculty at the School and at the Harbor-UCLA Medical Center because of the educational and research environment at these two institutions. . . . Thus, the use of State funds to strengthen the core facility is the School's highest priority.”

We point out, however, that the state *already* supports the core program

through other funding formulas. If UCLA believes that the core formulas are not adequate to achieve the desired level of program quality, it should request enrichment of those formulas. The state funds generated under the affiliated residents formula were intended to support *affiliated* programs. For UCLA to use these funds for the core program would be justified only where it can be shown that (a) there is direct benefit to affiliated programs, and (b) UCLA incurs costs because of the affiliations. Based on our review, we conclude that these conditions are met in most affiliations with the county and Veterans Administration programs, but are *not* met in most affiliations with the community hospital programs, where UCLA involvement in hospital programs is minimal.

Problems Identified

Based on our review of the UCLA report and our discussions with UC and affiliated hospital representatives, we have concluded that the current formula (1) promotes affiliations that may lack substantive involvement by UC and (2) has contributed to overfunding of the UCLA medical school program. We discuss these problems below and make recommendations for legislative action.

Affiliations Without Substantive UC Involvement. When the current funding formula was adopted about 10 years ago, the Legislature intended to encourage UC to affiliate with the residency training programs at various hospitals throughout the state to *improve the quality* of residency training. Although the formula has encouraged a large increase in the number of affiliated residents, our analysis indicates that UC medical schools may not actually be making their expertise available to a large number of these residents.

Table 18 shows that over the last 10 years, the number of affiliated residents has increased 88 percent, while the number of residents at UC's own hospitals has increased only 35 percent. The number of affiliated residents at *community* hospitals, however, has increased by 239 percent. Our review of UCLA's programs showed that there is little, if any, substantive involvement in most community hospital programs.

Table 18
Increase in Residents, by Type of Hospital

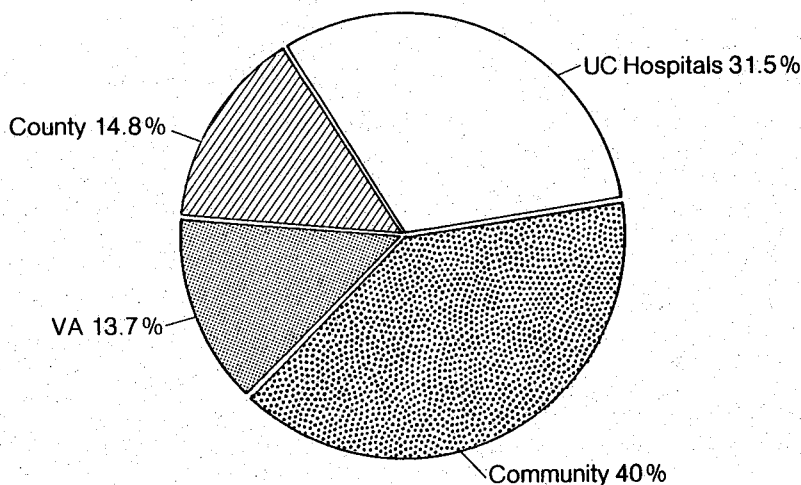
	1972-73	1982-83	10-Year Change	
			Number	Percent
UC hospitals.....	1,272 ^a	1,711	439	35%
Affiliated hospitals				
County.....	481	618	137	28
VA	564	841	277	49
Community	335	1,136	801	239
Subtotals	1,380	2,595	1,215	88%
Totals	2,652	4,306	1,654	62%

^a Includes 374 residents at the Sacramento and Orange County hospitals, which were acquired by UC in 1973 and 1976, respectively.

UCLA's lack of involvement in its affiliated community hospital programs raises the additional concern that, contrary to legislative intent, there is not a sufficient commitment at UC to primary care residencies. In five of the last six years, the Legislature has adopted supplemental report language or taken budget action aimed at increasing UC's commit-

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ment to primary care resident training programs. Specifically, the Legislature has tried to increase the proportion of residents that is in primary care fields. Data show that UC has increased its proportion of primary care residents from 40 percent to 46 percent between 1975-76 and 1982-83. As shown in Chart 1, however, 40 percent of all primary care residents are in affiliated *community* hospitals where, at least in UCLA's case, residents derive little direct benefit from affiliation with UC.

Chart 1**Primary Care Residents****By Type of Hospital, 1982-83****New Funding Method Needed**

We recommend that the Legislature direct UC to report on three specific alternative funding methods for affiliated residents.

Based on our review, we conclude that a new approach to funding affiliated residents is needed—one that will support substantive affiliations, but at the same time will not promote affiliations which are in name only.

While we do not have a specific proposal for achieving this objective, we believe that three approaches deserve consideration:

1. **Voucher System.** Under this approach, the state would allocate funds to UC and vouchers to affiliated hospitals. Affiliated hospitals could then purchase services (teaching, for example) from UC medical schools using the vouchers. If unused, the value of the vouchers would revert to the state. This would insure that the state funds actually supported interaction between UC and its affiliates.

2. **Minimum Standards.** Under this approach, UC would be required to develop minimum standards for a state-funded affiliated residency program. This would include specific standards for UC involvement in teaching residents and monitoring program quality. Every affiliation would have to be conducted under an annual contract that would specify the level of service to be provided by UC within the acceptable standards. State funding would be provided on the basis of these contracts.

3. **Revise Funding Formula.** This approach would involve changing the funding formula so that the allocation of state funds to UC is more reflective of the costs UC incurs. For example, instead of funding both VA and community hospitals at a 10/1 student/faculty ratio, ratios would vary by the size of the programs or the level of UC's effort.

These three approaches, which are not mutually exclusive, would require considerable study before they could be reviewed by the Legislature. Accordingly, we recommend that the Legislature adopt the following supplemental report language directing UC to develop each of these alternatives for legislative review:

"UC shall prepare a report on alternative approaches for funding affiliated residency programs. This report shall include, but not be limited to, the following alternatives: (1) the allocation of vouchers to affiliated hospitals, which could be used to purchase services from UC medical schools, (2) the establishment of minimum standards for an affiliation which must be adhered to under individual contracts with affiliated hospitals in order for state funds to be provided to UC for affiliated residency programs, and (3) alternate funding formulas which better reflect actual costs incurred by UC. UC shall seek input from affiliated residency program directors at county, V.A., and community hospitals in preparing this report. A draft report shall be submitted to the legislative budget committees by December 15, 1983, and a final report shall be submitted by March 1, 1984."

Overfunding of UCLA Medical School. Our analysis indicates that UCLA's core medical school program has been unintentionally enriched under the current formula. As noted above, the state already provides core support for UCLA's medical program through other budgeting formulas; the funds generated under the affiliated residents formula were intended to support affiliated programs. For UCLA to use affiliated residency funds for the core program is justified only where it can be shown that (1) there is a direct benefit to affiliated programs, and (2) UCLA's core program incurs costs from the affiliation.

Our analysis has identified two specific examples of affiliations under which (1) UCLA does not incur costs and (2) the hospitals receive no direct benefit from state funds allocated for affiliation agreements. First, the affiliation agreement covering a major community hospital—Cedars-Sinai—pertains to the education of UCLA's undergraduate medical students at that hospital; there is *no mention of residents*. A hospital representative told us that while he did not object to the formula, he did not consider the hospital's residents to be affiliated with UCLA, and was surprised that these residents were considered by the formula. Yet, UCLA received \$1 million by including this large residency program in its enrollment count.

Second, as stated earlier, residency program directors at two community hospitals told us that no one from UCLA had ever visited their programs to review the curriculum or assess program quality. Yet, UCLA received \$250,000 based on the enrollment of residents in these two programs.

UNIVERSITY OF CALIFORNIA—Continued**Reduction in Funding Recommended**

We recommend that \$1,368,000 be deleted to eliminate overfunding of UCLA's medical school by the current formula used to fund affiliated medical residents. (Reduce Item 6440-001-001 by \$1,368,000.)

Because most of the funds provided to UCLA for affiliated resident programs at *community* hospitals are not used in a way that benefits these hospitals, we recommend that they be deleted from the 1983-84 budget. Some, or all, of these funds could be restored in future years if a new funding policy is adopted that insures that all affiliated hospitals benefit from the state funds appropriated for this purpose.

In 1980-81, UCLA received \$2 million based on enrollment in community residency programs. It allocated \$46,000 to community hospitals and incurred some costs in indirect support for these programs. Based on data submitted in its report, we estimate the indirect costs to be \$211,000. Consequently, 87 percent of the allocation was not used for its intended purpose.

In 1983-84, UCLA will receive \$1,572,000 based on the enrollment in affiliated community hospital residency programs. We recommend that 87 percent of these funds be deleted, for a General Fund savings of \$1,368,000.

Data Needed for Other UC Medical Schools

We recommend that the Legislature request UC to provide data for the medical schools at Davis, Irvine, San Diego, and San Francisco, showing (1) the allocation of state funds to the schools on behalf of each affiliated residency program and (2) the allocation of funds from the medical schools to each affiliated residency program.

Last year the Legislature requested a report from only one campus (UCLA) in order to determine if the usefulness of the data warranted the cost of preparing the report. We believe the results indicate that similar data should now be collected from all UC medical schools. This is because (1) the information contained in the UCLA report was useful and (2) it is important to find out to what extent the overfunding problem is system-wide.

UCLA reported, however, that preparation of the report did take a considerable amount of time. Consequently, we recommend that the scope of the report be reduced for the other four medical schools. In addition to reporting the allocation of funds, UCLA tried to quantify the "effort" allocated by its faculty and staff in indirect support of affiliated programs. It reported that this was difficult to do and not as meaningful as the other data. Consequently, we recommend that only data on the direct allocation of funds be reported for the other schools. We recognize that UC's medical schools incur some overhead expenses due to their affiliations, and we will make allowance for this in interpreting the reported data.

Specifically, we recommend that the Legislature adopt the following supplemental report language:

"UC shall submit a report to the Legislature by September 30, 1983, showing, for the medical schools at Davis, Irvine, San Diego, and San Francisco, (1) the allocation of state funds to the school on behalf of each

affiliated residency program and (2) the direct allocation of funds from the medical schools to each affiliated residency program."

II. RESEARCH

UC is California's primary state-supported agency for conducting research. Research at UC is supported from various sources, as indicated in Table 19. The table shows a proposed research program of \$763 million in 1983-84, with 35 percent of the support expected to come from state funds. The proposed amount is \$29.6 million, or 4 percent, above estimated expenditures for research in the current year.

Table 19
Total Funding For Research
(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>
State Funds:					
Instruction ^a	\$140,839	\$157,670	\$159,200	\$1,530	1.0%
Organized Research	94,939	100,253	99,923	-330	-0.3
Academic Support ^b	7,569	7,589	7,589	—	—
Subtotals.....	\$243,347	\$265,512	\$266,712	\$1,200	0.5%
Extramural Funds ^c	\$412,922	\$436,571	\$464,949	\$28,378	6.5%
Regents Funds	8,385	17,150	17,150	—	—
Endowments.....	22,538	13,907	13,907	—	—
Total	\$687,192	\$733,140	\$762,718	\$29,578	4.0%

^a This is the estimated portion of the General Fund instruction budget (general campus and health science) that supports faculty research, based on the annual time use study findings that approximately 24 percent of faculty time is spent on research.

^b This represents 25 percent of the state budget for the two Neuropsychiatric Institutes, which is the estimated portion of the budget devoted to research.

^c Primarily federal funds; also includes private gifts and grants.

A. State Funding for Research

The state funds research through the appropriations for the Instruction and Research programs. Within the Instruction budget, research is not budgeted separately, but is supported by that portion of faculty salaries which corresponds to the time spent on research activities. Research which is budgeted separately is called *organized research*. Most organized research is conducted under the auspices of the university's organized research units (ORUs), which are formal agencies established by the Regents to promote and coordinate research in specified areas. Table 20 shows the state budget for organized research; it does not include funds for faculty research provided through the instruction budget.

The Governor's Budget proposes a total of \$113.8 million for organized research in 1983-84, excluding any funds for salary or benefit increases that may become effective in the budget year. Of the total, \$98.3 million is requested from general funds; the balance (\$15.5 million) would come from restricted funds. The proposed general funds component is \$0.3 million (1.4 percent) below the current-year level. The decrease is due to the proposed elimination of state funding for the Institute on Global Conflict and Cooperation.

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Table 20
Organized Research Program
Summary of Expenditures and Personnel
(dollars in thousands)

Element	Actual 1981-82	Estimated 1982-83	Proposed 1983-84	Change	
				Amount	Percent
General campus	\$29,428	\$23,205	\$22,875	-\$330	-1.4%
Health sciences	8,646	6,350	6,350	—	—
Agriculture	69,405	54,559	54,559	—	—
Marine science	9,997	6,892	6,892	—	—
Individual faculty grants and travel	—	4,472	4,472	—	—
Employee benefits	—	18,682	18,682	—	—
Totals	\$117,476	\$114,160	\$113,830	-\$330	-0.3%
General funds	\$93,382	\$98,597	\$98,267	—	—
Restricted funds	24,094	15,563	15,563	—	—
Personnel (FTE)	3,220	2,903	2,903	—	—

B. Private Grants and Gifts for Research

In 1981-82, UC received \$93.8 million in private gifts, contracts, and grants. Of that total, \$55.3 million was for support of research at UC. Private support for research is classified either as "grants" or "gifts". A grant typically includes specific requirements for the research, such as reports to be submitted to the grantor and research activities to be performed. A gift, on the other hand, is typically free of conditions. According to UC policy, indirect cost charges are assessed for grants, but not for gifts. Indirect cost rates are assessed to recover costs for items such as utilities, administration, and facilities. The average indirect cost rate charged by UC is 35 percent.

In a 1978 report, the Auditor General noted that UC was classifying as gifts, funds received from private sponsors that should have been classified as grants. The Auditor General cited examples of "gifts" which were provided for *specific* research activities with specific requirements imposed on UC researchers. Because such funds were classified as gifts, rather than as grants, indirect cost rates were not applied. Consequently, the state was subsidizing certain research projects desired by private sponsors. In addition, the Auditor General found that some private sponsors were being exempted from paying indirect costs, even where the funds they provided were classified as grants.

In a 1980 follow-up report, the Auditor General found that the practices of misclassifying research grants and failing to recover indirect costs were continuing. The report recommended that UC develop new policies governing the classification of private support for research and the recovery of indirect costs.

In 1980, UC issued new guidelines for classifying private research support as "grants" or "gifts". The guidelines state that funds should be classified as gifts when the donor (1) imposes no contractual requirements and (2) awards the funds irrevocably. Funds should be classified as grants when *all* of the following conditions are satisfied:

- there is a provision for audits by or on behalf of the grantor;
- the grantor is entitled to receive some consideration such as a detailed technical report of research results or a report of expenditures;
- testing or evaluating proprietary products is involved;

- the research is directed to satisfying specific grantor requirements (e.g., terms and conditions stating a precise scope of work to be done rather than a general area of research);
- a specified period of performance is prescribed or termination is at the discretion of the grantor;
- funds unexpended at end of period shall be returned to the grantor;
- patent rights are requested by grantor.

UC Report Needed

We recommend that the Legislature direct UC to report on the extent to which UC is recovering the full costs (direct and indirect) of privately-supported research.

No information currently is available on the impact of the 1980 guidelines. Moreover, UC was unable to report the total dollar amount of private funds classified as "gifts in support of research" for 1981-82, because central records showing the division of private support between gifts and grants are not maintained.

Because such information is needed if the Legislature is to determine whether state funds are subsidizing private research interests, we recommend that the Legislature adopt the following supplemental report language directing that UC provide information on the recovery of indirect costs from private sponsors of research:

"UC shall report on the extent to which UC is recovering the full costs (direct and indirect) of privately-sponsored research. Such report shall include the following information for 1980-81, 1981-82, and 1982-83:

- the number of private awards for research, categorized by "gifts" and "grants";
- the dollar amounts of the awards in each of the two categories;
- the number of grants for which indirect costs were assessed, and the dollar value of indirect cost charges collected.

The report shall also include information as to whether the 1980 guidelines are being interpreted uniformly across campuses and departments. UC shall submit the report to the legislative budget committees by December 15, 1983."

C. Energy Institute (Item 6440-001-189(a))

We recommend approval.

The Energy Institute was established in 1980 to develop and support a university-wide, multidisciplinary approach to energy-related research. It has a total budget of \$945,000 in 1982-83, which consists of three sources of funding:

- \$670,000 from the General fund, as part of UC's organized research budget;
- \$110,000 from the UC Regents; and
- \$165,000 from the Energy and Resources Fund (ERF)

The Governor's Budget proposes to increase ERF support for the Institute by 5 percent to \$173,000 in 1983-84. The Regents plan to maintain their support at \$110,000. State General Fund support for the institute is expected to continue at \$670,000.

Use of ERF for support of the institute is consistent with the purpose of ERF, as stated in Ch 899/80, which established the fund. Accordingly, we recommend approval of this item.

UNIVERSITY OF CALIFORNIA—Continued**D. Institute of Appropriate Technology (Item 6440-001-189(c))**

We recommend approval.

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

State support for the institute comes from two sources: (1) the state General Fund, as part of the UC organized research budget, and (2) the Energy and Resources Fund (ERF). The Governor's Budget proposes to allocate \$258,000 from ERF for the institute in 1983-84. This is an increase of \$12,000, or five percent, over the current-year funding level. State General Fund support for the institute is not budgeted separately, but is allocated by UC from its organized research budget, according to its overall research priorities. UC expects to allocate approximately \$50,000 in General Fund support to the institute in 1983-84.

Use of ERF for support of the institute is consistent with the purpose of ERF, as stated in Ch 899/80, which established the fund. Accordingly, we recommend approval of this item.

E. Institute of Transportation Studies (Item 6440-001-046)

We recommend approval.

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

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

A total of \$903,000 from the State Transportation Fund is requested for support of this program in 1983-84, 3 percent above the 1982-83 level.

F. Mosquito Control Research (Item 6440-001-144)

We recommend approval.

The Governor's Budget proposes to continue a special appropriation of \$100,000 from the California Water Fund for research in mosquito control. This special appropriation was initiated in 1966-67 to supplement anticipated funding from other sources. State General Fund support for this program is proposed at a level of \$664,000 in 1982-83. The General Fund portion is included within the university's main appropriation.

G. Agroecology Program (Item 6440-001-140)

We recommend approval.

Funds from the Environmental License Plate (ELP) Fund were first appropriated in support of the Agroecology program at UC Santa Cruz in 1982-83. The Governor's budget proposes a funding level of \$222,000 for this program in 1983-84, which is 5 percent above the 1982-83 level. The purpose of the Agroecology program is to promote strategies for agricultural development that improve production on a sustainable basis without

heavy dependence on high-cost, energy-consuming, environmentally degrading technologies. State General Fund support currently is provided in support of the academic program. The ELP funds support the development of a publication and outreach program to complement the academic program. Specific activities funded include development of a communications network, publication and dissemination of newsletters, manuscripts, and brochures, field research in cooperation with commercial growers, development of K-12 curriculum materials, and construction of a facility to house a resource library and the various outreach activities to be conducted.

III. PUBLIC SERVICE

The public service program includes campus public service, Cooperative Extension, the Drew Postgraduate Medical School, and the California College of Podiatric Medicine. The budget for each of these subprograms is shown in Table 21. No changes are proposed for any of these programs in the budget year. The amounts shown in Table 21 are exclusive of any increases for salary and benefit adjustments, which will be allocated at a later date.

A. Campus Public Service

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

- EQUALS program (\$224,000)
- California Writing Project (\$446,000)
- MESA and Mesa-like programs (\$244,000)
- UC San Diego Teratogen Registry (\$138,000)
- An aquarium-museum at Scripps Institution of Oceanography (\$183,000)

Table 21
Public Service Program
Summary of Expenditures and Personnel
(dollars in thousands)

	<i>Actual</i> <i>1981-82</i>	<i>Estimated</i> <i>1982-83</i>	<i>Proposed</i> <i>1983-84</i>
1. Campus Public Service	\$13,619	\$11,942	\$11,942
General funds.....	(3,426)	(1,300)	(1,300)
Restricted funds.....	(10,193)	(10,642)	(10,642)
2. Cooperative Extension.....	33,538	35,837	35,837
General funds.....	(23,210)	(27,617)	(27,617)
Restricted funds.....	(10,328)	(8,220)	(8,220)
3. Drew Medical School ^a	2,430	2,516	2,516
4. California College of Podiatry ^a	708	747	747
Totals	\$50,295	\$51,042	\$51,042
General funds.....	\$29,774	\$32,180	\$32,180
Restricted funds.....	20,521	18,862	18,862
Personnel (FTE)			
Academic.....	511	498	498
Staff.....	745	757	757
Totals	1,256	1,255	1,255

^a All general funds.

UNIVERSITY OF CALIFORNIA—Continued**B. Cooperative Extension**

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

Funding for Cooperative Extension is provided from the state General Fund, federal funds, counties and private endowments. A small portion of the revenue is raised through the sales of publications and services. Table 21 shows the amount proposed in the Governor's Budget for Cooperative Extension in 1983-84. Of the \$35.8 million requested, \$27.6 million (77 percent) would come from the General Fund.

Reduction in State Support Recommended

We recommend that \$100,000 be deleted from the Cooperative Extension budget, because additional funds from nonstate sources are available to replace General Fund support. (Reduce Item 6440-001-001 by \$100,000).

In the *Supplemental Report to the 1982 Budget Act*, the Legislature requested that UC submit "a plan for increasing nonstate revenues for Cooperative Extension."

In our 1982-83 *Analysis*, we recommended that such a plan be prepared for the following reasons:

- Many Cooperative Extension programs provide direct benefit to private industry and individuals, but are offered free-of-charge.
- UC issued a report in 1980 stating its goal to increase private support of Cooperative Extension programs, but has taken no action to accomplish this goal.

UC's initial response to the Legislature's directive was incomplete. Its report listed five potential sources of increased revenue—publications, computer software sales, conferences, contracts and grants, and endowments. No attempt was made, however, to *quantify* the potential revenue increase or to specify how and when such increases could be achieved. Instead, the report stated that UC will "expand efforts" and "explore the potential" to increase revenues. We advised the UC that because its response did not constitute a *plan*, as the Legislature directed, in our judgment UC had failed to comply with the Legislature's directive.

UC subsequently submitted information stating that the following increases in nonstate revenue were attainable:

- \$250,000 in publications revenue, beginning in 1982-83;
- \$100,000 in conference fees, beginning in 1983-84; and
- \$50,000 to \$100,000 in computer software sales, beginning in 1984-85.

UC states that the \$250,000 increase from publication sales is being used in 1982-83 as a partial offset to the \$667,000 reduction in funding approved

by the Legislature for 1982-83.

Based on this information, we recommend that \$100,000 be deleted from the 1983-84 proposed General Fund budget for Cooperative Extension. This reduction would be offset by the anticipated \$100,000 increase in revenue from conference fees. A reduction of this amount would not affect the total proposed level of funding, and would result in a funding structure that better reflects the private benefits received from Cooperative Extension services. An additional reduction should be possible in 1984-85, without affecting program levels, when Cooperative Extension begins to generate revenue from the sale of software packages.

IV. ACADEMIC SUPPORT

The academic support program includes libraries and organized activities. Organized activities are partially self-supporting activities operated in connection with educational departments to support educational programs. For the general campus program, organized activities include demonstration schools, which serve as laboratories for teaching and research, and vivaria, which are centralized facilities for ordering and receiving animals for use in teaching and research. For the health sciences, organized activities include dental, veterinary, and optometry clinics, the neuropsychiatric institutes at Los Angeles and San Francisco, vivaria, and two centers for the study of occupational health.

Table 22 shows the budget for this program in the prior, current and budget years. The budget proposes general funds support for the program totaling \$137.8 million in 1983-84. This is an increase of \$320,000, or 0.2 percent, over current-year expenditures. This increase makes no allowance for any salary or benefit increases that may be approved for the budget year. The increase is due to a workload adjustment for additional library staff. It is generated under budgetary formulas by the increase of 1,475 undergraduate students.

Table 22
Academic Support Program
Summary of Expenditures and Personnel
(dollars in thousands)

<i>Element</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>
1. Libraries.....	\$83,145	\$89,985	\$90,305	\$320	0.4%
General funds.....	(81,483)	(88,662)	(88,982)	(320)	(0.4)
Restricted funds.....	(1,662)	(1,323)	(1,323)	—	—
2. Organized activities	88,432	93,695	96,195	2,500	2.7
General funds.....	(47,304)	(48,790)	(48,790)	—	—
Restricted funds.....	(41,128)	(44,905)	(47,405)	(2,500)	(5.7)
Totals	\$171,577	\$183,680	\$186,500	\$2,820	1.5%
General funds.....	\$128,787	\$137,452	\$137,772	\$320	0.2%
Restricted funds.....	42,790	46,228	48,728	2,500	5.4
Personnel (FTE)					
1. Libraries.....	2,354	2,258	2,270	12	0.5
2. Organized activities	2,597	2,782	2,782	—	—
Totals	4,951	5,040	5,052	12	0.2%

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A. External Use of UC Libraries

According to a study by the State Department of Finance, external users account for 16 percent of the library materials circulated from UC libraries. "External users" are persons who are not students, faculty, or staff at UC.

According to long-standing UC policy, external users should pay \$5 to \$10 for a library card. Actual charges, however, do not conform to this policy. The Department of Finance, in a study of external use of UC libraries, found that of the nine UC campuses, two assess no charge to external library users, and the others charge various rates, up to a maximum of \$25. Even where fees are charged for borrowing privileges, courtesy cards are given free of charge to the majority of external users. Eligibility for courtesy cards varies by campus, but can include alumni, government employees, teachers, health professionals, media representatives, and non-profit organizations. Table 23 shows the number of external users, the portion that pays a fee for a library card, and the total revenue generated, for the UC system as a whole.

Table 23
External Library Use and Revenue Generated
1980-81

<i>External Users</i>	<i>Number</i>	<i>Revenue</i>	<i>Average Fee Paid</i>
Fee-Paying	11,500	\$122,000	\$10.60
Non-Paying	23,400 ^a	—	—
Total	34,900	\$122,000	\$3.50

Source: Department of Finance.

^a Estimated, based on data reported by five of the nine campuses.

Fee Increase for Library Privileges Recommended

We recommend that the Legislature (1) request UC to increase fees charged to external library users and (2) reduce the General Fund appropriation in anticipation of greater fee revenue, for a savings of \$313,000 to the General Fund. (Reduce Item 6440-001-001 by \$313,000.)

Table 23 shows that the average fee paid by external users who pay fees is \$10.60. The average fee considering all external users is only \$3.50, due to the large number of courtesy cards distributed. By contrast, the Department of Finance reports that Stanford charges \$100 to \$200 for a library card, depending on the type of borrowing privilege, and USC charges \$120 per year for a borrowing card.

Our analysis indicates that UC fees charged to external library users should be increased. Library costs have increased significantly since the establishment of the current fee policy, a fact attested to by those campuses that have raised the fee above current policy, in recognition of higher costs. Accordingly, we believe that a modest fee increase is justified and could be imposed without disrupting current patterns of library use.

Although UC should develop its own revised fee policy, we believe that the Legislature should adopt a budget based on (1) an average fee of \$25 per year and (2) a 25 percent reduction in the number of courtesy cards distributed to external users. An average fee of \$25 would reflect the

current fee charged by the Berkeley campus. In addition, we believe that criteria for receipt of courtesy cards should be tightened. We find no reason, for example, why government employees and media representatives should be exempted from paying a modest fee for borrowing privileges.

Table 24 shows the increased revenue that would be generated by our recommended fee increase. The table shows that \$313,000 would be generated above the amount already collected. Because this fee revenue is budgeted as an offset to the state General Fund appropriation, we recommend that \$313,000 be deleted from the item.

Table 24
Revenue Increase From Recommended Fee Increase

	<i>Number of Users</i>	<i>Average Fee</i>	<i>Revenue</i>
Current Fee Policies			
Fee-Paying	11,500	\$10.60	\$122,000
Non-Paying	23,400	—	—
LAO Recommendation			
Fee-Paying	17,400	\$25.00	\$435,000
Non-Paying	17,500	—	—
Revenue Increase			\$313,000

We recommend that the Legislature adopt the following supplemental report language to indicate that UC should offset the General Fund reduction by increasing fees charged to external users of UC libraries:

“UC shall revise its policy and practices for charging fees to external users of UC libraries so as to increase fees to an average of \$25 per year and reduce the number of courtesy cards by 25 percent.”

V. TEACHING HOSPITALS

The university operates five human medicine teaching hospitals in connection with its five medical schools. UC students in medicine and other fields receive clinical training in these hospitals. Table 25 shows the budgets for each of the five hospitals. Total expenditures of \$716.3 million are proposed for these hospitals in 1983-84, which is 10 percent above the current-year level. Most of the hospitals' budget is financed from patient revenues. General Fund support is proposed at \$46.4 million, the same level as in the current year.

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

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Table 25
Teaching Hospitals
Summary of Operating Expenditures and Personnel
(dollars in thousands)

<i>Teaching Hospital</i>	<i>Actual 1981-82</i>	<i>Estimated 1982-83</i>	<i>Proposed 1983-84</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Davis					
General funds	\$7,917	\$8,150	\$8,150	—	—
Restricted funds	88,965	102,714	115,896	\$13,182	12.8%
Subtotal	<u>\$96,882</u>	<u>\$110,864</u>	<u>\$124,046</u>	<u>\$13,182</u>	<u>11.9%</u>
Personnel (FTE)	(2,716)	(2,879)	(2,879)	—	—
Irvine					
General funds	7,269	7,308	7,308	—	—
Restricted funds	96,149	109,676	121,352	11,676	10.6
Subtotals	<u>103,418</u>	<u>116,984</u>	<u>128,660</u>	<u>11,676</u>	<u>10.0</u>
Personnel (FTE)	(2,586)	(2,612)	(2,612)	—	—
Los Angeles					
General funds	11,200	11,550	11,550	—	—
Restricted funds	148,962	173,411	191,928	18,517	10.7
Subtotals	<u>160,162</u>	<u>184,961</u>	<u>203,478</u>	<u>18,517</u>	<u>10.0</u>
Personnel (FTE)	(3,979)	(3,712)	(3,712)	—	—
San Diego					
General funds	7,824	7,977	7,977	—	—
Restricted funds	89,095	95,402	107,868	12,466	13.1
Subtotals	<u>96,919</u>	<u>103,379</u>	<u>115,845</u>	<u>12,466</u>	<u>12.1</u>
Personnel (FTE)	(2,571)	(2,367)	(2,367)	—	—
San Francisco					
General funds	10,679	11,368	11,368	—	—
Restricted funds	103,406	121,882	132,932	11,050	9.1
Subtotals	<u>114,085</u>	<u>133,250</u>	<u>144,300</u>	<u>11,050</u>	<u>8.3</u>
Personnel (FTE)	(2,751)	(2,643)	(2,643)	—	—
Totals					
General funds	\$44,889	\$46,353	\$46,353	—	—
Restricted funds	526,577	603,085	669,976	\$66,891	11.1%
Total Operating Expenditures	<u>\$571,466</u>	<u>\$649,438</u>	<u>\$716,329</u>	<u>\$66,891</u>	<u>10.3%</u>
Personnel (FTE)	(14,603)	(14,213)	(14,213)	—	—

A. Impact of Medi-Cal Reform

In 1982, the Legislature enacted three bills that significantly alter the way that health care services for both Medi-Cal patients and private sector patients are delivered and paid for. The primary purpose of the Medi-Cal reform measures was to reduce state costs. Among the substantial reforms brought about by these bills, four changes are expected to have a major impact on fiscal operations of the five University of California teaching hospitals, starting in fiscal year 1982-83: (1) a category of Medi-Cal beneficiary, known as the Medically Indigent Adult (MIA), was transferred from State to county responsibility, effective January 1, 1983; (2) a Special Negotiator established in the Governor's office was authorized to negotiate contracts with hospitals for inpatient services to Medi-Cal recipients, the first of which took effect February 1, 1983, (3) health service benefits available to Medi-Cal beneficiaries were curtailed and the criteria used to establish Medi-Cal eligibility were tightened, and (4) private health insurers and hospital service plans, such as Blue Cross, may now contract with institutional and professional providers at alternative rates of payment

and may limit payments for services secured from such providers to the contract rates.

Medi-Cal Revenue. Table 26 shows the portion of UC hospital revenues collected from the Medi-Cal program in 1981-82, prior to the reform measures. Table 26 shows that the Medi-Cal program accounted for 24 percent of total net operating revenue to the five hospitals. The Medi-Cal revenues were lowest at San Francisco and Los Angeles, and highest at the three former county hospitals. UC estimates that revenue received for Medically Indigent Adult (MIA) patients amounted to about one-third of total Medi-Cal revenues, or about 8 percent of total net operating revenue.

The data in Table 26 show *actual* revenue collected from Medi-Cal. Charges to the Medi-Cal program, however, exceeded actual revenue received by \$58 million. The UC hospitals have been able to offset the Medi-Cal reimbursement shortfalls by (1) shifting costs to privately insured patients and (2) using state-appropriated clinical teaching support (CTS) funds. In the future, however, UC hospitals will probably be less able to shift costs to private patients due to the new law authorizing private insurance companies to negotiate contracts with individual hospitals.

Table 26
Medi-Cal Revenue as a Percentage of
Total Net Operating Revenue
1981-82
(dollars in thousands)

<i>UC Hospital</i>	<i>Total Net Operating Revenue</i>	<i>Medi-Cal Revenue^b</i>	<i>Medi-Cal Revenue As Percent of Total^b</i>
<i>Davis^a</i>	<i>\$101,064</i>	<i>\$42,283</i>	<i>41.8</i>
<i>Irvine^a</i>	<i>106,507</i>	<i>38,045</i>	<i>35.7</i>
<i>Los Angeles</i>	<i>180,326</i>	<i>28,023</i>	<i>15.5</i>
<i>San Diego^a</i>	<i>95,929</i>	<i>25,847</i>	<i>26.9</i>
<i>San Francisco</i>	<i>121,758</i>	<i>12,200</i>	<i>10.0</i>
<i>Totals</i>	<i>\$605,584</i>	<i>\$146,398</i>	<i>24.2%</i>

^a Former county hospitals.

^b Includes Medically Indigent Adult (MIA) population.

Status of Contract Negotiations. Table 27 displays the current status of negotiations between the university and (1) the state's special negotiator regarding Medi-Cal contracts, and (2) the counties regarding MIA contracts. As the table shows:

- Medi-Cal contracts have been awarded to the Davis and San Diego hospitals;
- UC San Francisco has been denied a Medi-Cal contract;
- Medi-Cal contract negotiations at Irvine and Los Angeles are still underway;
- MIA contracts are pending at Davis, Irvine, and San Diego; and
- MIA contracts have been denied to the San Francisco and Los Angeles UC hospitals.

The table also shows the estimated impact on the patient load of the negotiations covering each of the five UC hospitals. UC officials anticipate no decrease in patient load at the three former county hospitals. This

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assumes that (1) Medi-Cal contracts will be awarded at Irvine, and (2) MIA contracts will be awarded by the counties to the Davis, Irvine, and San Diego UC hospitals. For UCSF and UCLA hospitals, however, a decline in patient load is expected as a result from the loss of most Medi-Cal and MIA patients at UCSF and MIA patients at UCLA.

Table 27
Status of Medi-Cal and MIA Contract Negotiations
As of January 1983

<i>UC Hospital</i>	<i>Medi-Cal</i>	<i>MIA</i>	<i>Estimated Impact Of Contracts On Patient Load</i>
Davis	Contract Awarded	Pending ^a	No Change
Irvine	Pending	Pending ^a	No Change
Los Angeles	Pending	No General Contract ^b	5 Percent Decrease
San Diego	Contract Awarded	Pending ^a	No Change
San Francisco	Contract Denied	No General Contract ^b	10 Percent Decrease

^a The university expects that contracts will be negotiated under which the majority of MIA patients will continue to be served at the UC hospitals.

^b Los Angeles and San Francisco counties have elected to provide the majority of health services to MIA patients in county-operated facilities. The two UC hospitals will provide only specialized services.

Fiscal Impact on UC Hospitals. UC estimates that its five hospitals could lose over \$50 million in annual revenue as a result of Medi-Cal contracting and the MIA transfer. The following factors would contribute to this estimated revenue loss:

- The decline in Medi-Cal and MIA patient load at UCLA and UCSF.
- The reduced reimbursement rates paid by the state for *Medi-Cal* patients, as negotiated in the contracts.
- The reduced reimbursement rates paid by the counties for *MIA* patients, reflecting the fact that the Legislature reduced support for the cost of medical care provided to MIA patients by 30 percent.

The *net* fiscal impact on UC hospitals will be equal to the revenue loss less the reductions in cost brought about by these changes. Costs will be lower to the extent that (1) the patient load declines and (2) UC is able to achieve reductions in expenditures per patient. We are unable to estimate at this time what the net fiscal impact of Medi-Cal reform legislation will be on UC hospital revenue. The UC hospitals would be responsible for financing any deficit. The Legislature, however, can expect UC to press for an increase in its appropriation for CTS to make up any or all of the deficit.

Fiscal Impact on UC Medical Schools. Any change in patient load as a result of Medi-Cal and MIA contract negotiations will have implications for the medical schools' teaching programs. UC's medical schools need access to a minimum number of patients in order to provide clinical training to their students and residents. Access to patients is provided through the five UC hospitals, and through a large number of affiliations with county hospitals, Veterans Administration hospitals, and community hospitals. Implementation of Medi-Cal and MIA contracts could affect both the total number of patients available and the distribution of those

patients between UC hospitals and affiliated hospitals. For example, the patient load at UCSF could decline by 10 percent as a result of the loss of Medi-Cal and MIA patients. If these patients are not replaced by others, there may not be enough patients to support the current medical school enrollment. At this time, we have no basis to estimate the magnitude of the impact of Medi-Cal reform on the UC medical school teaching programs.

B. Control Section 24.20—Hospital Loan

We recommend approval.

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

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

This control section was first added to the budget act in 1981, per our recommendation. Prior to 1981-82, the UC's budget each year contained an appropriation for a loan to UC to help finance Medicare/Medi-Cal inpatient reimbursement shortfalls. The appropriation was contingent upon proof of demonstrated need. Because no loan had been needed since 1977-78, we recommended in the *Analysis of the 1981-82 Budget Bill* that, rather than appropriate funds each year, the Legislature should add a control section to provide for the availability of funds if needed. The 1983-84 Budget Bill carries forward the control section.

Table 28
Student Services
Summary of Expenditures and Personnel
(dollars in thousands)

Element	Actual 1981-82	Estimated 1982-83	Proposed 1983-84	Change	
				Amount	Percent
1. Social and cultural activities	\$21,691	\$21,384	\$21,384	—	—
2. Supplementary educational services	4,042	3,958	3,958	—	—
3. Counseling and career guidance ..	21,328	20,836	20,836	—	—
4. Financial aid administration	13,411	13,286	13,286	—	—
5. Student admissions and records	16,725	14,362	14,362	—	—
6. Student health services	22,064	22,239	22,239	—	—
7. Employee benefits	—	2,922	2,922	—	—
Totals	\$99,261	\$98,987	\$98,987	—	—
General funds	\$20,581	\$18,677	\$5,080	-\$13,597	-72.8%
Restricted funds	78,680	80,310	93,907	13,597	16.9
Personnel (FTE)	3,064	3,097	3,097	—	—

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VI. STUDENT SERVICES

The Student Services program provides for services, such as counseling, health services, and student affirmative action, that are complementary to, but not part of, the instructional program. The major sources of support for this program are the registration and educational fees.

Table 28 shows the budget for the student services program in the prior, current, and budget years. The amount proposed for 1983–84—\$99 million—reflects no change from the current-year expenditure level. The Governor's Budget, however, proposes to increase student fees at UC by \$150 per year so as to reduce the amount of General Fund support needed for the student services program. This increase would permit a reduction in General Fund support of \$13.6 million, to be replaced by an equal amount of additional revenue from the increased fee. Under the proposed funding shift, the only student service programs receiving General Fund support in the budget year would be Student Affirmative Action (\$4.3 million) and Disabled Student Services (\$0.8 million).

A. Student Affirmative Action Programs

1. Overview of UC's Student Affirmative Action Programs

UC campuses are involved in a number of programs having the objective of increasing enrollment of students from underrepresented groups. Some of these programs are part of a broader effort involving other campuses. Some are unique and limited to a single campus.

This discussion considers only the major programs now operating on UC campuses. Throughout the discussion, we use the term "student affirmative action" to apply to all programs seeking to increase the number of students from underrepresented groups enrolled at UC. Use of the term in this manner should not be confused with the Student Affirmative Action (SAA) program, which is merely one of the programs falling into this broad category.

Table 29
Summary Table of Expenditures, 1981–82
All Fund Sources
(in millions)

	<i>Outreach</i>	<i>Support Services</i>	<i>Totals</i>
Targeted Programs:			
Educational Opportunity Program	\$1.1	\$2.7	\$3.8
Student Affirmative Action	3.0	1.4	4.4
Mathematics, Engineering, Science Achievement2	—	0.2
Academic Enrichment Program	0.1	—	0.1
Subtotal	\$4.4	\$4.1	\$8.5
Non-Targeted Programs	2.2 ^a	23.3 ^b	25.5
Total	\$6.6	\$27.4	\$34.0

^a The Relations with Schools Function.

^b The Supplementary Educational Services, Career Guidance, and Counseling functions of the Student Services program.

As we discuss more fully below, student affirmative action programs involve two types of services—outreach and support services. These services are offered to the target population (ethnic minority and low-income students) through a variety of specially-funded programs. These same services are also available to all UC students as part of the regularly-funded program of student services. Table 29 shows expenditures for outreach and support services under both the specially-funded and regularly-funded programs.

2. Educational Opportunity Program (EOP)

The Educational Opportunity Program (EOP) is the oldest of UC's student affirmative action programs, having been established by the Regents in 1964–65. The purposes of EOP are to bring economically and educationally disadvantaged students to UC, and to assist them in earning their degrees.

Eligibility and Enrollment. EOP is a campus-based program; it is not administered or funded on a centralized basis by the university. Each campus establishes its own criteria for EOP eligibility. While family income is the main criterion for establishing eligibility, campuses may also consider parental education and occupation, and ethnicity.

Because income is the major criterion used to determine eligibility, EOP assistance is provided to some nonminority students as well as to minority students from ethnic backgrounds that are *not* classified as underrepresented at UC. Table 30 shows that of the total EOP enrollment during Fall 1981 (9,795 students), 56 percent of the students were from underrepresented minority groups, and 44 percent were low-income Asians and nonminorities.

Table 30
EOP Enrollment by Ethnicity^a
Fall 1981

	<i>Number</i>	<i>Percent</i>
Black.....	1,996	20%
Hispanic.....	2,891	30
American Indian.....	188	2
Filipino.....	421	4
Subtotal, Underrepresented Minorities.....	5,496	56%
Other Asian.....	2,374	24
White/Other.....	1,925	20
Total.....	9,795	100%

^a Categories as reported by UC.

Students must apply for EOP status when they are admitted to UC. Some of the EOP students qualify for admission under regular admission criteria; others are admitted under special admission criteria. The relationship between the type of admission and EOP enrollments varies widely among campuses. For example, at one campus, all EOP students were admitted pursuant to special admission criteria. Systemwide, however, about 70 percent of EOP students were academically qualified for regular admission to UC.

Services Provided. Each campus determines the scope of services provided to EOP students. Services may be divided in two categories: outreach and support services. *Outreach* usually involves visits by campus outreach staff to high school campuses. Services provided by outreach staff include academic advising, financial aid counseling, university campus tours, and information for parents. *Support services* include summer tran-

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sitional programs, tutoring, counseling, academic and career advising, and financial aid.

Funding. EOP is funded at the campus level, with no centralized allocation of funds by Systemwide Administration. All EOP services except financial aid are funded from registration fee revenues. (The registration fee is a campus-based fee, levied and administered by the campuses.) Financial aid for EOP students is provided from the university's regular financial aid program, which is funded from the proceeds of the educational fee. (The educational fee is a systemwide fee, levied and administered centrally by Systemwide Administration.) No state General Fund support is provided for EOP.

In 1981-82, expenditures for EOP outreach and support services by all nine campuses were estimated to be \$3.8 million. (Because EOP is not considered to be a separate program for accounting purposes, it is not possible to determine the exact expenditure level for EOP at UC.) In addition, \$5.5 million was spent for financial aid awards to EOP students. Table 31 summarizes the funding of EOP in 1981-82.

Table 31
UC EOP Funding
1981-82

<i>EOP Service</i>	<i>Funding</i>
Outreach	\$1,106,000 ^a
Support Services	2,660,000 ^a
Financial Aid	5,500,000
Total	\$9,266,000

^a Estimated.

3. Student Affirmative Action (SAA)

The university's Student Affirmative Action (SAA) program was established in 1976 to address the underrepresentation of ethnic minorities and low-income students at UC. Experience with EOP had shown that the major barrier to increasing minority and low-income student enrollment was the limited number of such students eligible for admission to UC. Thus, the primary purpose of SAA is to enlarge the pool of minority and low-income students eligible for admission to the university. To implement this goal, SAA places a greater emphasis than EOP on outreach efforts aimed at secondary schools.

SAA Programs and Services. As in the case of EOP, SAA services can be divided into two categories: outreach and support services. The largest portion of SAA resources is devoted to outreach, which itself has two components—Early Outreach and Immediate Outreach.

The **Early Outreach** component of SAA serves students in grades 7-11. This program component seeks to increase the educational aspirations of these students, and help them improve their academic preparation for university-level work. Services include academic advising, role model presentations, college and university visits, information dissemination, meetings with parents, counseling, and tutoring. Approximately 19,000 junior high and high school students were served by Early Outreach in 1981-82.

Immediate Outreach serves students in high schools and community colleges, and is the recruitment component of UC's SAA program. It is

intended to increase the number of applications for UC admission received from targeted student groups, including students who were previously served by the Early Outreach program. Services include campus tours, informational sessions conducted at the high schools, cultural activities, counseling, and tutoring. Data on the number of students served by Immediate Outreach is not available.

Support services are provided to students once they are enrolled at UC. The purpose of these services is to increase the number of students who remain to successfully complete their university education. Services include summer transitional programs, academic and personal counseling, learning skills assistance, tutoring, and career planning. Eligibility for SAA support services is less structured than it is for EOP. All ethnic minority students are automatically eligible for SAA services on campus. The extent to which low-income nonminority students are served by SAA, however, varies by campus. Although individual campus units (such as the Career Planning Center) maintain records and monitor the number of SAA students served, there is no unduplicated count of students served by the overall support services effort.

In addition to outreach and support services, a small portion of SAA resources is devoted to augmenting student financial aid packages provided to SAA students.

Funding. The total SAA budget for 1982-83 is \$5.7 million. Funding for SAA is derived from student fees and the state General Fund, with the General Fund paying 75 percent and educational fee revenues paying 25 percent. In 1980-81, the Legislature increased the state's share of program cost from 55 percent to 75 percent, but has not approved the university's requests that the state assume full responsibility for funding the SAA program. Table 32 shows SAA funding for a five-year period, by program component. The table shows that the largest increases have been in the outreach components. No changes are proposed for 1983-84.

Table 32
SAA Five-Year Funding
(dollars in thousands)

	1979-80	1980-81	1981-82	1982-83 ^a	Proposed 1983-84	Five- Year Percent Change
Early Outreach	\$1,586	\$2,319	\$2,524	\$2,603	\$2,603	64%
Immediate Outreach	401	576	573	596	596	49
Support Services	1,014	1,266	1,472	1,406	1,406	39
Financial Aid	900	813	735	800	800	-11
Central Coordination	296	251	214	304	304	3
Totals	\$4,197	\$5,225	\$5,518	\$5,709	\$5,709	36%
General funds	\$2,308	\$3,887	\$4,050	\$4,304	\$4,304	86%
Educational fee	1,889	1,338	1,468	1,405	1,405	-26

^a Reflects proration of \$527,000 of employee benefits which are budgeted separately in the Governor's Budget.

4. Mathematics, Engineering, Science Achievement (MESA)

The MESA program involves a partnership between the state and private industry designed to increase the enrollment of underrepresented ethnic minorities in university and college programs related to mathemat-

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ics, engineering, and the physical sciences. MESA's main focus is on the improvement of academic skills and career awareness, through interaction with industry representatives. MESA is funded jointly by the state and the private sector, and operates at centers located on a number of college campuses, including seven UC campuses. The state's contribution to the program is provided through the UC budget (\$198,000 in 1983-84), the CSU budget (\$273,000) and the State Department of Education budget (\$880,000). The program is administered through the Lawrence Hall of Science at Berkeley.

5. Academic Enrichment Program (AEP)

The Academic Enrichment Program (AEP) began as a pilot program in 1979 on four campuses. AEP is based on the MESA program model, emphasizing academic preparation and motivation towards specific careers. AEP is considered a component of UC's Early Outreach effort, but it is funded totally by state General Funds provided separately from SAA support. Based on US's experience with SAA Early Outreach, the university decided that the focus of early outreach needed to be expanded to include academic enrichment and skills-building, in order to improve students' chances of becoming eligible for admission to UC. In contrast to SAA Early Outreach, therefore, AEP primarily involves the provision of tutoring and skills-building services to 10th and 11th grade students who have been involved in UC Early Outreach programs. Other services provided under AEP include academic advising, career counseling, field trips, campus tours, and scholarship incentives. AEP operates on four UC campuses and receives approximately \$50,000 in state General Fund support. The program served 723 students in 1981-82.

6. Outreach and Support Programs for Non-Targeted Students

The programs described above provide outreach and support services solely to 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 performs the traditional student recruitment function within the university. Originally it was a centrally-administered program aimed at information dissemination and recruitment for the UC system as a whole. However, RWS has been decentralized to each campus, and has, in many cases, been administratively combined with EOP and SAA outreach activities.

Total funding for RWS activities in 1982-83 is approximately \$2.2 million. Prior to 1982-83, RWS was supported by the state General Fund. In 1982-83, however, UC shifted the program to student fee funding, as part of its response to the reduction in state General Fund support for UC.

Student Services. All UC campuses offer supplementary educational services (for example, tutoring and skills improvement), counseling, and career guidance to all students as part of their main student services programs. These services are funded primarily by the campus-based registration fee, and vary in type and scope among the campuses. Most campuses, however, have a learning skills center, a counseling center, and a career guidance center. The EOP and SAA programs usually augment these services, which are available to *all* students, or provide a specialized service level, for targeted students. Approximately \$22.6 million is budgeted for these activities in 1982-83. Of the total, \$18 million is for counseling

and career guidance, and \$4.6 million is for supplementary educational services.

7. Problems Identified by Our Review

Our review of student affirmative action 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 UC's student affirmative action programs. These problems tend to result from the facts that (1) multiple programs serve the same target population and (2) these programs often parallel separate programs available to targeted and nontargeted students alike.

Poorly-Defined and Overlapping Target Populations. Our review found that there is considerable overlap between the target populations served by EOP and SAA. The majority of EOP students are also SAA students. UC acknowledges this overlap, but maintains that the programs have different *primary* target populations. UC officials maintain that EOP serves low-income students regardless of ethnicity while SAA serves underrepresented minorities regardless of income.

Our review of the enabling legislation and subsequent reports relating to the programs indicates that (1) no such distinction between the target population of each program was intended and (2) the distinction has blurred on some campuses, where the programs have been combined to various degrees.

Both of these programs originally were intended to increase enrollment of minority and low-income students. Why the programs evolved over time to the point where they supposedly focus on different primary target populations is not clear. It appears, however, that the different administrative structures and funding sources for these programs are more responsible for the existence of separate programs than any clear distinction in program mission.

Inadequate Accountability at the State Level. Information regarding EOP is not collected on a centralized basis and reported to the state by the university because EOP is a campus-funded, campus-run program. In contrast, an established procedure for data collection and reporting exists for SAA, because SAA is state-supported and centrally-administered by Systemwide. Reports available on UC affirmative action almost always cover SAA alone. Consequently, the Legislature receives an incomplete picture of the scope and level of activity in the area of student affirmative action.

Difficulty in Data Collection and Evaluation. The existence of separate programs with similar missions creates problems in collecting data needed to permit evaluations of program effectiveness. UC campuses have merged SAA, EOP, and RWS to various degrees, in recognition of the common mission they share. As a result, (1) data is not collected at the same level of aggregation by each campus and (2) no single program can be isolated for purposes of data collection or evaluation.

Administrative Inefficiency. The existence of separate programs and funding sources for EOP, SAA, RWS, and other support services results in administrative inefficiencies, for two reasons. First, campus program administrators are not able to use personnel in the most efficient way be-

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cause they cannot consolidate all similar activities. While campuses have consolidated EOP, SAA, RWS, and other services to various degrees, the need to maintain separate program indentities for accounting and funding purposes prevents campuses from consolidating them further in order to reduce the costs of administration. Second, administrators must complete accounting and other reports for two programs, when the service delivery mechanism has actually been combined into one program.

Duplication and Inconsistent Goals in Student Outreach. Our review found significant duplication among these programs with respect to outreach efforts in the secondary schools. This duplication was evident both *within* campuses and *between* campuses. Outreach units usually define service areas on a geographic basis and send staff out to schools in those areas. We found instances where at least two outreach units (EOP, SAA, and/or RWS) representing the same campus visited the same school for basically the same purpose. In addition, we found situations where outreach units from different campuses had defined overlapping service areas, and consequently were visiting the same schools. The RWS outreach staff from one campus travelled statewide to schools visited by other campus RWS units. This duplication wastes funds that otherwise could be used to increase services to the target population.

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 campuses will then compete among themselves for the same students. If the goal is defined more broadly—that is, to increase enrollment of students from underrepresented groups at UC as a whole or in postsecondary education generally—duplication and overlap can be eliminated.

Inconsistent Funding Sources. As indicated earlier, each student outreach program developed separately, with its own funding source. As a result, there is no clear logic behind the source of funding used to support student outreach programs at the university.

Table 33 shows the funding source for the various UC affirmative action programs, by service component. Two types of inconsistencies are apparent from a review of the table. First, a variety of funding sources are used to support the targeted programs. SAA, for example, receives state General Fund support, while EOP does not. On the other hand, EOP receives funding from revenues raised by the registration fee, while SAA depends

Table 33
Summary Table of Funding Source for
UC Student Affirmative Action Programs

	<i>Outreach</i>	<i>Support Services</i>
Targeted Programs:		
EOP	Registration Fee	Registration Fee
SAA	General Fund	General Fund
	Educational Fee	Educational Fee
AEP	General Fund	—
Nontargeted Programs.....	Educational Fee	Registration Fee

^a The Relations With Schools function.

^b The Supplementary Educational Services, Career Guidance, and Counseling functions of the Student Services program.

in part on education fee revenues. Given the overlap in target populations of, and services provided by, these programs, there is no analytical reason for these differences. Second, targeted and nontargeted programs rely on different funding sources to finance the same types of services. For example, the General Fund supports counseling for SAA students, but not counseling for the general student population.

Overall, the funding pattern seems to reflect the fact that the programs came into existence at different times, rather than a specific policy of who should pay for what.

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 UC be providing to the target populations?
- How should the provision of these services be organized?
- How should these services be funded?

What Services Should UC Be Providing?

As discussed above, current student affirmative action programs provide two types of services: outreach and support services. Outreach services can be further divided into two subcategories: *developmental* outreach programs that provide tutoring and skills development, and seek to increase education aspirations; and *informational* outreach programs that provide information on postsecondary education in general and on specific institutions for purposes of recruitment.

In our overview of postsecondary education, we recommend 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 as soon as possible. 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.
- 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-efficient way possible. The basis for them is discussed more extensively in the postsecondary education overview.

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If these policy elements were adopted by the Legislature, UC would (1) transfer responsibility for its early outreach and AEP programs 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.

Evaluation Needed

We recommend that the Legislature adopt supplemental report language requesting UC to conduct an evaluation of its early outreach program and the Academic Enrichment Program (AEP).

As noted above, we recommend that responsibility for programs such as UC's early outreach program and Academic Enrichment Program (AEP) be transferred to SDE as soon as possible. This recommendation is based on the different missions assigned to each of these segments, and does not reflect any judgment as to the past effectiveness of UC's programs. To assure that the transfer we recommend does not result in any short-term loss of program effectiveness, we recommend that UC conduct an evaluation of both programs, so that successful strategies employed by UC may be continued by SDE. Specifically, we recommend that the following supplemental report language be adopted:

"UC shall evaluate its early outreach program and the Academic Enrichment Program and report on evaluation findings by March 1984."

MESA

We recommend that state support for MESA contained in the UC budget be transferred to the budget for the State Department of Education. (Reduce Item 6440-001-001 by \$198,000 and augment Item 6100-005-001 by \$198,000.)

Currently, state funds for MESA are provided through three different budgets—those of 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 UC budget be transferred to the budget for the SDE. (In our analysis of the CSU 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.

How Should UC Student Outreach Activities be Organized?

We recommend that UC consolidate EOP and SAA into one program having two components—outreach and support services—and that RWS be consolidated with the outreach component. We further recommend that UC develop a systemwide policy on eligibility for the new affirmative action program.

As discussed above, the existence of separate EOP, SAA, and RWS programs has led to a number of problems in the areas of accountability, data collection, evaluation, and administrative efficiency. Our analysis indicates that these problems could be ameliorated if the programs were consolidated.

Specifically, we believe consolidation would bring improvements in three areas:

Administrative Efficiency. Both EOP and SAA were intended to serve the same target population and are being administered to do so on most UC campuses. In addition, both programs provide outreach services and support services.

Consequently, there are two programs which provide the same two types of services to the same population. Our analysis indicates that it would be more efficient to merge (1) the two outreach components into one outreach program and (2) the two support service components into one support services program. Many campuses have already reorganized to bring all outreach staff together and all support service staff together, rather than maintain separate SAA and EOP programs. Formal reorganization by service provided (outreach or support services) would foster additional consolidation, where it would be useful, and reduce the administrative costs of accounting for two programs separately.

In addition, RWS should be combined with the outreach component of the proposed consolidated student affirmative action program, in order to eliminate duplication of effort. Once consolidation has taken place, a single outreach unit would work with secondary schools. Special outreach services would continue to be available for targeted students through the outreach staff.

Accountability and Evaluation. As stated earlier, the Legislature does not have access to complete information on UC's student affirmative action activities because the only data readily available covers the SAA program, and does not cover activities under EOP. In addition, given existing organizational arrangements, neither SAA nor EOP can be evaluated so as to identify opportunities for increasing program effectiveness, because most campuses have consolidated SAA, EOP, and RWS to some degree. By combining the programs officially and establishing systemwide guidelines for their administration, better information on affirmative action programs and accomplishments will be made available to the Legislature.

Intersegmental Coordination. Consolidating UC's EOP outreach activities with its SAA outreach activities will promote the intersegmental delivery model for outreach services that we recommended in the overview section. If all outreach activities are brought together under one administrative unit, it will be easier for UC to coordinate with the other two postsecondary segments. (Elsewhere, we recommend a similar reorganization of CSU's programs, resulting in a consolidation of outreach at CSU.)

Systemwide Policy Needed. We also recommend that UC develop a systemwide policy for specifying eligibility for the newly consolidated program. A systemwide policy is needed in order to clarify the goals of the program, and assure that actions taken by individual campuses promote those goals as effectively as possible. As noted above, there is a wide variation in the extent to which special admission criteria are used as the basis for selecting EOP students. As a result, some campuses may reflect greater minority enrollments simply because more students are admitted under special criteria—not because their programs are more successful. While it is reasonable that the program be aimed both at students who would not qualify for admission under regular criteria and students who would, there is no analytical reason why the mix of regular and special admits should vary by campus.

In order to implement our recommendation to consolidate these pro-

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grams and establish 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 UC 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. It is the further intent of the Legislature that UC develop a systemwide policy on eligibility for the new affirmative action program."

How Should Affirmative Action Activities Be Funded?

In our discussion of student fees which follows, we recommend that the existing limitations on the use of fee revenue be removed. If this recommendation is approved, most student fee revenue would be combined with the state General Fund appropriation *prior to* being allocated for specific purposes.

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 other fee problems, this recommendation would address the problems we have identified concerning the lack of a logical and consistently applied funding strategy for student affirmative action programs. 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.

B. Tuition and Fees**1. Overview**

UC imposes two types of student charges—tuition and fees. As discussed in the postsecondary education overview included in this *Analysis*, a fee is a fixed charge, whereas *tuition* is a charge specifically for instruction. UC charges tuition only to students who are not legal residents of California. Fees are charged to all students.

The two major required fees are the educational fee and the registration fee.

Educational Fee. The educational (ed) fee is a systemwide fee. The fee level is established each year by the Regents, and is the same for all campuses. Revenue from the ed fee accrues to UC Systemwide, and is allocated to the campuses based on systemwide priorities. Most of the ed fee revenue is used to fund UC's student financial aid program. Of the \$77 million collected in 1982-83, \$54 million was used for financial aid, including financial aid administration. The remainder was used for student affirmative action and other student services programs.

Registration Fee. The registration (reg) fee is a campus fee. The fee level is established by the campus chancellors, within a maximum set by the Regents. Revenue from the reg fee accrues to the campuses, and is allocated by the chancellors based on campus priorities. The major programs supported by the reg fee are student health services, social and cultural activities, counseling and career guidance, and supplementary educational services.

In addition to required fees, students may *choose* to pay fees for services

such as parking, housing and food services. These fees are user fees, and cover the full costs of the services for which they are charged. The entities providing these activities are called auxiliary enterprises, and are required by the university to cover all direct and indirect costs with fees.

Table 34 displays the tuition and fee levels for the past, current, and budget years. The table includes only required fees.

Table 34
UC Tuition and Required Fees

	<i>Actual</i> <i>1981-82</i>	<i>Estimated</i> <i>1982-83^a</i>	<i>Proposed</i> <i>1983-84^b</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Nonresident Tuition	\$2,880	\$3,150	\$3,360	\$210	6.7%
Educational Fee:					
Undergraduate	475	625	775	150	24.0
Graduate	535	685	835	150	21.9
Registration Fee	463	510	510	—	—
Other Required Fees:					
Undergraduate	59	59	59	—	—
Graduate	45	45	45	—	—
Total Fees:					
Undergraduate	\$997	\$1,194	\$1,344	150	12.6%
Graduate	\$1,043	\$1,240	\$1,390	150	12.1

^a Does not include one-time surcharge of \$100 levied for spring quarter.

^b The UC Regents plan to increase fees above these levels in 1983-84, to adjust for the cost of inflation in fee-funded programs. The specific amount of the increase should be determined by March, 1983.

Table 35 displays the total revenue generated by the two major student fees—the educational fee and the registration fee.

Table 35
Student Fee Revenue
(dollars in thousands)

	<i>Actual</i> <i>1981-82</i>	<i>Estimated</i> <i>1982-83^a</i>	<i>Proposed</i> <i>1983-84^b</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Educational Fee	\$61,602	\$77,261	\$96,141	\$18,880	24.4%
Registration Fee	58,428	64,659	64,974	315	0.5
Total	\$120,030	\$141,920	\$161,115	\$19,195	13.5%

^a Does not include revenue generated by one-time \$100 surcharge levied for spring quarter.

^b The UC Regents plan to increase fees further in 1983-84, to adjust for the cost of inflation in fee-funded programs. The specific amount of the increase should be determined by March 1983.

Table 35 shows that UC students will pay a total of \$142 million in fees in the current year, and \$161 million in the budget year. The Regents have indicated that they plan to increase 1983-84 fee levels above those shown in Table 34. Consequently, total fee revenue generated in 1983-84 will be greater than the \$161 million reflected in Table 35. The specific amount of the increase should be determined by March 1983.

2. Use of Student Fee Revenue

UC's budget is composed of "general purpose funds" and "restricted funds." Ed fee and reg fee revenues are *restricted* funds, in that they are not combined with the state General Fund but are accounted for and budgeted separately. The university maintains an ed fee fund, and each

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campus maintains a reg fee fund. Revenues from these funds can only be used in certain areas. As discussed in the postsecondary education overviews, separate accounting of fee revenue is necessary under the state's "no-tuition" policy in order to insure that student fee revenue is not spent on instructionally-related activities. If fee revenues exceed budgeted expenditures for fee-supported programs, either expenditures are increased or reserves accumulate.

By contrast, revenues from nonresident tuition are general purpose funds. These funds are combined with state General Funds, and their expenditure cannot be tracked by program. Nonresident tuition revenue is a direct offset to the General Fund. If nonresident tuition income increases, the state General Fund appropriation decreases.

Categorical Protection for Fee-Funded Programs. As we discuss in the overview, current restrictions on the use of student fee revenue have the effect of protecting fee-funded student service programs from budget constraints. In 1981-82 and 1982-83, for example, the Regents were required by the Governor to reduce General Fund expenditures by 2 percent and 2.5 percent, respectively. Additional reductions were imposed in both years by the Legislature. While these funding reductions led to some reductions in instructional programs, fee-funded student service programs were not cut back. This is because General Fund savings are *not* generated by reducing expenditures for fee-funded programs.

Table 36 compares the growth in expenditures for student service programs with the growth in state General Fund expenditures during the last two years. The table shows that student service expenditures increased by 12 percent over the two-year period, while UC's General Fund budget increased by only 7 percent. This clearly illustrates the advantage enjoyed by student services programs as a result of their having a restricted fund source, and the vulnerability of instructional programs to fiscal constraints.

Table 36
Growth in Expenditures: Student Services
Versus General Fund Programs
(dollars in thousands)

	<i>Actual</i> 1980-81	<i>Estimated</i> 1982-83	<i>Two-Year Change</i>	
			<i>Dollars</i>	<i>Percent</i>
General Fund Expenditures	\$1,074,584	\$1,148,438	\$73,854	6.9%
Student Services ^a	75,136	84,188	9,052	12.0

^a Includes social and cultural activities, supplementary educational services, counseling and career guidance, financial aid administration, and student health services.

Change in Fee Policies Recommended

We recommend that beginning 1983-84, all revenue from the educational fee be designated as UC general fund income and treated as an offset to state General Fund support requirements. We further recommend that the registration fee be continued as a restricted fee, but that its scope be reduced to include only intercollegiate athletics, social and cultural activities, and student health services.

Our analysis indicates that the current policy of restricting the use of student fee revenue prevents the total amount of resources available to the university from being used in the most efficient and effective manner.

Specifically it leads to the anomaly of the university's primary mission—instruction—bearing the brunt of any budget cutbacks, while ancillary activities, such as counseling and social programs are protected. This makes no sense.

To address this problem, we recommend that most student fee revenue be reclassified as general purpose revenue. In recognition of the need to leave certain decisions up to individual campuses, however, we also recommend that the reg fee remain as a restricted fund, but that its scope be limited.

Limit Scope of Registration Fee. The greater the amount of revenue classified as general purpose revenue, the greater the flexibility that the Legislature and the university will have in allocating resources to meet priority needs. This argues for treating all fee revenues as general purpose revenue. Our review indicates, however, that the concept of a campus-based fee, with revenue restricted to the support of programs having a priority to students at individual campuses, has merit. Consequently, we recommend that a fee along the lines of the current reg fee be maintained.

We recommend, however, that the scope of the reg fee be limited to those activities for which the type and level of service is clearly a matter of student or campus choice, and for which systemwide or statewide standards are not appropriate. Our analysis indicates that of the current reg fee-funded programs, intercollegiate athletics, social and cultural activities, and student health services meet that criterion. The other two reg fee-funded student programs—supplementary educational services and counseling and career guidance—are programs where wide variations in availability among campuses would not be appropriate, and where legislative and systemwide accountability is legitimate. Consequently, we recommend that these programs be funded by general purpose funds, rather than by the registration fee.

Although we believe that student health services should continue to be funded by the students through fees, our analysis indicates that health services are most appropriately funded as an auxiliary enterprise. We recommend below that UC plan for the transition of health services to auxiliary enterprise status. Leaving these services within the scope of activities funded by the reg fee would be appropriate on an interim basis.

Designate Educational Fee as General Purpose Revenue. We conclude that all programs funded by student fees other than those which are primarily of campus concern, should have to compete on a priority basis with other UC programs (including instruction) in the resource allocation process. The way to assure that this occurs is to designate all educational fee revenue as general purpose revenue. If this were done, ed fee revenue would be combined with the state General Fund appropriation and all other general purpose revenue (such as nonresident tuition income) *prior* to the allocation of funds. This would give UC and the Legislature greater flexibility in responding to funding priorities, and would remove the categorical protection that has allowed student service programs to grow more rapidly than the UC's primary programs.

To implement this recommendation, we recommend that the Legislature adopt the following Budget Bill language:

"All revenue collected by UC from the educational fee will be designated as UC General Fund income and used as an offset to the state General Fund."

In addition, we recommend that the Legislature adopt the following supplemental report language:

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"It is the intent of the Legislature that the scope of the UC registration fee be reduced to include only "social and cultural activities," intercollegiate athletics," and "student health services," and that the educational fee be increased by the amount of the reduction in the registration fee as a result of limiting the scope of the registration fee."

Table 37 compares current policy governing the use of fee revenue to our recommended policy.

Table 37
Current and Recommended Policy on the Use of Fee Revenue

Program	Funding Source	
	Current Policy	LAO Recommended Policy
Financial Aid Grants and Loans.....	Ed Fee	General Funds ^b
Financial Aid Administration	Ed Fee	General Funds ^b
Affirmative Action	Ed Fee ^a	General Funds ^b
Supplementary Educational Services	Reg Fee	General Funds ^b
Counseling and Career Guidance	Reg Fee	General Funds ^b
Social and Cultural Activities	Reg Fee	Reg Fee
Intercollegiate Athletics	Reg Fee	Reg Fee
Student Health Services	Reg Fee	Reg Fee

^a The ed fee supports 25 percent of the Student Affirmative Action Program.

^b "General Funds" would include the state General Fund appropriation and all revenue from the ed fee. Ed fee revenue would contribute to the support of these and other programs, but would no longer be identified as the sole source of support for any particular programs.

Fiscal Effect. Implementation of our recommendation on the treatment of fees would have no *net* fiscal effect. It would, however, change (1) the mix of funds available to the UC between general purpose and restricted funds and (2) the split between the educational fee and the registration fee paid by students. Table 38 shows the first of these two effects: the impact of the recommended policy on the funding mix. The table shows that general purpose funds would increase by \$116 million—an increase of 9 percent. Table 39 shows the second effect: the impact on

Table 38
Impact of Analyst's Recommendation on Mix of Funds
(dollars in thousands)

	1983-84 Governor's Budget	LAO Recom- mendation	Change	
			Amount	Percent
General Purpose Funds				
General Fund Appropriation.....	\$1,181,456	\$1,181,456	—	
Other General Funds	97,924	214,020 ^a	\$116,096	119%
Subtotal	\$1,279,380	\$1,395,476	\$116,096	9%
Selected Restricted Funds				
Educational Fee	\$96,141	—	—\$96,141	—100%
Registration Fee	64,974	\$45,019 ^b	—19,955	—31
Subtotal	\$161,115	\$45,019	—\$116,096	—72%
Total	\$1,440,495	\$1,440,495	—	—

^a Reflects shift of all ed fee revenue and \$19,955,000 of reg fee revenue.

^b Programs that would continue to be supported from reg fee funds are: social and cultural activities (\$21.4 million), student health services (\$22.2 million), and intercollegiate athletics (\$1.4 million). (The major, self-supporting intercollegiate athletics programs are funded as auxiliary enterprises.)

the make-up of student fees. It shows that the ed fee would increase from the \$775 proposed in the budget to \$932, while the reg fee would decrease from \$510 to \$353. The total of the two fees, however, would remain the same.

Table 39
Impact of Analyst's Recommendation on Mix of Fees

	1983-84 Governor's Budget	LAO Recommendation	Difference
Undergraduate			
Educational Fee	\$775	\$932	\$157
Registration Fee	510	353	-157
Total	\$1,285	\$1,285	—
Graduate			
Educational Fee	\$835	\$992	\$157
Registration Fee	510	353	-157
Total	\$1,345	\$1,345	—

Student Health Services Funding Plan Recommended

We recommend that the Legislature direct UC to prepare a plan for funding student health services as auxiliary enterprises, beginning in 1984-85.

As noted earlier, we recommend that student health services be maintained as a campus-specific activity, funded from student fees, rather than from the university's general funds. This is because health services satisfy the criterion that the level of service legitimately is within the prerogative of students and campuses, and does not warrant systemwide or legislative control.

We believe, however, that student health services are most appropriately funded as auxiliary enterprises, rather than as a reg fee-supported activity.

Registration Fee Versus Auxiliary Enterprise Fee. There is a major difference between the reg fee and an auxiliary enterprise fee, in terms of who pays and who benefits. In the case of an auxiliary enterprise, one pays only if one uses the services, and the payment covers the full cost of those services. There is no subsidy from one group of students to another. An example of an auxiliary enterprise that uses this funding system is campus parking. Those students who park on campus pay a fee for the privileges and the proceeds from these fees cover the full cost of maintaining and patrolling parking facilities. Those students who do not park on campus contribute nothing toward the parking operations.

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

Whether a specific service should be funded by the reg fee or as an auxiliary enterprise depends on whether it is appropriate to charge all students for the cost of the service, rather than just those using the service. Table 40 shows selected services that currently are funded under each system.

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Table 40

Selected Services by Fund Source

<i>Auxiliary Enterprise</i>	<i>Registration Fee</i>
Parking	Concerts
Food Service	Lectures
Housing	Intermural Sports
Child Care	Health Services
Campus Bookstores	

The services now funded as auxiliary enterprises 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 enterprise-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 reg fee revenue. 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 enterprises would (1) encourage greater use of private-sector health care resources (resources that in many cases have already been paid for), (2) prevent students from having to pay twice for services, and (3) eliminate the pressures on other reg fee programs caused by escalating health care costs.

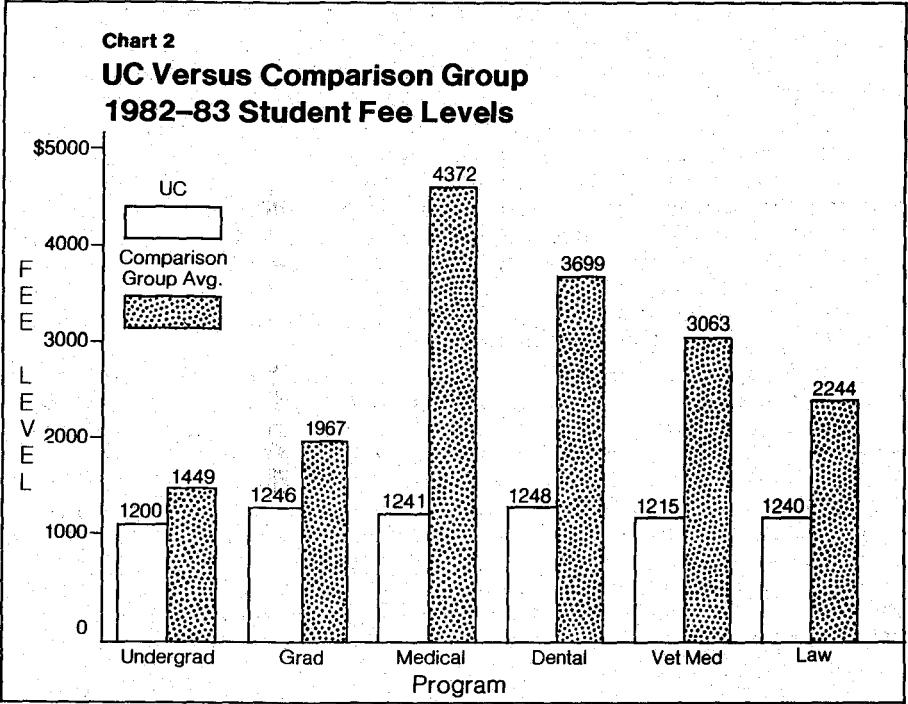
We recognize that it would take time to convert student health services to self-support, and to devise a fee structure for funding these services. Consequently, rather than recommend that UC convert immediately to the auxiliary enterprise method, we recommend that UC prepare a plan for funding student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

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

3. Level of Fees

In the preceding section, we discussed the *use of fee revenues* and recommended a change in current policy. In this section, we discuss the *level of fees* and make two recommendaons for fee increases.

As stated in the postsecondary education overview, fees charged at UC often are compared to fees charged at UC's four public comparison institutions: University of Michigan (Ann Arbor), University of Wisconsin (Madison), State University of New York (Buffalo), and University of Illinois (Champaign-Urbana). Chart 2 shows the 1982-83 fee levels for UC as well as the average fee charged by the four public comparison institutions, in six program areas: undergraduate, graduate, medical, dental, veterinary medicine, and law. The chart shows that fees at UC are lower in each area, with the greatest difference in medical, dental, and veterinary medicine programs.



Undergraduate fees

The Governor's Budget proposes to increase undergraduate fees at UC by \$150, from \$1,194 to \$1,344.

As we stated in the overview, we can find no analytical basis for recommending a particular level for undergraduate fees. The increase proposed in the budget, however, can be assessed from two different standpoints. One has to do with 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 between fees at the two segments to be reduced. Because the Governor's

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Budget proposes that fees at CSU increase by \$230, the proposed increase of only \$150 for UC would be consistent with legislative policy. The other perspective on fees can be gained by comparing the proposed fee level to the average fee level at UC's comparison institutions. As shown in Chart 2, current fees at UC are \$249 below the comparison group average. Thus, unless fees at the comparison universities increase in the budget year by more than \$150, the proposed increase would move fees closer to the comparison group level.

Graduate Fees

We recommend that the Legislature request the Regents to increase graduate fees by \$90 in 1983-84. (Reduce Item 6440-001-001 by \$2,921,000.)

We further recommend that the Legislature appropriate an additional \$672,000 for increased student financial aid, so as to maintain access to UC for low income students. (Increase Item 6440-001-001 by \$672,000.)

For several years, we have recommended that graduate students at UC pay higher fees than undergraduate students. We continue to believe that higher graduate student fees are warranted, for the following reasons:

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

Data on fees charged by UC's public comparison institutions indicate that these institutions have recognized that higher graduate program costs warrant higher graduate fees. In 1982-83, these institutions charged graduate students an average of \$518 more than undergraduates.

The UC Regents have charged higher fees to graduate students since 1970, when the educational fee was first established, but the differential has eroded over time. Table 41 shows that since 1976-77, the graduate differential has decreased from 9 percent to less than 4 percent. This has happened because the graduate differential has been maintained at nearly a flat dollar amount as fees have risen, instead of being maintained at a constant percentage.

Table 41
Erosion of UC Graduate Fee Differential Over Time

	Undergraduate	Graduate	Differential	
			Amount	Percent
1976-77	\$648	\$708	\$60	9.3%
1977-78	710	770	60	8.5
1978-79	710	770	60	8.5
1979-80	731	791	60	8.2
1980-81	775	824	49	6.3
1981-82	997	1,043	46	4.6
1982-83	1,194	1,240	46	3.9
1983-84 (Proposed)	1,344	1,390	46	3.4

The Governor's Budget proposes to increase the educational fee for

undergraduates and graduates by \$150. This would maintain the graduate differential at a flat \$60 and, as shown in Table 41, would reduce the differential still further to 3 percent.

In its ACR 81 Phase II report, the California Postsecondary Education Commission (CPEC) recommends that graduate students at UC pay 5–10 percent more in fees than undergraduates, due to the higher costs of graduate programs and the greater private benefits resulting from a graduate education. In addition, CPEC notes that UC historically has charged graduate students 5–10 percent more with “no apparent negative impact on the composition of the graduate student body.”

We recommend that the Legislature request UC to increase graduate fees by \$90 above the level proposed in the Governor's Budget. This would establish a graduate fee level of \$1,480, which is 10 percent above the total proposed undergraduate fee level of \$1,344. A 10 percent differential would be consistent with CPEC's recommendation, and would restore the differential that existed prior to the fee increases in recent years.

A \$90 fee increase for graduate students would generate \$2,921,000 of additional revenue. Accordingly, we recommend a General Fund reduction of this amount to reflect the added revenue.

Based on CPEC's financial aid model, we estimate that a \$90 fee increase would increase the need for financial aid by \$672,000. Consequently, we recommend a General Fund augmentation of \$672,000 for increased financial aid, so that low-income students continue to have access to UC.

Earlier in this analysis, we recommended that a portion of the reg fee be reclassified as an education fee, so as to maintain the same fee *level*, but change the ed fee/reg fee *mix*. The combined effect of that recommendation and our recommendation to increase the graduate education fee, is shown in Table 42.

Table 42
Combined Effect of LAO Recommendations on Fees

	<i>Governor's Budget</i>	<i>LAO Recom- mendation on Reg Fee Shift</i>	<i>LAO Recom- mendation on Graduate Differential</i>	<i>Total LAO Recommended Fee Levels</i>
Undergraduate				
Ed Fee	\$775	\$157		\$932
Reg Fee	510	-157		353
Other Fees	59			59
Total	\$1,344			\$1,344
Graduate				
Ed Fee	\$835	\$157	\$90	\$1,082
Reg Fee	510	-157		353
Other Fees	45			45
Total	\$1,390			\$1,480
Graduate Differential				
Dollar	\$46			\$136
Percent	3%			10%

Table 42 shows that if our recommendations are approved:

- The total level of undergraduate fees would not change from the levels shown in the budget.
- Graduate fees would increase by \$90.
- The graduate differential would increase from \$46 (3 percent) to \$136 (10 percent).

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Health Science Professionals

We recommend that the Legislature request the Regents to set fees for medical, dental, and veterinary medicine students \$300 above fees charged for other graduate students. (Reduce Item 6440-001-001 by \$540,000.)

We recommend that an additional \$540,000 be appropriated for increased student financial aid so as to maintain access to UC for low-income students. (Increase Item 6440-001-001 by \$540,000.)

The same three reasons warranting higher graduate student fees also justify even higher fees for students enrolled in medical, dental, and veterinary medicine programs. These programs are the three most expensive degree programs funded by the state, and the private benefits derived from these programs, as measured by the incomes of practitioners in these fields, are considerably higher than the average income of UC graduates.

Table 43 displays the cost to the General Fund of additional students in various disciplines. The table includes the cost of faculty and related support costs. It shows that in 1983-84, the cost of a medical student is nearly nine times the cost of other graduate students. Dental and veterinary medicine programs are six and eight times, respectively, more costly than other graduate programs.

Table 43
Comparison of Marginal Cost Per Student Per Year
Selected Disciplines

General Campus Undergraduate.....	\$3,674
General Campus Graduate	3,344
Medicine (M.D. Program)	33,611
Dentistry (D.D.S. Program)	21,064
Veterinary Medicine (D.V.M. Program)	27,071

There are three main reasons for these higher costs. First, although state-paid faculty salaries are the same for all of these programs, the student/faculty ratio for the three health science programs is *much* lower. Second, the support allocation budgeted per faculty member is higher for two of the three health sciences programs than it is for general campus programs. Third, clinical teaching support (CTS) funds are needed for these three programs to subsidize their clinical programs. Table 44 compares the student/faculty ratios, support allocations, and CTS across programs.

Table 44
Comparison of Cost Elements

	Student/Faculty Ratio	Support Cost/ Faculty	Clinical Teaching Support Allocation
General Campus	17.5:1	\$20,713	—
Medicine	3.5:1	23,994	\$15,718
Dentistry	4.0:1	17,699	7,411
Veterinary Medicine	5.4:1	37,569	12,274

UC's comparison institutions all charge medical, dental, and veterinary

students considerably more than they charge other graduate students. In contrast, UC charges roughly the same fees for both groups. Consequently, as was shown earlier in Chart 2, the fees charged for medicine, dentistry, and veterinary medicine students by UC are much further below the comparison school average than are the fees it charges other graduate students. For medicine, UC charges \$3,131 less than the average amount charged by the comparison schools. For dentistry, UC charges \$2,451 less. For veterinary medicine, UC charges \$1,848 less. In each case, UC's fees have fallen *further below* the comparison group average just in the past year.

Our analysis indicates that there is a clear justification for setting fees for medicine, dentistry, and veterinary medicine students above the level of fees charged other graduate students. The appropriate size of the differential, however, is less clear. One basis for setting the fee level would be to use the average of the comparison group. Because UC fees are so far below the average, this would require a threefold fee increase. An increase this large in one year would cause major disruptions.

In the absence of a firm analytical basis for setting the health science/non-health science differential, we recommend that the differential be set at the level recommended by CPEC in its ACR 81, Phase II. In that report, CPEC recommends that (1) graduate students pay 5-10 percent more than undergraduates, and (2) professional students in programs such as medicine, dentistry, and veterinary medicine pay 15-20 percent more than other *graduate* students. A 20 percent differential above the level of graduate fees would require health science fees to be set \$300 above other graduate fees.

A \$300 fee increase for these programs would raise \$1,186,000 in fee revenue during 1983-84. According to CPEC's financial aid model, a \$300 fee increase would increase the need for financial aid by \$540,000. Consequently, we recommend a General Fund augmentation of \$540,000, so as to maintain access to UC for low-income students.

Health Science Tuition Offset. Since 1971-72, the Legislature has required the Regent to reimburse the state General Fund for the revenue forgone as a result of the Regents' decision to eliminate the higher fee charged to certain health science students. For 1983-84, the Regents' payment to the General Fund is proposed at \$848,000. Our recommendation to charge certain health science students \$300 in additional fees would raise \$646,000 in *net* revenue to the General Fund (a revenue increase of \$1,186,000 and a financial aid expenditure of \$540,000). As a result of instituting these higher health science charges (1) the Regents' obligation to the General Fund would decrease by \$646,000, and (2) the net revenue increase would offset the loss of Regents' funds. Consequently, no General Fund savings would result from this recommendation.

4. UC Tuition Plan Pending

In the Supplemental Report to the 1982 Budget Act, the Legislature requested that UC develop a plan for implementing professional school tuition beginning September 1983. This plan is to be submitted to the Legislature by March 1, 1983. We will comment on the UC report during budget hearings.

UNIVERSITY OF CALIFORNIA—Continued**5. Nonresident Tuition**

As noted earlier, students who are not residents of California pay nonresident tuition. Income from nonresident tuition is used as an offset to state General Fund support. If nonresident tuition income declines, state General Fund support increases.

The Governor's Budget proposes that nonresident tuition in 1983-84 be increased from \$3,150 to \$3,360 per year.

Nonresident Tuition Income Shortfall in Current Year

The university has reported a shortfall in its nonresident tuition income for the current year. Due to a shortfall of 1,074 students in the number of nonresident students enrolled at UC, relative to the number on which 1982-83 income estimates are based, the university anticipates a funding shortfall of \$3.3 million in 1982-83. UC will have to absorb this shortfall in 1982-83.

The university, however, has requested that the Department of Finance augment its budget for 1983-84 by \$3.5 million to offset with state General Funds the decline in nonresident tuition income. If the augmentation is not provided, UC's 1983-84 budget would be underfunded, based on existing state budgeting policy.

Unfunded Legislation for 1983-84

Chapter 1070, Statutes of 1982, exempted UC graduate students who work at least half-time as teaching assistants or research assistants from the statutory requirement that students demonstrate financial independence in order to be reclassified as residents of California. Under Chapter 1070, such students are classified as residents after one year of residency in California, regardless of their financial status.

When Chapter 1070 was enacted, the Legislature anticipated a loss of nonresident tuition income of \$1,221,000 in 1983-84 and annually thereafter. The legislation, however, did not carry an appropriation to offset the revenue loss to UC.

The budget reflects the loss of \$1,221,000 in general purpose revenue, but does not propose to offset the loss with additional state General Fund support. Our analysis indicates that it would not be appropriate to increase General Fund support for this purpose. In hearings on AB 2627 (Chapter 1070), the university, which supported the bill, testified that the costs of the legislation were absorbable. Consequently, state General Funds should not be provided to augment the university budget by the amount of the estimated revenue loss.

We note that the fiscal effect of Chapter 1070 was estimated based on 1982-83 *budgeted* nonresident enrollments. Because actual nonresident enrollment is less than budgeted enrollment, the loss of revenue resulting from Chapter 1070 should be less than \$1.2 million.

VII. INSTITUTIONAL SUPPORT

The Institutional Support program is the administrative component of the UC budget. It includes the planning and policy making functions of the office of the president, the chancellors, and officers of the Regents, as well as supporting activities such as computing, police, accounting, personnel, purchasing, and publications. Table 45 shows the Institutional Support budget for the prior, current and budget years, and how the budget

is divided between Systemwide Administration and campus administration.

For 1983-84 the budget proposes no change in the total funding level for the Institutional Support program from the current-year level of \$131.6 million. Any increases in salaries and benefits approved for the budget year, however, would increase costs above this level. The budget proposes a decrease in General Fund support for UC administration amounting to \$619,000 (0.5 percent). This decrease would be offset by an increase in restricted funds (student fee revenue).

Table 45
Institutional Support
Summary of Expenditures and Personnel
(dollars in thousands)

	<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>
Systemwide Administration:					
Executive Management	\$8,073	\$5,255	\$5,255	—	—
Fiscal Operations	4,095	2,660	2,660	—	—
General Administrative Services	3,679	2,396	2,396	—	—
Logistical Services	363	232	232	—	—
Community Relations	763	497	497	—	—
Employee Benefits	—	2,554	2,554	—	—
Subtotals	\$16,973	\$13,594	\$13,594	—	—
Personnel (FTE)	368	391	391	—	—
Campus Administration: *					
Executive Management	\$33,432	\$29,598	\$29,598	—	—
Fiscal Operations	22,661	17,618	17,618	—	—
General Administrative Services	44,423	38,387	38,387	—	—
Logistical Services	30,544	22,714	22,714	—	—
Community Relations	7,978	6,504	6,504	—	—
Employee Benefits	—	16,753	16,753	—	—
Subtotals	\$139,038	\$131,574	\$131,574	—	—
Personnel (FTE)	6,100	6,435	6,435	—	—
Totals	\$156,011	\$145,168	\$145,168		
General Funds	\$125,447	\$115,019	\$114,400	-\$619	0.5%
Restricted Funds	\$30,564	\$30,149	\$30,768	\$619	2.1%

* Includes the costs of the Officer of The Regents, which in 1981-82 and 1982-83 totaled \$4.8 million, and Systemwide Programs and Provisions.

A. Collective Bargaining

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

Current Status. The effective date of Ch 744/78 was July 1, 1979. Due to procedural delays in defining bargaining units, however, most elections

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still have not been held, and no MOUs covering UC employees have been submitted to the Legislature. UC anticipates, however, that MOUs will be adopted in 1983–84.

Legislation Recommended

We recommend the enactment of legislation requiring UC to submit cost estimates with all MOUs submitted to the Legislature for approval.

The California State University's (CSU) experience with MOUs in 1982–83 has pointed out a defect in the provisions of HEERA. After negotiating MOUs covering its employees in 1982–83, CSU notified the Legislature that the final provisions contained in the MOUs involved no costs above those provided for in the employee compensation allocation for all state employees. For that reason, CSU did not submit the MOUs to the Legislature for action.

CSU now estimates that it will absorb costs in excess of \$2 million in 1982–83, as a result of the provisions of the MOUs. This raises two questions:

1. Where did the resources come from in the current year to cover these costs?
2. How will these costs be funded in future years?

In order to assure that the Legislature is presented with full financial information prior to acting on MOUs, we recommend that legislation be enacted which requires UC to present detailed cost estimates of MOUs being presented to the Legislature for approval. These estimates should include an identification of costs considered "absorbable" by UC as well as costs requiring a new appropriation.

B. Retirement**Background**

Last year in the *Analysis*, we expressed concern that the UC Regents may be funding the University of California Retirement System (UCRS) on a basis that is "too conservative", at a large cost to California taxpayers. We based our concern on the facts that (1) the Regents employ different and more conservative economic assumptions than are used in funding the Public Employee Retirement System (PERS) and other public systems and (2) use of those assumptions increases the state General Fund contribution toward retirement benefits for UC employees.

At that time, UC maintained that benefits provided to UCRS members were lower than PERS benefits. The UC claimed that if benefits were comparable, the state's funding obligation for UCRS benefits would be greater.

In order to assess how the state cost of UCRS is affected by (1) the Regents' economic assumptions and (2) the level of benefits provided to UC employees, we recommended that the Legislature direct UC to conduct a study of the UCRS.

UC Study

Data provided by UC confirm that (1) the Regents use more conservative economic assumptions than those used by the PERS, and these assumptions greatly increase the state's cost and (2) benefits available to UCRS members are less than the benefits available to PERS members.

Data presented in the report, however, show that UCRS benefits are *above* the level of benefits provided under the retirement plans of comparable universities.

Table 46, which is based on data contained in the UC report, compares the *current* cost of funding UCRS with the cost of funding UCRS using the economic assumptions employed by PERS.

Table 46
1982-83 Cost of UC Retirement System
UCRS Economic Assumptions (Current Cost) Versus PERS.
Economic Assumptions
(dollars in millions)

	<i>UCRS Assumptions (Current Cost)</i>	<i>PERS Assumptions</i>	<i>Difference</i>
Accrued Liability ^a	\$3,029.4	\$2,532.2	-\$497.2
Assets ^a	2,495.5	2,494.5	—
Unfunded Liability ^a	\$533.9	\$36.7	-\$497.2
Funded Ratio ^b	82%	99%	17%
Annual Cost (1982-83)	\$234.4 ^c	\$161.0	-\$73.4
(General Fund Cost)	(98.4)	(67.6)	(-30.8)

^a As of July 1, 1982.

^b Ratio of assets to accrued liabilities, as of July 1, 1982.

^c Actual employer contributions into the UCRS fund, all fund sources.

Table 46 shows that the annual cost of funding UCRS benefits is significantly higher under the UC Regents' economic assumptions than it would be if UCRS were funded based on the economic assumptions used in funding PERS. Specifically, the table shows that:

- UCRS liabilities are nearly \$500 million *more* under the UC Regents' economic assumptions than they would be if PERS's economic assumptions were used.
- Using PERS assumptions, the system's unfunded liability is almost negligible, making the UCRS virtually fully funded—a 99 percent funding ratio, as opposed to the 82 percent ratio that exists when UCRS assumptions are used.
- The total employer cost of funding the UCRS in 1982-83 (using UC's assumptions) is *\$73 million greater* than it would be if the UCRS were funded based on the economic assumptions used in funding PERS.
- The state *General Fund* contribution to the UCRS in 1982-83 is *\$31 million greater* than it would be if the UCRS were funded based on the PERS economic assumptions.

The Importance of Economic Assumptions to Retirement System Costs

The principle of retirement system funding is that contributions into a retirement system fund should be sufficient to cover the cost of retirement payments owed to members now and in the future. In order to determine the appropriate annual contribution into the fund, assumptions must be made concerning the future performance of the economy. The two most important economic assumptions concern:

- the long-term average rate of salary increase; and
- the long-term interest rate.

Long-Term Salary Increase. The rate of salary increase affects the *cost* of benefits owed, because benefits paid to retired persons are based on their ending salaries. The higher the rate of salary increase, the higher the

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cost of retirement benefits paid to members. Accordingly, the higher the *assumed* long-term salary rate increase, the higher the annual state cost of contributing into the retirement fund.

Long-Term Interest Rate. The interest rate determines the *earnings* from the investment of retirement fund assets. The higher the interest rate earned, the greater the growth in fund assets, and the *lesser* the need for annual contributions into the fund to meet retirement costs. Accordingly, the higher the *assumed* long-term interest rate, the lower the annual state cost of contributing into the retirement fund.

More important than the actual values assumed for salary increase and interest rate is the assumed *relationship* between the two factors. If the interest rate is assumed to be greater than the rate of salary increase, then assets are assumed to be growing faster than liabilities (benefits owed). If, however, salaries are assumed to grow at a greater rate than the long-term interest rate, then liabilities are assumed to be growing faster than assets.

UCRS Assumptions are Different Than Most Other Retirement Plans

The UC retirement system is the only retirement system we have been able to identify that is funded based on the assumption that salaries will grow at a faster rate than the long-term interest rate. Based on our review of the state Controller's latest annual report on public retirement systems, and on our discussions with actuaries and other experts in the field of retirement system funding, we find that virtually all retirement plans other than UCRS assume that, over the long run, interest rates will exceed the rate of salary increase. Put another way, UC assumes that liabilities will grow faster than assets, while virtually all other plans assume that assets will grow faster than liabilities. As shown above in Table 46, the annual cost to the California taxpayers of UC's atypical assumption is \$31 million in 1982-83.

The UC acknowledges that it is virtually alone in making the assumption that salaries will increase faster than the interest rate. UC officials maintain, however, that their assumption is justified because:

- Their actual experience in recent years has been that salaries of UC employees have increased at a rate above the rate of return earned on UCRS investments.
- UC needs to be more cautious than others in funding its retirement system because UC does not have taxing authority, and there is no guarantee that the state would fund any deficit that may develop in its retirement fund.

UC Past Experience. UC has not supplied data to verify the claim that the rate of salary increases provided to UCRS members has exceeded the yield on UCRS investments in recent years. Even if such data did exist, however, we would question its relevance to the issue of UC's economic assumptions, for two reasons.

First, according to the state Controller, the rate of return earned on UCRS fund assets in each of the last three years has been below the rate of return earned by *all* other state and county plans studied. In some years, this differential amounted to several percentage points. If, in fact, UC has experienced rates of return below rates of salary increase, we would question why the earnings on UCRS investments are so low compared to other retirement systems in the state.

Second, the economic assumptions used in determining retirement sys-

tem costs represent attempts to forecast the long-term *future*, which may differ from experience in the immediate past. In fact, there is general agreement among actuaries and economic forecasters that a rate of salary increase greater than the rate of interest is not sustainable over the long term.

Need for Greater Caution. UC maintains that it needs to be more cautious than PERS and other public retirement systems because it does not have the ability to raise revenue to cover any shortfall that may result from incorrect assumptions. We believe, however, that UC is not significantly different from PERS in this regard. PERS does not have taxing authority. Rather, it relies on the state Legislature to appropriate funds to support the cost of funding retirement for PERS members. The university similarly relies on the Legislature to support all aspects of its program, including retirement. We see no compelling reason why today's taxpayers should assume the obligation to pay an additional \$31 million annually, to guard against the unlikely possibility that future taxpayers will fail to continue the existing relationship between the state and the university.

Change in Assumptions Recommended

We recommend that the 1983-84 state contribution toward UC retirement benefits be based on (1) the economic assumptions used by the Public Employee Retirement System (PERS), and (2) a 100 percent funding ratio for UCRS, for a General Fund Savings of \$56.5 million. (Reduce Item 6440-001-001 by \$56,500,000.)

The state's contribution to UC retirement benefits in 1983-84 is proposed at a level of \$101.2 million. This amount is based on the Regents' assumption that the long-term rate of salary increase will exceed the long-term interest rate. As previously stated, the state's contribution to PERS is based on the opposite assumption.

Table 47 compares the assumptions used by the Regents to those used by the PERS Board of Administration.

Table 47
Comparison of Economic Assumptions
UCRS and PERS

	<i>UCRS</i>	<i>PERS</i>
Long-term rate of salary increase	7.5 percent	8.0 percent
Long-term interest rate	<u>7.0 percent</u>	<u>8.5 percent</u>
Difference	0.5 percent	-0.5 percent

Table 47 shows that UCRS is funded on the assumption that the salary increase rate will exceed the interest rate by 0.5 percentage points, while PERS is funded on the assumption that the salary increase rate will be 0.5 percentage points *lower* than the interest rate.

We believe that the state contribution to UCRS should be based on the PERS economic assumptions for the following reasons:

- Although retirement system funding is far from an exact science, and different actuaries may disagree as to the expected performance of the economy, UC is virtually alone in its assumption that the rate of increase in salaries will exceed the long-term interest rate.
- The PERS assumptions are not unreasonable. Other retirement plans—for example, those covering employees of Los Angeles and San Diego counties—assume that the interest rate will exceed the salary increase rate by 2 percentage points, rather than the 0.5 points assumed by PERS.

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- There is no reason why the state should contribute to the two largest state retirement systems using two different sets of economic assumptions. Over the long run, the investment return and salary increases experienced by UCRS and PERS are likely to be similar. Consequently, we see no reason why the taxpayers should support more conservative assumptions in funding UCRS than they do in funding PERS, at an annual cost of \$31 million.

Fiscal Impact. Our analysis indicates that if the UCRS were funded using PERS assumptions, the state's General Fund contribution to the UCRS in 1983-84 could be reduced by \$56.5 million *and still provide for 100 percent funding of anticipated UCRS benefits.* (By contrast, PERS liabilities are only 59 percent funded.) Table 48 shows this calculation. The table shows that in 1982-83, using PERS economic assumptions, UCRS will have enough money to pay off its entire accrued liability *and* end with a surplus of \$39.2 million. Thus, UCRS will have a funded ratio of 102 percent. This means that there is more money in the UCRS fund than necessary to meet the anticipated future cost of benefits owed to UCRS members.

Table 48 shows that when the \$39.2 million surplus is added to the 1983-84 proposed new funding of \$241.5 million, the total amount available to fund the 1983-84 costs would be \$280.7 million. As shown in the table, this is \$134.6 million more than is needed in 1983-84 (using PERS economic assumptions) to fully fund UCRS benefits. Because the state General Fund share of employer contributions to the UCRS is 42 percent, the General Fund share of the excess contribution is \$56.5 million. Accordingly, we recommend that \$56.5 million be deleted from this item. This would leave UCRS *fully funded* according to the PERS economic assumptions, which we believe are more realistic than the current assumptions used in funding UCRS.

Table 48
1983-84 General Fund Savings As a Result of
Using PERS Economic Assumptions in Funding UCRS
(dollars in millions)

1982-83	
Employer Contributions to UCRS ^a	\$234.4
Less Annual Contribution Needed to Maintain 99 Percent Funding (Using PERS Economic Assumptions)	-161.0 ^b
Excess 1982-83 Funding	\$73.4
Payment of Remainder of Unfunded Liability	-\$34.2
Year-End Surplus at 100 Percent Funding	\$39.2
1983-84	
Carryover of 1982-83 Surplus	\$39.2
Budgeted Employer Contributions ^a to UCRS	241.5 ^c
Total Available for 1983-84	\$280.7
Less Annual Contribution Needed to Maintain 100 Percent Funding (Using PERS Economic Assumptions)	-146.1 ^c
Excess 1983-84 Funding)	\$134.6
(General Fund Portion of Excess: 42 Percent)	\$56.5

^a All fund sources. State General Fund accounts for 42 percent of total.

^b Includes \$2.5 million towards \$36.7 million unfunded liability.

^c Assumes 3 percent increase in total UCRS payroll between 1982-83 and 1983-84.

UCRS Benefit Levels

As noted earlier, UC maintains that benefit levels provided by UCRS are less than benefits provided by PERS. UC suggests that if the state's contribution to UCRS is to be based on PERS economic assumptions, as we recommend, the contribution should also be based on PERS benefit levels. We do not find this, however, to be compelling.

As stated earlier, there is no analytical reason why two so different sets of economic assumptions should be used for UCRS and PERS, when the actual experience is likely to be similar. It is not clear, however, that benefit levels need to be the same for UCRS and PERS members. Data presented in the UC report show that UCRS benefits are below PERS benefits, but *above* the benefits paid by comparison universities. This finding confirms the finding of the California Postsecondary Education Commission (CPEC) that fringe benefits available to UC faculty generally are superior to fringe benefits available to faculty at comparison institutions.

C. 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 UC, because federal funds are available and can be used for this purpose.

In our analysis of the budget for the Department of Rehabilitation (Item 5160), we note that excess federal funds are available that could be used for clients needing reader and interpreter services while enrolled in UC. 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 for these clients. At the time this *Analysis* was prepared, UC had no reliable estimate of the amount of funds that are allocated for this purpose. It will provide such an estimate during budget hearings so that the Legislature will be able to transfer the appropriate amount of federal funds to the UC budget item and make the corresponding General Fund reduction.

VIII. OPERATION AND MAINTENANCE OF PLANT

Operation and maintenance of plant includes activities such as building maintenance, janitorial services, and utilities purchase and operation. Table 49 shows the funding for this program in the prior, current, and budget years.

The budget proposes a \$985,000 increase in funding for this program during 1983-84. This increase will grow to the extent any increase in salaries and benefits is approved for the budget year.

The increase would fund the increased workload related to 243,000 square feet of new building space. The budget proposes to fund this increase from both the state General Fund (\$441,000) and student fees (\$544,000). Our review indicates that this expenditure is warranted.

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Table 49
Operation and Maintenance of Plant
Summary of Expenditures and Personnel
 (dollars in thousands)

Expenditures by Element	Actual	Estimated	Proposed	Change	
	1981-82	1982-83	1983-84	Amount	Percent
Plant administration.....	\$4,983	\$5,138	\$5,157	\$19	0.4%
Maintenance ^a	60,994	64,743	65,121	378	0.6
Utilities purchase and operation.....	73,225	83,305	83,869	564	0.7
Refuse disposal.....	2,595	2,273	2,288	15	0.7
Fire protection	1,410	1,570	1,579	9	0.6
Deferred maintenance	5,806	5,082	5,082	—	—
Total	\$149,013	\$162,111	\$163,096	\$985	0.6%
Source of Funds:					
General funds	134,841	150,480	150,921	441	0.3
Restricted funds	14,172	11,631	12,175	544	4.7
Personnel	3,180	3,419	3,434	15	0.4

^a Includes building maintenance, grounds maintenance, and janitorial services.

A. Utilities Conservation (Item 6440-001-189(b))*We recommend approval.*

In the 1980 Budget Act, the Legislature augmented UC's budget by \$250,000 from the Energy and Resources Fund (ERF) to provide additional staff for utilities conservation efforts. This appropriation was continued in the following two years, adjusted for inflation. The Governor's Budget proposes to appropriate \$299,000 from ERF to supplement UC's efforts in utilities conservation in 1983-84. Our analysis indicates this expenditure is justified.

B. Deferred Maintenance (Item 6440-001-146(b))*We recommend approval.*

In the 1980 Budget Act, the Legislature provided UC with \$5 million from the Capital Outlay Fund for Public Higher Education (COFPE) to help cover a portion of UC's backlog of deferred maintenance. The Governor's Budget proposes \$5,334,000 for 1983-84, which is an increase of 5 percent. UC estimates its deferred maintenance needs to be well in excess of \$5.3 million. Consequently, we recommend approval as budgeted.

IX. STUDENT FINANCIAL AID

UC administers its own student financial aid program to supplement aid funds available from the Student Aid Commission, the federal government, and private sources. The program is funded primarily with revenue from the educational fee. Table 50 shows the funds provided by the university as financial aid awards. The table does not show the financial aid that UC students receive from other sources.

Table 50
Student Financial Aid
 (dollars in thousands)

	Actual	Estimated	Proposed	Change	
	1981-82	1982-83	1983-84	Amount	Percent
Financial Aid.....	\$41,443	\$41,831	\$45,521	\$3,690	8.8%
General funds	499	651	651	—	—
Restricted funds	40,944	41,180	44,870	3,690	9.0%

The budget proposes \$44.9 million for financial aid in 1983-84, an increase of \$3.7 million, or 9 percent, above the current year level. No increase in General Fund support is budgeted. The \$3.7 million increase would come from restricted funds (ed fee), and is requested to help offset the impact of the proposed \$150 fee increase for UC students.

X. INDEPENDENT OPERATIONS (Auxiliary Enterprises)

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

The largest element of this program is student housing, which covers over 20,500 residence hall spaces and approximately 4,000 apartments. The second major element is the parking program, which includes more than 60,000 spaces. The UC budget provides \$157.3 million for auxiliary enterprises in 1983-84.

XI. SPECIAL REGENTS' PROGRAMS

The state historically has allowed the Regents to retain a portion of overhead charges received from federal contracts and grants. The Regents use these funds to support special programs and projects. Table 51 shows the use of Special Regents' Program funds, by broad category, in the past, current, and budget years. In 1983-84, \$39 million will be available to the Regents for these programs.

Table 51
Special Regents' Programs
(dollars in thousands)

Programs	<i>Actual</i> <i>1981-82</i>	<i>Estimated</i> <i>1982-83</i>	<i>Proposed</i> <i>1983-84</i>	<i>Change</i>
1. Instruction	\$8,206	\$9,127	\$9,127	—
2. Research	8,385	17,150	17,150	—
3. Institutional Support	8,342	8,396	8,396	—
4. Deferred Maintenance	2,159	2,000	2,000	—
5. Health Sciences Tuition Offset	848	848	848	—
6. Student Services	2,839	—	—	—
7. Provisions for Cost Increases	—	209	1,506	1,297
	<u>\$30,779</u>	<u>\$37,730</u>	<u>\$39,027</u>	<u>\$1,297</u>

A. Health Science Tuition Offset

The budget proposes that \$848,000 from the Regents' Special Program Fund be paid to the General Fund as an offset for the revenue lost as a result of the Regents' 1970-71 decision to eliminate a special resident tuition charge imposed on students in medicine, dentistry, and pharmacy. The Regents have been required to make this payment each year since their decision to eliminate health science tuition.

Elsewhere in this analysis, we recommend that certain health science students pay higher fees than other graduate students. This recommendation would raise \$642,000 in *net* General Fund revenue. If that recommendation is adopted, the Regents' obligation to reimburse the General Fund for forgone health science tuition revenue would be reduced by \$646,000, to \$202,000. This would free up \$646,000 for the Regents to spend on other programs.

UNIVERSITY OF CALIFORNIA—Continued

XII. UNALLOCATED ADJUSTMENTS

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

The Provisions for Allocation subprogram includes 1982–83 base budget items which had not been allocated by July 1, 1982. Among these items are funds for merit and promotional increases, salary range adjustments, academic and staff position reclassifications, price increases, deferred maintenance, and unallocated endowment income. Also included are incremental provisions for new programs related to more than one campus which have not been allocated.

The Fixed Costs and Economic Factors subprogram includes salary adjustment funds and the funds needed in 1983–84 to maintain the university's purchasing power at 1982–83 levels for such items as utilities, library volumes, general supplies, and equipment.

Table 52 shows the budget for Unallocated Adjustments in the current and budget years. The Provisions for Allocation subprogram includes a General Fund increase of \$2.4 million to restore funds eliminated in 1982–83 due to the one-time reduction in employer contributions to the Public Employee Retirement System (PERS). The budget proposes \$38.6 million of general funds for price and fixed cost increases.

Table 52
Unallocated Adjustments
(dollars in thousands)

	<i>Estimated 1982-83</i>	<i>Proposed 1983-84</i>	<i>Change</i>
A. Provisions for Allocation			
General Funds:			
Price Increases	\$14,486	\$14,486	—
1982-83 Salary Funds	10,541	10,541	—
Employee Benefits	5,254	7,613	\$2,359
Budgetary Savings Target	-40,406	-40,406	—
Other Provisions	489	489	—
Subtotals	-\$9,636	-\$7,277	\$2,359
Restricted Funds:			
Educational Fee	\$8,183	\$8,613	\$430
Registration Fee	6,809	7,124	315
Endowments	4,219	5,526	1,307
Contract and Grant Administration	5,758	6,341	583
Other Provisions	1,805	3,574	1,769
Subtotals	\$26,774	\$31,178	\$4,404
B. Fixed Costs and Economic Factors			
General Funds:			
General Price Increase	—	\$7,608	\$7,608
Library Price Increase	—	2,166	2,166
Utilities Price Increase	—	10,947	10,947
Merit Salary Increase	—	17,121	17,121
Social Security	—	749	749
Subtotals	—	\$38,591	\$38,591

Restricted Funds:			
General Price Increase	—	\$310	\$310
Merit Salary Increase	—	14	14
Social Security	—	1	1
Subtotals	—	\$325	\$325
Totals	\$17,138	\$62,817	\$45,679
General funds	—\$9,636	\$31,314	\$40,950
Restricted funds	26,774	31,503	4,729

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY

Item 6440-301 from the Capital
Outlay Fund for Public High-
er Education and the Energy
and Resources Fund, Energy
Account

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Requested 1983-84	\$7,654,000
Recommended approval	4,090,000
Recommended reduction	1,348,000
Recommendation pending	2,216,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Transfer of Savings to the General Fund. Recommend that savings resulting from our recommendation on projects to be funded from tidelands oil revenues—\$1,348,000—be transferred to the General Fund, in order to increase the Legislature's flexibility in meeting high-priority needs statewide. 1596
2. Southern Regional Library—Systemwide. Recommend that future construction requests be limited to the estimated 1983-84 construction cost because the university has delayed this project, and state funds should not be appropriated to cover the increased costs due to the delay. 1598
3. Drew/UCLA Medical Education Center—Los Angeles. Withhold recommendation on equipment funds, pending receipt of additional information on the university's schedule for implementing this joint program. 1599
4. *Social Ecology Building—Irvine. Reduce by \$75,000.* Recommend that equipment funds be reduced to eliminate funds for equipment that has not been justified. 1600
5. *Applied Science Building, Basement Completion—Santa Cruz. Reduce by \$119,000.* Recommend equipment funds be deleted because this project is to consolidate existing programs for improved efficiency, and additional equipment is not needed. 1601
6. *Food and Agricultural Sciences Building I—Davis. Reduce by \$550,000.* Recommend that working drawing funds be reduced because the amount requested is excessive, since the project can no longer be planned effectively by using the early delivery system techniques. 1601

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

7. *Life Science Building Addition—Berkeley. Reduce by \$200,000.* Recommend that \$200,000 proposed for partial preliminary plans be deleted because no information has been provided to indicate the work that would be accomplished with the funds. 1603
8. *Five-Year Capital Outlay Plan—Systemwide.* Recommend that at budget hearings, UC indicate why it does not prepare a five-year capital outlay program, as required by the State Administrative Manual. 1604
9. *Engineering Unit II—Santa Barbara. Reduce by \$250,000.* Recommend that funds for partial working drawings be deleted because no information has been provided to indicate the work that would be accomplished with the funds. 1605
10. *High-rise Fire Protection—San Francisco. Reduce by \$60,000.* Recommend that \$326,000 proposed for preliminary plans and working drawings for high-rise fire code corrections be reduced to eliminate overbudgeting. 1606
11. *Campus Energy Conservation—Berkeley. Reduce by \$94,000.* Recommend that construction funds for installation of variable speed fans be reduced because modifications to one building, estimated to cost \$94,000, would not be cost effective. 1607
12. *Electrical Chiller—Riverside.* Withhold recommendation on \$660,000 for construction funds to install electric chiller on the Riverside Campus, pending receipt of additional information. 1607
13. *Energy Conservation, Step 1—San Francisco.* Withhold recommendation on \$654,000 for working drawings and construction of energy conservation improvements to the Health Science Towers and the School of Nursing building, pending receipt of additional information. 1607

ANALYSIS AND RECOMMENDATIONS

The budget includes \$7,654,000 for capital outlay for the University of California in 1983-84. The proposed amount includes \$5,500,000 from the Capital Outlay Fund for Public Higher Education (COFPE), and \$2,154,000 from the Energy and Resources Fund, Energy Account. For discussion purposes, we have divided the university's program into two parts, based on the proposed funding source for each project.

Transfer to General Fund

We recommend that the savings resulting from our recommendations on Items 6440-301-146 (\$1,254,000) and Item 6440-301-189 (\$94,000) be transferred from the Capital Outlay Fund for Public Higher Education and the Energy and Resources Fund to the General Fund, in order to increase the Legislature's flexibility in meeting high-priority needs statewide.

We recommend reductions amounting to \$1,348,000 in the University of California's capital outlay program funded from the Capital Outlay Fund for Public Higher Education and the Energy and Resources Fund. Approval of these reductions, which are discussed individually below, would

leave unappropriated balances of tideland oil revenues in these special funds which would be available only to finance programs and projects of a specific nature.

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

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

Table 1 summarizes the projects proposed to be funded from the COF-PHE and our recommendations on each project.

Table 1
University of California
Capital Outlay Program 1983-84
General Campus Improvements
Capital Outlay Fund for Public Higher Education
(in thousands)

<i>Project Title</i>	<i>Location</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated^b Future Cost</i>
(1) Minor capital outlay	Systemwide	pwc	\$1,009	\$1,009	—
(2) Southern regional library compact shelving facility.....	Systemwide	w	400	400	\$13,420
(3) Payment for purchase of Sacramento Medical Center.....	Davis	a	200	200	800
(4) Charles R. Drew Postgraduate Medical School, medical education center.....	Los Angeles	e	902	pending	—
(5) Social ecology building.....	Irvine	e	563	488	—
(6) Thimann laboratories building alterations.....	Santa Cruz	e	80	80	—
(7) Completion of applied sciences building basement ..	Santa Cruz	e	119	—	—
(8) Food and agricultural sciences building	Davis	w (partial)	746	196	42,034
(9) Life sciences building addition	Berkeley	p (partial)	200	—	38,445
(10) Engineering unit #2	Santa Barbara	w (partial)	250	—	22,336
(11) California Administrative Code deficiencies, high-rise fire and life safety	Berkeley	c	705	705	—
(12) California Administrative Code deficiencies, high-rise fire and life safety	San Francisco	pw	326	266	2,272
Totals			\$5,500	pending	\$119,307

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

^b UC estimate.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**Minor Capital Outlay**

We recommend approval of Item 6440-301-146(1), minor capital outlay university-wide.

The budget proposes \$1,009,000 for minor capital outlay (\$150,000 or less per project) at the various UC campuses. The requested amount represents a lump-sum appropriation to be allocated by systemwide administration.

The amount proposed in the budget is significantly less than the historic level of minor capital outlay funded for the university. Approximately \$2.8 million was appropriated in the 1981 Budget Act, while \$3.6 million was approved in the 1982 Budget Act. Consequently, the amount proposed for 1983-84 will be sufficient to fund only the highest priority projects—including all critical health and safety projects—in the University's original request of \$7,500,000. We recommend approval of the requested amount.

Southern Regional Library

We recommend approval of Item 6440-301-146(2), working drawings for the Southern Regional Library compact shelving facility. Further, we recommend that any future request for construction funds be limited to the estimated 1983-84 construction cost.

The budget requests \$400,000 for working drawings for a library compact shelving facility to be located on the UCLA campus.

A 1977 Master Plan developed by the University of California considered a number of alternatives for housing the university's growing library collections. The study concluded that the most cost-effective solution was to continue to house materials used at least once every eight years in conventional libraries, and to house less frequently used materials in two regional compact shelving facilities, one in the north and one in the south. The northern facility, located in Richmond, was completed in 1982.

The southern facility is planned for construction in three phases. Working drawings for the first phase are proposed for funding in the 1983-84 budget. This phase would house 3,700,000 volumes in approximately 102,500 assignable square feet. Future phases of the project will increase total capacity of the facility to 11,000,000 volumes. The estimated future cost for construction and equipment of Phase I is \$13,420,000.

Project Funds Stalled for Two Years. The Budget Acts of 1980 and 1981 included a total of \$767,000 for initial planning and development of preliminary plans and working drawings for this project. A portion of these funds were reverted by the 1982 Budget Act.

Approximately \$9,000,000 was proposed for working drawings and construction of the project in the 1982-83 Governor's budget. This amount would have provided for construction of the major part of the building with the exception of the compact shelving. In May 1982, however, the Department of Finance submitted an amendment letter requesting deletion of funds for the construction portion of the project (\$8.5 million). The Legislature approved the Department of Finance recommendation. In addition, it deleted the remaining working drawing funds because deferral of construction funds for the 1982-83 fiscal year resulted in a two-year delay of the construction phase. This delay resulted from commitments that the university made to the Los Angeles Olympic Organizing Committee (LAOOC).

Construction Must Wait Until After Olympics. The UCLA campus will be the site for several events in the 1984 Summer Olympics, and will provide housing for the Olympic Village. The UC has entered into an agreement with the LAOOC specifying that no construction will be in progress during the 1984 Summer Olympics. Thus, if the Legislature were to appropriate working drawings and construction funds for this project in 1983-84, in order to expedite construction, no work could be started before the fall of 1984. Consequently, the commitments made by the university—without any state review or approval—will cause at least a one-year delay in construction of the regional facility. More importantly, the delay will increase the amount needed for construction by \$1 million, due to the effects of inflation (assuming 9 percent annual inflation).

We concur with the need to appropriate funds for working drawings in 1983-84. The Legislature, however, should recognize that the university's independent actions have prevented this project from proceeding. Consequently, we see no reason why the state should incur the additional \$1 million in cost. Accordingly, we recommend that any future construction request be limited to the amount estimated for completion of the project in 1983-84.

Medical Center Purchase—Davis

We recommend approval of Item 6440-301-146(3) \$200,000 for purchase of the Sacramento Medical Center.

The budget includes \$200,000 to provide the sixth installment to purchase the county's interest in the Sacramento Medical Center (SMC), land and buildings. The requested amount is based on an agreement between the county of Sacramento and the university that provides for the university's continued operation, ownership and control of the SMC. Upon completion of ten annual payments totalling \$2 million, the university may purchase the county's remaining interest in SMC for \$6,687,942. This amount compares with the current base value of over \$10 million.

The requested funds are needed to preserve the terms of the present agreement between Sacramento County and the university for ultimate purchase of the SMC. For this reason, we recommend approval of the sixth \$200,000 payment.

Charles R. Drew Postgraduate Medical School, Medical Education Center—Los Angeles.

We withhold recommendation on Item 6440-301-146(4), equipment funds for the Medical Education Center, pending receipt of additional information. The university should provide a schedule for the planned expansion of the Drew/UCLA program, including schedules for alterations to the 3rd floor clinical sciences space.

The budget includes \$902,000 for equipment related to the Drew/UCLA Medical Education Center. This project was funded for construction in the 1982 Budget Act, in the amount of \$4,465,000. The project provided 32,000 assignable square feet to house a biomedical library, a multimedia center, educational supporting services, instructional facilities, faculty offices and support areas for students and faculty involved in the joint program at the Drew School.

A companion project, which initially was budgeted in the 1981 Budget Act, proposes alterations to the third floor of the Psychiatric and Clinic Sciences building of Martin Luther King, Jr., County General Hospital, to provide facilities for clinical science research. The costs for construction

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

and equipment of the third floor completion project is \$3,647,000, based on the amount requested in the Regent's proposed budget for 1983-84. The Governor's Budget however, does not propose funding for the clinical sciences space.

The university's plan for expanding the Drew/UCLA undergraduate medical school program assumes that students admitted to the program will spend the majority of their first two years at the UCLA campus, completing the basic medical sciences phase of their training. The third and fourth years will be spent at Drew in the clinical sciences program. For this plan to operate effectively, the university indicated that it was *imperative* for adequate facilities for clinical science research to be provided.

In view of the fact that the research space—(third floor alteration project)—has not been approved, there may be a delay in implementing the clinical training phase of the program for the third and fourth-year students. If the program is delayed because of inadequate facilities, the requested equipment funds may not be needed in the 1983-84 fiscal year. Accordingly, we withhold recommendation on the equipment funds. We recommend that prior to budget hearings, the university report on the schedule for implementing fully the Drew/UCLA Medical program.

Social Ecology—Irvine

We recommend that Item 6440-301-146(5), equip Social Ecology Building, be reduced by deleting \$75,000 requested for the modular building materials kit, on the basis that the need for the kit has not been demonstrated.

The 1982 Budget Act included \$4,037,000 for construction of a social ecology building on the Irvine campus. Social ecology is an interdisciplinary academic program—unique to the Irvine campus—which focuses on contemporary problems of the physical and social environment. The faculty participating in the program is multi-disciplinary and includes psychologists, criminologists, planners, social ecologists, public health biologists, and lawyers. The Budget Bill contains \$563,000 to equip the new facility.

The university's equipment list appears reasonable with the exception of one \$75,000 request. This item of equipment, a modular building materials kit, is intended for use in the environmental psychology class laboratory, and according to the university, it would be used to simulate "real life" conditions and situations. The kit, produced only in Sweden, consists of flexible floors, ceilings, walls, full scale mock furniture, and interior environments that simulate a number of settings (office, home, and institutional). The university indicates that this system would be used to conduct experiments looking into realistic simulations of such questions as "the influence of floor elevation on the perception of room volume", and "student-faculty reactions to UCI classrooms".

Our analysis indicates that while these experiments may be appropriate, it is questionable that such costly and sophisticated systems are needed to conduct them. These experiments could be carried out using less expensive materials, such as those used in dramatic arts. Moreover, we question the need to provide flexible equipment to simulate a campus classroom when there are numerous classrooms available on the Irvine campus which should be adequate for observation of student and faculty "reac-

tions". The university has not demonstrated that this costly item of equipment is necessary, and for this reason we recommend that Item 6440-301-146(5) be reduced by \$75,000.

Thimann Laboratories Building Alterations—Santa Cruz

We recommend approval of Item 6440-301-146(6), equip Thimann Laboratories Building alterations.

The budget requests \$80,000 to equip the proposed alterations to the Thimann Laboratories Building. The 1982 Budget Act included \$340,000 for working drawings and construction to alter 1,895 assignable square feet to create biological teaching laboratories and chemistry research laboratories. These facilities will be centrally located in an area containing similar research laboratories and class laboratories.

Our review of the equipment lists submitted by the university indicates that the proposal is reasonable, and we recommend approval of the requested amount.

Applied Sciences Building Basement—Santa Cruz

We recommend deletion of Item 6440-301-146(7), equip the completion of Applied Sciences Building basement, for a savings of \$119,000, because existing equipment should be adequate to conduct the program anticipated for the altered areas.

The budget requests \$119,000 in equipment funds for the completion of the Applied Sciences Building Basement. This project was funded for working drawings and construction in the 1982 Budget Act, in the amount of \$401,000. The project alters 4,630 assignable square feet for machine, electronic, paint, and marine shops, related storage space, and a conference room. Upon completion, existing shop areas will be altered, as part of a subsequent project, for research laboratories and support facilities for physics.

The university indicated that the project has two benefits. First, it would consolidate and expand crowded support facilities which are located in two buildings. This will provide better supervision of students using these facilities. Secondly, the project allows reassignment of approximately 2,000 square feet of vacated shop space for physics research laboratories which, according to current guidelines, has a space deficiency.

Our analysis indicates that this project was undertaken essentially to make the shop operations more efficient, not to expand their capabilities. Consequently, existing equipment items, which are currently located in the shop areas of the two buildings, should be consolidated into the newly altered space. We see no basis for purchase of \$119,000 in additional equipment. All the activities to be located in this area currently are operational, and accordingly deletion of the requested equipment funds should not affect program services. On this basis, we recommend deletion of Item 6440-301-146(7), a reduction of \$119,000.

Food and Agricultural Sciences Building I—Davis

We recommend that Item 6440-301-146(8), working drawings for the Food and Agricultural Science Building at Davis, be reduced by \$550,000 because the amount requested is excessive since the project can no longer be planned effectively by using the early delivery system technique.

The budget proposes \$746,000 for working drawings for the Food and Agricultural Sciences Building at Davis. This building would provide addi-

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

tional space for research, teaching and extension activities for the departments of animal sciences, avian sciences, environmental toxicology, and nutrition, plus space for the food protection and toxicology center. Included in the 129,800 assignable square foot building will be areas shared by the respective building occupants. The 1982 Budget Act appropriated \$2,307,000 for preliminary plans and working drawings for this project. The current estimated total project cost is \$44,873,000. Extensive remodeling of space scheduled to be vacated upon completion of this building will add an additional \$15 to \$20 million in costs, bringing the total to over \$60 million.

In appropriating funds in the 1982 Budget Act, the Legislature adopted budget language specifying that for the Food and Agricultural Sciences Building, the university was to utilize the "early delivery system" (EDS) design and construction technique. This system was to be used as a means of reducing overall capital outlay costs through acceleration of design and construction. Under the traditional method, working drawings for an entire project are prepared by an architect, and these documents are used to advertise for lump sum bid proposals from contractors. Under the EDS process, construction activities are accelerated, and take place prior to the completion of all working drawings. This is made possible by dividing the project into several logical subdivisions which can proceed independent of each other. For example, under the EDS process, once the foundation and structural system of the building is designed, these elements can be bid for construction while the consultants continue working on design of mechanical systems, exterior finishes, and other items. Application of this system to the Food and Agricultural Sciences Building planning process, as proposed by the university, was expected to save over \$2.5 million dollars in construction funds, and would allow occupancy of the building one year sooner than if the traditional approach had been used.

Proposed Funding Inadequate for Early Delivery System to Continue. One of the major differences between the EDS and the traditional means of implementing capital outlay projects is that the construction funds under EDS must be appropriated at about the same time that the working drawing funds are required. This is because of the overlap between the working drawings and construction stages. Consequently, in order to take full advantage of the accelerated schedule under EDS, a total of \$40,619,000 would have to be appropriated for this project in 1983-84. The Governor's Budget, however, contains only \$746,000 for additional working drawings for this project. Given the funding level provided in the Governor's Budget, the early delivery system technique *cannot* be used effectively for this project.

Reduction in Working Drawing Amount Needed If Project is to Proceed in Traditional Mode. The amount of funds needed at any particular time in the development of a project is also substantially different under the traditional capital outlay approach, compared to the EDS approach. Table 2 compares the amounts which would be needed for various project phases according to the traditional schedule and the early delivery schedule. This table reveals that the EDS actually requires more funds (\$550,000) through the working drawing phase than is needed under the traditional approach. Because of the accelerated construction schedule, however, there is an overall savings of \$2.6 million under EDS.

The Governor's Budget does not provide adequate funds to implement the EDS. Consequently, under the governor's proposal the benefits under

the EDS cannot be realized and the project will have to proceed under the traditional capital outlay schedule.

Our analysis indicates that it would not be prudent to spend the additional \$550,000 required for up-front costs associated with the EDS. On this basis, we recommend that the \$746,000 proposed in the budget for working drawings be reduced by \$550,000. The remaining \$196,000 will provide the needed additional working drawing funds for the project to proceed according to the traditional capital outlay schedule. As previously indicated, the estimated future cost of this project is \$42 million, and the university's plan includes spending an additional \$15 to \$20 million to alter existing buildings. Thus the total future cost related to this project is \$57 to \$62 million.

Table 2
University of California
Food and Agricultural Sciences Building, Davis
Funding Schedule Options
(in thousands)

	<i>Traditional Capital Outlay Schedule</i>		<i>Early Delivery System Schedule</i>		<i>Difference (Cumulative)</i>
	<i>Amount Needed</i>	<i>Cumulative Cost</i>	<i>Amount Needed</i>	<i>Cumulative Cost</i>	
Preliminary Plans	\$1,287	\$1,287	\$1,337	\$1,337	\$50
Working Drawings	1,416	2,703	1,916	3,253	550
Construction Appropriation	36,392	39,095	39,873	43,126	4,031
Cost Rise Augmentation to Bid Date	6,689	45,784	—	43,126	-2,658
Less:					
Prior Allocations/Appropriations		\$2,507		\$2,507	
Additional Funds Needed for 1983-84 Per Schedule ^a		\$196		\$40,619	
Budget Bill Amount		746		746	
Funding Shortfall		—		-\$39,873	
Funding Surplus		\$550		—	

^a Under the traditional schedule, construction funds would not be needed in 1983-84. Thus, only \$196,000 in additional funds is needed to fund all activities through working drawings estimated to cost \$2,703,000. For the Early Delivery System, the entire amount for working drawing and construction would be needed in 1983-84.

Life Sciences Building Addition—Berkeley

We recommend deletion of Item 6440-301-146(9), partial preliminary planning for the Life Sciences Building Addition, a reduction of \$200,000, because we have not received any information to indicate what work can be accomplished with the requested amount.

The budget requests \$200,000 in partial planning funds for the Life Sciences Building addition on the Berkeley campus. This project, estimated to cost \$39,195,000, would be the first in a series of projects to provide new and remodeled space for the biological sciences at the Berkeley campus. The university envisions a six-phase program consisting of two new buildings, the life science building addition, for which partial funding is requested under this item, and a biochemistry annex which is proposed for funding with over \$30 million in non-state funds. The other four phases of work would involve rehabilitation of the existing 250,000 square foot life science building, at a cost of \$40-\$50 million. Consequently, the total

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

program anticipates expenditures in excess of \$110 million, including \$30 million from non-state sources.

The life science building addition would provide 105,000 assignable square feet to house several disciplines within the biological sciences related to organismal biology. The disciplines include ethnology, endocrinology, immunology, neurobiology, and cell and development biology. Instructional, research, and support space for 46 faculty members from various disciplines would be located in this building. The 1982 Budget Act included \$550,000 for partial preliminary plans in connection with the life sciences building addition. The budget indicates that the proposed \$200,000 is also for partial preliminary plans.

Budget Requests Inconsistent with Project Plans. The university's most recent schedule for construction of the life science building indicates that for the project to proceed as scheduled, the 1983-84 funding requirement is \$660,000 to complete preliminary plans and \$1,680,000 for working drawings—a total of \$2,340,000. The future costs for construction and equipment are estimated at \$36,305,000.

We have asked Department of Finance staff to indicate what portion of the project the proposed \$200,000 would fund, but the staff is unable to identify any specific work to be accomplished. The staff, however, did indicate that this amount was included in the budget in order to keep the project moving, and to stay within the arbitrary allocation of \$5.5 million for the university's total capital outlay budget.

Consequently, there is no analytical basis on which we can recommend appropriation of the \$200,000 requested for partial preliminary planning. Accordingly, without prejudice to the merits of the project, we recommend deletion of the funds proposed in Item 6440-301-146(9), for a reduction of \$200,000.

Better Planning Documentation Needed

We recommend that at legislative hearings on the budget, the university explain why it does not prepare a five year capital outlay plan as required by the State Administrative Manual.

The State Administrative Manual (SAM, Sections 6019 and 6137), describes the procedures to be followed by and responsibilities assigned to state agencies in preparing the annual capital outlay program. The manual specifies that all state agencies are to identify capital outlay needs at an early stage, and a five-year plan is to be prepared which indicates the anticipated capital construction needs based on projected population, enrollments, etc. The SAM specifically states that the procedures are fully applicable to the University of California.

A five-year plan would provide more thorough information on the total funding requirements for the university's capital outlay program. The capital improvement program prepared for the Regents' approval and submitted to the state includes planned capital outlay for only two years beyond the budget year. This does not provide the Legislature with adequate information. For example, the three-year plan includes \$48 million for constructing the life science building addition, and only \$8 million for renovation of the existing life science building. Thus only \$48 million of the \$80 million that ultimately will be requested from the state is shown.

We recommend that at legislative hearings on the budget, the university indicate why it does not comply with the planning directive included

in the State Administrative Manual requiring preparation of a five-year capital outlay program. Such a plan would aid the Legislature in assessing current year capital outlay requests in relation to future funding needs. It would, for example, allow the Legislature to consider alternative priority uses of planning funds requested for projects that go beyond the state's ability to finance.

Engineering Unit 2, Santa Barbara

We recommend deletion of Item 6440-301-146(10), partial working drawings for engineering unit 2 at Santa Barbara, for a reduction of \$250,000, because we have no information to indicate what work is to be accomplished with these funds.

The budget includes \$250,000 for partial working drawings for the Santa Barbara engineering unit 2 project. The 1982 Budget Act included \$426,000 for preliminary plans for this project. The project would provide 83,000 assignable square feet for the College of Engineering. The building will house the departments of chemical and nuclear engineering, mechanical and environmental engineering, and the Dean of the college. The department of electrical and computer engineering and computer sciences will remain in Engineering Unit 1, and take over space vacated in that building. The project will provide additional laboratory and related space to increase the capacity in engineering to approximately 75 percent of the space needs based on state guidelines. The university indicates that the program can operate effectively at this level through more intense utilization of the specialized engineering laboratories provided in this project. The future cost for the balance of working drawings, construction, and equipment is \$21,535,000.

While the budget includes \$250,000 for working drawings, the university's capital improvement budget indicates that \$592,000 will be needed in 1983-84 to complete the working drawings. The Department of Finance staff indicates that \$250,000 was allocated for the project in order to keep the project moving and to stay within the arbitrary allocation of \$5.5 million for the university's total capital outlay budget. We have no information to indicate what work can be funded with the \$250,000.

Consequently, there is no analytical basis on which we can recommend appropriation of the funds included in the budget. We, therefore, without prejudice to the merits of the project, recommend deletion of the requested \$250,000.

California Administrative Code Deficiencies—Berkeley

We recommend approval of Item 6440-301-146(11), construction funds for fire and life safety corrections (California Administrative Code deficiencies).

This \$705,000 proposal will modify portions of five buildings on the Berkeley campus to meet fire and life safety code requirements for buildings which exceed 75 feet in height. The majority of the work involves modifications to establish adequate exiting corridors and doorways, revisions to the operation of air circulating systems, and installation of various fire alarm and emergency lighting systems. Working drawing funds (\$38,000) for this project were appropriated in the 1982 Budget Act.

Our review of the completed preliminary plans indicates that the proposed work and associated costs are reasonable, and we recommend approval of the requested amount.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**High-rise Fire Protection—San Francisco**

We recommend Item 6440-301-146(12), \$326,000 for preliminary plans and working drawings for high-rise fire and life safety improvements, be reduced by \$60,000 to eliminate overbudgeting.

The budget includes \$326,000 for preliminary plans and working drawings to modify four high-rise buildings on the San Francisco campus to meet California Administrative Code regulations. A survey conducted by the State Fire Marshal identified work necessary to upgrade these buildings to meet the applicable code. The estimated future cost for construction of the project is \$2,212,000.

The proposed modifications are consistent with California Administrative Code requirements related to the fire and life safety code. The amount budgeted for preparation of the preliminary plans and working drawings, however, is overbudgeted. Our analysis of the project estimate indicates that a total of \$316,000 (or \$10,000 less than the Budget Bill amount) is needed for all Architectural/Engineering Services. Of this amount \$50,000 is for services provided during the construction phase, and the balance of \$266,000 is for preliminary plans and working drawings. Accordingly, we recommend the \$326,000 proposed for preliminary plans and working drawing funds proposed in Item 6440-301-146(12) be reduced by \$60,000 to eliminate overbudgeting of this project phase.

**B. PROJECTS FUNDED FROM THE ENERGY AND RESOURCES
FUND, ENERGY ACCOUNT**

The budget proposes \$2,154,000 for three projects to be funded from the Energy and Resources Fund, Energy Account. The requested projects, and our recommendations on each, are shown in Table 3.

Table 3
University of California
Capital Outlay Program 1983-84
Energy Conservation Projects
Energy and Resources Fund
Item 6440-301-189
(in thousands)

<i>Project Title</i>	<i>Location</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated^b Future Cost</i>
(1) Campus energy conservation project, variable-speed fans, step 1	Berkeley	c	\$840	\$746	—
(2) Construct electrical centrifugal chiller	Riverside	c	660	pending	—
(3) Energy conservation, step 1, Health Science Towers and School of Nursing Building	San Francisco	wc	654	pending	—
Totals			\$2,154	pending	—

^a Phase symbols indicate: c = construction and w = working drawings.

^b UC estimate.

Campus Energy Conservation—Berkeley

We recommend that Item 6440-301-189(1), variable speed fans, step 1, be reduced by \$94,000 to eliminate construction funds for modifications which are not cost effective.

This \$840,000 project would revise the ventilation system in five buildings by installing variable speed fans, to allow adjustment of the building ventilation rate. Preliminary plans and working drawing funds (\$85,000) for this project were approved in the 1982 Budget Act.

Preliminary plans for this project were completed recently. The consulting engineer however, has determined that installation of new fans in the Earth Sciences Buildings is *not* cost effective. On this basis, the amount in the budget can be reduced by \$94,000, by deleting funds for this building. Moreover, the university indicates that upon completion of working drawings, the consulting engineer will certify that implementation of the project will not reduce ventilation rates below the level required by code. Accordingly, we recommend approval of construction funds in the reduced amount of \$746,000, for a savings of \$94,000.

Electrical Centrifugal Chiller—Riverside

We withhold recommendation on \$660,000 under Item 6440-301-189(2), construction funds for an electrical centrifugal chiller, pending receipt of additional information.

The Riverside campus has completed an energy study of its chillers which provide air conditioning to all major buildings on campus. The study indicated that two of the existing chillers are not operating efficiently, and therefore are using an excessive amount of energy during the cooling season. The study further indicates that installation of one new electric chiller to replace two steam-absorption chillers would result in sufficient energy savings to pay back the investment in less than two years. Non-state funds available to the university have been allocated for preparation of preliminary plans and working drawings for this project.

The proposed \$660,000 included in the budget would fund the construction portion of this energy conservation project.

We have not received adequate information to substantiate the energy savings anticipated from this project. The campus installed the existing chillers when buildings were maintained at 72°, while new conservation standards dictate a temperature of 78°. We have discussed this discrepancy with university staff, and they are preparing information to determine the impact of the energy conservation standards on the feasibility of this project. We withhold recommendation on the \$660,000, pending receipt of this information.

Energy Conservation—Step 1—San Francisco

We withhold recommendation on Item 6440-301-189(3), working drawings and construction funds for energy conservation improvements to the health science towers and the School of Nursing building, pending receipt of additional information.

This project would modify the heating, ventilation, and air conditioning systems in an attempt to reduce energy consumption in three buildings at the San Francisco campus. The project consists of installing dampers to vary the air volume in the buildings, and providing other modifications to properly distribute the reduced air volume. The university states that installation of the proposed system would reduce utility costs by approxi-

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

mately \$223,000 (1982 prices)—a payback period of approximately three years.

The university has proposed a project on the Berkeley campus which is also intended to reduce the ventilation rate in selected buildings. The Berkeley project consists of installing variable speed motors to reduce the rate of ventilation and thus save energy. This project—with the same objective—does not include modification of any fans. The university staff indicate that preliminary plans for this project will be based on an engineering evaluation of the most cost-efficient modifications. Moreover, the preliminary plans should also indicate whether or not the proposed ventilation rates in these buildings—which contain numerous medical research laboratories—will reduce the ventilation rate below the level necessary to provide safe occupancy of the laboratory facilities. The university should direct the engineer to verify that the proposed ventilation rates will not result in hazardous conditions to building occupants. The university indicates that the needed additional information should be available prior to budget hearings. Consequently, we withhold recommendation, pending receipt of this information.

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.

Table 4 shows how we categorize the projects funded from tideland oil revenues that our analysis indicates are warranted.

Table 4
University of California
Projects by Descriptive Category
(in thousands)

<i>Campus/Project Title</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Costs</i>
1. Davis—Purchase of Sacramento Medical Center	\$200	\$800
2. Irvine—Social Ecology	488	—
Santa Cruz—Thimann Laboratories alteration	80	—
3. None		
4. Systemwide—Regional Library Facility	400	—
Davis—Food and Agricultural Sciences Building	196	42,034
5. Berkeley—Variable Speed Fans	746	—
6. None		
7. Systemwide—Minor Capital Outlay	1,009	—
Berkeley—CAC deficiencies	705	—
San Francisco—CAC deficiencies	-266	2,272
Totals	\$4,090	\$45,106

HASTINGS COLLEGE OF THE LAW

Item 6600 from the General
Fund

Budget p. E 95

Requested 1983-84	\$7,517,000
Estimated 1982-83	7,258,000
Actual 1981-82	7,564,000
Requested increase (excluding amount for salary increases) \$259,000 (+3.6 percent)	
Total recommended reduction	\$284,000

1983-84 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
6600-001-001—Hastings College of the Law		General	\$7,517,000
6600-001-890—Hastings College of the Law		Federal	(816,000)
Total			\$7,517,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

- Educational Fee Increase.** Reduce Item 6600-001-001 by \$225,000. Recommend Hastings increase educational fee by \$150 so that it is equal to the University of California's educational fee. 1611
- Financial Aid Increase.** Increase Item 6600-001-001 by \$45,000. Recommend augmentation for increased student financial aid to reflect the additional need resulting from the recommended \$150 increase in the educational fee. 1612
- Student Fees.** Reduce Item 6600-001-001 by \$135,000. Recommend an additional increase in student fees of \$90 so that the students' contributions toward the cost of their education are more reflective of the benefits they derive. 1612
- Financial Aid Increase.** Increase Item 6600-001-001 by \$31, 1612

HASTINGS COLLEGE OF THE LAW—Continued

000. Recommend augmentation for increased financial aid to reflect the additional need resulting from the recommended \$90 increase in the student fee.

5. Use of Student Fee Revenue. Recommend that revenue collected from student fees be treated as an offset to General Fund support requirements, because current fee policies limit the flexibility of both the state and Hastings to allocate funds where they are most needed. 1613
6. Student Health Services. Recommend adoption of supplemental report language directing Hastings to prepare a plan for funding student health services on a user-fee basis, beginning 1984-85, so that those who benefit from these services bear the cost of financing them. 1613

GENERAL PROGRAM STATEMENT

Hastings College of the Law was founded in 1878. It is designated by statute as a law school of the University of California, although it is governed by its own board of directors.

Hastings is budgeted for 1,500 law students. The college has 223.5 full-time equivalent positions in the current year.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a total of \$11.0 million for support of Hastings College of the Law in 1983-84. Of this amount, \$7.5 million is requested from the General Fund. This is \$259,000, or 4.0 percent, more than estimated expenditures from the General Fund in 1982-83. The proposed increase, however, makes no allowance for any salary or staff benefit increases that may be approved for the budget year. Hastings estimates that each 1 percent increase in salaries would cost an additional \$72,000 beyond what is requested in the budget.

Funds received from the federal government (\$0.8 million) help support the student services program, primarily student financial aid. Reimbursements (\$2.6 million) are received primarily from student fees and nonresident tuition, and are used to fund student service programs and to offset part of the cost to the General Fund of supporting the college.

Table 1 shows proposed expenditures and funding sources for Hastings.

Table 1
Hastings College of the Law
Expenditures and Funding
(dollars in thousands)

Program	Actual 1981-82	Estimated 1982-83	Proposed 1983-84	Change	
				Amount	Percent
1. Instruction	\$3,830	\$4,058	\$4,126	\$68	1.7%
2. Public and Professional Services	202	225	227	2	0.1
3. Academic Support	1,283	991	1,008	17	1.7
4. Student Services	1,922	2,265	2,290	25	1.1
5. Institutional Support	2,111	1,558	1,597	39	2.5
6. Operation and Maintenance of Plant	1,078	1,237	1,259	22	1.8
7. Provision for Allocation	70	334	454	120	35.9
Totals	\$10,496	\$10,668	\$10,961	\$293	2.7%
General Fund	\$7,564	\$7,258	\$7,517	\$259	3.6%
Federal funds	687	806	816	10	1.2
Reimbursements	2,245	2,604	2,628	24	0.9
Personnel Years	214.8	223.5	223.5	—	—

Changes Proposed for the Budget Year

Table 2 shows the proposed changes in General Fund support between 1982-83 and 1983-84.

Table 2
Hastings College of the Law
Proposed 1983-84
General Fund Budget Changes
(dollars in thousands)

1982-83 Base Budget	\$7,258
Budget Changes	
A. To Maintain Existing Budget	
1. Merit and promotions	\$118
2. Price increases	152
3. Reimbursement income adjustment	-15
Subtotal, Changes to Maintain Existing Budget	\$255
B. Restoration of One-Time Retirement Reduction	4
Total Changes	
Amount	\$259
Percent	(3.6%)
Total, 1983-84 Support	\$7,517

The major changes proposed for 1983-84 include:

- A \$118,000 increase for merit salary and promotional adjustments.
- A \$152,000 increase to reflect the impact of inflation on the prices Hastings must pay.

Increase in Educational Fee Needed to Maintain Parity With UC

We recommend that the educational fee at Hastings be increased by \$150 per year so that it is equal to the educational fee charged by the University of California. (Reduce Item 6600-001-001 by \$225,000.)

Because Hastings is part of the University of California, fees at Hastings traditionally have been set so as to equal the fees charged to other UC graduate students. Table 3 compares student fees at UC and Hastings in 1982-83 and as proposed for 1983-84.

Table 3
Student Fees at UC^a and Hastings

	<i>Actual</i> <i>1982-83</i>		<i>Proposed</i> <i>1983-84</i>		<i>Change</i>	
	<i>UC</i>	<i>Hastings</i>	<i>UC</i>	<i>Hastings</i>	<i>UC</i>	<i>Hastings</i>
Educational Fee	\$635	\$685	\$635	\$685	\$150	—
Registration Fee	510	510	510	510	—	—
Other Required Fees	45	44	45	44	—	—
Total	\$1,240	\$1,239	\$1,390	\$1,239	\$150	—

^a UC graduate student fees.

As Table 3 shows, the budget for 1983-84 proposes to abandon the policy of fee parity at the two institutions. The budget reflects a \$150 increase in the *educational* fee charged graduate students at the university, raising it

HASTINGS COLLEGE OF THE LAW—Continued

to \$835 per year. Hastings' educational fee, however, would remain at \$685.

We know of no analytical reason why a law student at Hastings should pay less than a law student at the other three UC law schools. Consequently, we recommend that Hastings' educational fee be increased by \$150, to a level of \$835 per year. This would result in a revenue increase of \$225,000 in 1983-84, and permit a corresponding savings to the General Fund.

Student Financial Aid Increase Needed

We recommend that the Legislature augment the budget for Hastings by \$45,000 to provide for additional student financial aid needed to compensate for the recommended \$150 increase in the educational fee, so as to maintain access to Hastings for low-income students. (Increase Item 6600-001-001 by \$45,000)

As noted above, the budget proposes an increase in the educational fee charged other UC students equal to \$150. The budget also proposes to increase funding for student financial aid by an amount equal to 20 percent of the revenue generated by the fee increase, in recognition that the fee increase would generate additional needs on the part of lower income students. Consistent with the budget proposal for UC, we recommend that \$45,000 be appropriated to meet the increased need for student financial aid resulting from the \$150 fee increase recommended above.

Increased Graduate Fees Recommended

We recommend that the annual fees charged Hastings students be increased by \$90 for 1983-84, so that the amounts these students contribute toward the cost of their education are more reflective of the benefits they derive. (Reduce Item 6600-001-001 by \$135,000.)

Elsewhere in this *Analysis*, we recommend that the annual fee charged UC graduate students be increased by \$90 per year. This recommendation, which is discussed in greater detail in our analysis of the proposed budget for the University of California (Item 6440-001-001) is based on three considerations:

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

Because (1) the same reasons apply to law students at Hastings, and (2) Hastings, as part of UC, should charge the same fees as the university, we recommend that Hastings also raise student charges by \$90 per year. The \$90 fee increase would raise \$135,000 in revenue, and permit a corresponding savings to the General Fund.

Additional Financial Aid Needed

We recommend that the Legislature augment the budget for Hastings by \$31,000 to provide for additional student financial aid needed to compensate for the recommended \$90 fee increase, so as to maintain access to Hastings for low-income students. (Increase Item 6600-001-001 by \$31,000.)

Based on the model developed by the California Postsecondary Education Commission (CPEC) for estimating the financial aid requirements associated with student fee increases, we estimate that a \$90 fee increase would generate an increase in student financial aid requirements of \$31,000. Consequently, we recommend that the budget for Hastings be augmented by \$31,000 for additional student financial aid.

Use of Student Fee Revenue

We recommend that, beginning in 1983-84, revenue collected from student fees be treated as an offset to the General Fund support requirements, because the current fee policies limit the flexibility of the state and Hastings to allocate funds where they are most needed.

Revenue from the fees paid by Hastings students is classified as "reimbursements" and used to fund specific student service programs. Under the state's "no-tuition" policy, fee revenue at Hastings cannot be used to defray expenditures that are unrelated to student services. This policy is consistent with the policy governing the use of fee revenue collected from other UC students.

In the postsecondary education overview, we discuss several problems associated with the current policy of restricting the use of student fee revenue. Specifically, we note that the current policy:

- tends to put emphasis on *what* students pay for, rather than on *how much* they pay;
- tends to foster inconsistencies between how students are treated at different segments in terms of what they must pay for;
- reduces the flexibility of the Legislature and the segments to the point where it can produce unintended and undesirable results; and
- may promote the financing of higher education on a regressive basis.

In order to address these problems, we recommend that student fee revenue at Hastings be budgeted as an offset to the General Fund appropriation, rather than be restricted to student service expenditures. We make similar recommendations regarding the use of student fee revenue in our analyses of the proposed budgets for UC and CSU.

Student Health Services Funding

We recommend the adoption of supplemental report language directing Hastings to prepare a plan for funding student health services on a user-fee basis, beginning in 1984-85, so that health service costs better reflect the need for those services to be provided on campus.

Comprehensive health services currently are available to Hastings students as part of the student services program. The cost of student health services, estimated to be \$211,000 in 1982-83, is paid for out of student fee revenue collected from all students (approximately \$141 per student). Our analysis indicates that a separate health services fee should be established to fully fund health services on a user fee basis.

Unlike other programs funded through the Hastings budget, health services are available from sources other than the college's student health service. Consequently, some students are already covered under private health insurance policies. Although these students do not need the student health services available at Hastings, they must pay for these services through their student fees. This, in turn, may encourage them to use the student health service, rather than obtain the services through the private sector, thereby unnecessarily increasing costs.

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