

OVERVIEW OF POSTSECONDARY EDUCATION

	<i>Page</i>
California Postsecondary Education Commission (Item 6420)	1677
University of California (Item 6440)	1682
Hastings College of the Law (Item 6600)	1788
California State University (Item 6610)	1802
Board of Governors of the California Community Colleges (Item 6870)	1898
Student Aid Commission (Item 7980)	1943

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 of the *Analysis* presents data on *all* postsecondary education in California. It is intended to provide historical information and comparative statistics to supplement the individual agency and segmental budget analyses that follow. This section discusses the following topics:

1. Organization of postsecondary education in California
2. Enrollment
3. Expenditures
4. Resident Student fees
5. Nonresident Student Tuition
6. Academic calendars
7. Financial aid and the private colleges
8. Instructional equipment

1. ORGANIZATION

California's system of public postsecondary education is the largest in the nation, and consists of 136 campuses serving approximately 2 million students. This system is separated into three distinct public segments—the University of California (UC) with 9 campuses, the California State University (CSU) with 19 campuses, and the California Community Colleges (CCC) with 106 campuses.

In addition to the public system, there are approximately 300 independent colleges and universities in California which serve an estimated 200,000 students.

2. ENROLLMENT

Table 1 shows the distribution of enrollment among the three public segments in the fall of 1982. The table shows that of 1.6 million students, UC enrolled 139,138 (9 percent), CSU enrolled 315,814 (19 percent), and CCC enrolled the remaining 1,192,000 (72 percent). Part-time enrollees represented 74 percent of CCC enrollment, 38 percent of CSU enrollment, and 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 five units; or any variation thereof. ADA refers to the number of students actually present on each day throughout the year, divided by the total number of school days in the school year.

Table 1
California Public Postsecondary Education Enrollment (Headcount)*
Fall 1982

Segment	Full-Time		Part-Time		Total Enrollment	Percent of Total—All Segments
	Number	Percent	Number	Percent		
University of California:						
Undergraduate	93,027	92.3%	7,724	7.7%	100,751	
Graduate	36,640	95.4	1,747	4.6	38,387	
Subtotals	129,667	93.2%	9,471	6.8%	139,138	9%
California State University:						
Undergraduate	180,894	72.0%	70,243	28%	251,137	
Graduate	14,677	22.7	50,000	77.3	64,677	
Subtotals	195,571	61.9%	120,243	38.1%	315,814	19%
California Community Colleges	307,129	25.7%	885,791	74.3%	1,192,920	72%
Totals	632,367	38.4%	1,015,505	61.6%	1,647,872	100%

* Source: CPEC

Table 2
California Enrollment in Public Higher Education
1979-80 to 1984-85

	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.....	1,354,982	706,733	337,276	241,407	134,946	129,643	1,827,204	1,077,783
1983-84 (estimated) ..	1,242,500	660,090	339,700	242,460	134,481	128,484	1,716,681	1,031,034
1984-85 (proposed) ..	1,300,000	685,531	336,350	242,740	136,600	131,157	1,772,950	1,059,428
Percent change 1983-84 to 1984-85	4.6%	3.8%	-1.0%	0.1%	1.6%	2.1%	3.3%	2.8%

In total, some 1.8 million individuals are expected to enroll in California's public institutions of higher education in 1984-85. As Table 2 shows, this is 3.3 percent more than estimated headcount enrollment in the current year. On an FTE/ADA basis, the increase in enrollment projected for the three segments in the budget year is 2.8 percent. By either measure, the CCC is expected to grow faster than either of the two senior segments, and the CSU is projected to show the least growth. For example, CSU expects an increase of 0.1 percent in FTE enrollments in 1984-85, UC expects a 2.1 percent FTE increase, and the CCC expects an increase in ADA of 3.8 percent. We note, however, that the CCC projection is extremely tenuous, given the uncertain status of CCC financing.

Ethnic Composition of Students

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. The data have not been verified and are not complete because many

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

students choose not to report their racial or ethnic status to their campus. (For example, 11 percent of CSU undergraduate males chose not to respond to questions about their racial or ethnic status.) The incidence of these "no responses" is also shown in the table.

Table 3
Undergraduate/Graduate Student Enrollment by Ethnicity and Sex^a
Fall 1982

	CC			CSU			UC		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Undergraduate:									
White.....	58.0%	62.9%	60.7%	58.7%	61.7%	60.2%	66.3%	68.0%	67.2%
Black	8.4	8.7	8.6	4.9	6.7	5.8	2.9	4.5	3.7
Hispanic	11.8	10.5	11.1	8.1	8.2	8.1	6.0	5.3	5.7
Asian	8.4	6.3	7.3	10.1	9.1	9.6	15.4	14.7	15.0
American Indian.....	1.5	1.5	1.5	1.6	1.6	1.6	0.5	0.5	0.5
Other	2.5	2.2	2.3	1.8	1.7	1.7	1.9	1.7	1.8
Nonresident alien.....	2.7	1.7	2.2	3.9	1.7	2.8	3.0	1.8	2.4
No response	6.7	6.2	6.4	10.9	9.3	10.1	4.0	3.6	3.8
Graduate:									
White.....	—	—		58.3	65.1	61.7	59.4	64.7	62.1
Black	—	—		3.6	4.7	4.1	2.5	3.6	3.5
Hispanic	—	—		6.2	6.4	6.3	4.7	4.8	4.7
Asian	—	—		9.0	5.9	7.6	7.9	7.7	7.8
American Indian.....	—	—		1.4	1.5	1.4	0.4	0.5	0.4
Other	—	—		1.6	1.3	1.4	0.9	0.7	0.8
Nonresident alien.....	—	—		6.1	2.8	4.4	14.2	7.1	10.7
No response	—	—		13.8	12.4	13.1	9.9	11.0	10.5

^a Source: CPEC.

The data in Table 3 show that the community colleges have the most diverse ethnic enrollment of any segment.

3. EXPENDITURES

The level of expenditures proposed in the Governor's Budget for post-secondary education in 1984-85 is summarized in Table 4. Total support for all public higher education is proposed at \$8.6 billion in the budget year. Of the total, the state General Fund would provide \$3.7 billion, or 43 percent. The second largest source of support for higher education, accounting for 24 percent of the total is from the federal government and includes support for the energy labs. The only segment of higher education receiving local support is the community college system, which will receive an estimated \$450 million from property tax revenues in 1984-85.

Table 5 shows General Fund and local property tax support for public higher education from 1978-79 (actual) to 1984-85 (as proposed). As the table shows, total state and local support is proposed to increase from \$3.6 billion in 1983-84 to \$4.2 billion in 1984-85—an increase of 16.7 percent. Individual segmental increases range from 3.2 percent for the CCCs to over 30 percent at the UC. We discuss in detail the implications of these increases later in this analysis.

Table 4
Summary of Proposed 1984-85 Budget for Higher Education
 (in thousands)

	<i>General Fund^a</i>	<i>Other State</i>	<i>Federal</i>	<i>Property Tax</i>	<i>Student Fees</i>	<i>Other^b</i>	<i>Totals</i>
University of California	\$1,446,673	\$20,740	\$1,947,187	—	\$282,733	\$1,376,267	\$5,073,600
California State University	1,149,014	—	52,821	—	170,658	419,876	1,792,369
Community Colleges	1,034,980	184	—	\$450,000	95,000 ^c	970	1,486,134
Student Aid Commission	90,316	—	88,910	—	—	8,144	187,370
Hastings College of the Law	9,669	—	795	—	1,875	666	13,005
California Maritime Academy	4,510	—	504	—	1,818	236	7,068
California Postsecondary Education Commission	2,730	—	10	—	—	—	2,740
Totals	\$3,732,638	\$24,824	\$2,090,227	\$450,000	\$552,084	\$1,806,159	\$8,656,132
Percent of Totals	43.1%	3%	24.1%	5.2%	6.4%	20.9%	100.0%

^a Includes salary and benefit increases for UC, CSU, and Hastings.

^b Includes hospital fees, private contributions, sales and services, and auxiliary enterprises.

^c Shows amount proposed by the Governor's Budget. Projected revenue from fee authorized by Ch 1/84 (AB 1XX) totals \$75 million. As a result budget overstates projected fee revenue by \$20 million.

Table 5
State and Local Funds Budgeted for Higher Education Operating Expenses^a
1978-79 through 1984-85
 (in millions)

	<i>University of California State</i>		<i>Community Colleges</i>		<i>Other Higher Education Agencies</i>		<i>Totals</i>
	<i>State General Fund</i>	<i>State General Fund</i>	<i>State General Fund</i>	<i>Local</i>	<i>State and Local</i>	<i>State General Fund</i>	<i>State and Local</i>
1978-79	\$767	\$683	\$847	\$307	\$1,154	\$80	\$2,377
1979-80	902	814	1,029	289	1,318	84	2,829
1980-81	1,041	933	1,133	325	1,458	94	3,201
1981-82	1,097	956	1,073	409	1,482	96	3,222
1982-83 ^c	1,125	907	1,063	412	1,475	92	3,187
1983-84	1,110	948	1,024	415	1,438	91	3,173
1984-85: Governor's Budget ^d	1,447	1,149	1,034	451	1,485	106	3,736
Change from 1983-84	30.4%	21.2%	1.0%	14.8%	3.2%	15.4%	17.7%

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

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

^c Reflects 2 percent reduction made pursuant to E.O. D-1-83.

^d Includes salary and benefit increases for UC, CSU, and Hastings.

4. STUDENT FEES

A. Need for a Long-Term Policy

In the past three years, there has been a dramatic increase in the level of student fees charged California residents attending the two senior segments of the state's public higher education system. Students attending the more-specialized Hastings College of the Law and the California Maritime Academy have also been confronted with large increases in fees, though the increases at the academy have been considerably smaller than those at other institutions.

The fee increases imposed during recent years have not been based on a long-term policy established by the Legislature for adjusting fee levels.

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

Rather, these increases have been imposed as a means of alleviating the financial burdens that the state's General Fund has had to bear at a time when revenues were off because of the recession and other factors.

Because budgetary considerations, rather than a policy for sharing the cost of higher education among the state and the students, has driven the decision on fee levels, the specific fees to be charged in an upcoming academic year (which begins in September) have not been determined until the Budget Act was signed in July.

This year, the level of fees charged college and university students is again an issue. In this case, however, the issue does not revolve around proposed increases in fees, but instead involves reductions in fees proposed by the Governor.

Table 6 shows the dramatic increases in fees between 1979–80 and 1983–84 and also shows the reductions proposed for 1984–85.

Table 6
Student Fees in California Public Higher Education Institutions
Selected Years

	1983-84						1984-85 (Proposed)		
	Change						Change		
	from						from		
	1979-80						1983-84		
	1979-80	1981-82	Fee Level	Amount	Percent	Fee Level	Amount	Percent	
University of California:									
Undergraduate	\$736	\$997	\$1,387	\$653	89%	\$1,317	-\$70	-5.0%	
Graduate	784	1,043	1,434	650	83	1,364	-70	-4.9	
California State University:									
Undergraduate (Full-time)	204	320	692	488	239	650	-42	-6.1	
Graduate (Full-time)	204	320	728	524	257	686	-42	-5.8	
Hastings College of the Law	752	985	1,430	678	90	1,131	-108	-9.5	
California Maritime Academy	886	1,183	1,259	373	42	1,277	18	1.4	

Table 6 shows that undergraduate fees at the University of California (UC) and the California State University (CSU) increased by 89 percent and 239 percent, respectively, between 1979–80 and 1983–84. The budget proposes to reduce student fees in 1984–85 by \$70 per student at UC and by \$42 per student at CSU. The proposed reduction in fees would be accomplished by providing increased support from the state's General Fund for student service programs that were fee-supported in 1983–84.

We believe the trend in student fees during the last several years highlights the need for a sound long-term policy toward the level of student fees in higher education.

B. A Long-Term Fee Policy Proposal

In partial recognition of the need for a long-term fee policy, the Legislature enacted and the Governor signed AB 1251 during 1983. AB 1251 puts in place a long-term fee policy for the CSU system based on recommendations made by the California Postsecondary Education Commission (CPEC).

As we will discuss in detail later in this analysis, we have some concerns with the process established by AB 1251 for adjusting fees for CSU. More importantly, however, we believe that a comprehensive fee policy is needed for the other segments of higher education in California, as well. Ac-

cordingly, we recommend that the Legislature adopt a long-term fee policy for all segments, as well as for Hastings and the Maritime Academy.

We believe that regardless of the specific details, the fee policy adopted by the Legislature should be based on the following principles:

- student fee levels should recognize the private, as well as the societal, benefits from higher education.
- fee levels should be calculated based on each segment's (or college's) level of expenditures, (that is, the "cost of education").
- the revenues from fees should be budgeted as offsets to state appropriations, rather than to support specific programs, and
- adequate financial aid should be made available to needy students so as to preserve access to higher education for state residents.

1. The Level of Fees Should Recognize The Private Benefits From Education. We believe the state's policy toward student fees should recognize that higher education results in both direct benefits to the student (private benefits) and indirect benefits to society as whole (public benefits). Private benefits include those benefits that accrue to the individual student such as increased income, personal enrichment, and broader options regarding lifestyle and employment. The public benefits from higher education include first and foremost a better informed citizenry, as well as improved economic development within the state (due to a more-educated workforce) and increased tax payments to state and local governments.

The relative size of public and private benefits vary widely, depending on a student's level (undergraduate/graduate) and program. Thus, the *private* benefits of professional school programs in law and medicine usually are considerably greater (in terms of increased income) than the private benefits from a general undergraduate program.

While the level of student fees ideally should be related to the real or perceived private benefits from instruction, policy planners to date have not developed a model capable of measuring such benefits, and perhaps they never will. The Carnegie Commission, for example, addressed this difficult problem in conducting the research for the report entitled *Higher Education: Who Pays? Who Benefits? Who Should Pay?* In its report, the commission concluded that:

"Public colleges and universities should carefully study their educational costs per student and consider restructuring their tuition charges at upper-division and graduate levels to more nearly reflect the real differences in the cost of education per student, eventually reaching a general level equal to about one-third of educational costs."

The commission acknowledged, however, that the one-third of costs level was "a rough rule of thumb."

2. Fee Levels Should Reflect the "Cost of Education". The California Postsecondary Education Commission (CPEC) has conducted a study of student fees and financial support for the state's system of postsecondary education. In its report to the Legislature, the commission recommended that:

- 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 appropriations and property tax revenues for all of higher education during the three preceding years. CPEC further recommended that UC fee levels be set so as to yield between 40 percent and 50 percent of the calculated appropriations

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

base, and that CSU fee levels be set so as to yield between 10 percent and 20 percent of the base.

We believe that the CPEC report provides a good starting point for improving the fee-setting process in California. In our judgment, however, the approach recommended by CPEC for setting fee levels can be improved. Specifically, we believe that:

- Student charges should be set equal to a specific percentage of the "cost of education." The "cost of education" would be defined as the sum of the state General Fund appropriation and *student fee revenues* used to operate each segment.
- The "cost of education" should be calculated separately for each segment, rather than for all segments combined. In other words, the fees charged at the UC should be based on the appropriations and related fees used to operate the university, and should not reflect CSU appropriations and fees. Likewise, the fees charged at Hastings College of the Law and the California Maritime Academy should reflect the cost of education provided to students attending those schools.
- The fees charged students in comparable degree programs within each segment should be the same. Students at different levels or in different types of degree programs, however, should be charged different fees, in recognition of the differences in the private benefits that exist among programs.
- The Legislature should set the percentage of education costs that students are required to pay at a specific level, rather than provide for fees to be set within a range.
- Fee levels should be adjusted each October, effective for the following academic year. The size of this adjustment should be based on the average change in the cost of education during the three preceding years.

a. **Segment-Specific "Cost of Education."** By calculating the "cost of education" for each segment separately, rather than for all segments combined, the approach we recommend would yield more-refined measures of what it costs to provide the education for which the fee is being charged. To the extent that student fees at a given segment are based on the operating cost of *that* segment, students at a less expensive segment will pay less. We believe this is appropriate given that the private benefits are likely to be less at the less expensive segment.

b. **Operating Cost Supported By Student Fee Revenues.** Because student fees currently are used to fund a portion of the UC's and CSU's operating costs, it is appropriate to recognize these costs in determining the "cost of education" for students at these segments. In UC's case, this would mean adding student fee revenue of \$173 million to the state's appropriations for UC (\$1,124 million) in order to arrive at the cost of education for 1983-84 (\$1,297 million).

c. **Level of Instruction.** Since the private benefits from higher education vary by student level and degree program, we believe it would be appropriate for student fees to vary in the same way. Generally, the private benefits of a graduate education exceed the private benefits of an undergraduate education. Similarly, the private benefits of a professional degree program in medicine generally exceed the private benefits of a graduate degree program in the humanities. In recognition of these differences, student fees as a percentage of education costs *within* a given

segment should vary according to the level of instruction: (1) undergraduate, (2) graduate, and (3) graduate professional. This is consistent with CPEC's recommendation that graduate students pay 5 percent to 10 percent more than undergraduates, and that professional students pay 15 percent to 20 percent more than other graduate students.

d. *Specific Fee Levels.* If the objectives of a long-term fee policy are to be achieved, fee levels should not be allowed to vary within a broad range of fees. Instead, they should be set at a specific percentage of the cost of education within each segment, for each level of instruction. Thus, all undergraduates might be required to contribute, say, 13 percent of the total cost of education in their segment, all graduate students might be required to pay 14 percent of these costs, and professional students in programs such as medicine, dentistry and veterinary medicine might be required to pay 17 percent of these costs. Even though undergraduates at both UC and CSU would be required to finance the same percentage of their segment's "total cost" (13 percent, in the hypothetical fee structure described above) the UC undergraduate would pay a higher fee in dollar terms because the cost of education is higher at UC than it is at CSU.

e. *Annual Adjustment Factor.* If the Legislature were to adopt a policy of requiring fees for various groups of students to be set equal to a specified percentage of total education costs, it would have to set up a mechanism for adjusting fees as "education costs" changed. We believe the best means for doing this is to adjust fee levels annually based on the average annual change in state appropriations—plus—student fee revenue during the preceding three years. Use of a three-year moving average would reduce the variability in the rate of change in fees. It would also allow the segments to determine the specific change in student fees required by the long-term policy in October, nearly a year before the start of the academic year in which the change would take effect.

• *An Illustration of the Proposed Fee-Setting Mechanism.* Table 7 shows the hypothetical fees that would be charged students attending UC, CSU, Hastings, and the California Maritime Academy in 1984-85 if fees were set equal to various percentages of 1983-84 education costs. The fee levels shown in Table 7 were calculated using the three-year average method described above. Table 7 shows that if the Legislature set undergraduate student charges at 13 percent of education costs, the fee charged UC undergraduates would be \$1,385 in 1984-85. (This is \$2 less than the fee actually charged in the current year.) The fee charged CSU undergraduates would be \$708 in 1984-85, \$16 above the current-year fee.

Table 7
Hypothetical Fees Calculated as Different Percentages
of Segmental Cost in 1984-85*

Segment	Fee Proposed Current For 1984-85 Fee in Governor's (1983-84) Budget		Hypothetical Fees in 1984-85 Using Different Percentages of Total Cost					
			12%	13%	14%	15%	16%	17%
UC	\$1,387	\$1,317	\$1,284	\$1,385	\$1,487	\$1,588	\$1,689	\$1,789
CSU	692	650	659	708	757	804	853	901
Hastings	1,430	1,131	765	822	880	938	996	1,053
Maritime	1,259	1,277	1,160	1,256	1,353	1,449	1,547	1,643

* Fee based on percentage of state appropriation and student fees in 1983-84, adjusted for the average annual change in state appropriations and student fees during the three prior years. Campus-based fees (\$72 for UC and \$80 for CSU) are added to total after percentage calculation.

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

If, in addition, graduate fees were set at 14 percent of education costs, UC graduate students would pay \$1,487 in 1984–85, which is 7.4 percent more than what undergraduates would pay. (Currently, UC graduate students pay \$1,434, or 3.4 percent more than undergraduates.) If medical, dental, and veterinary medicine students were required to contribute 17 percent of education costs, they would pay a fee equal to \$1,789, which is 20 percent more than the hypothetical fee for other graduate students. (Currently, medical students pay the same fee as other UC graduate students.) The resulting fee ranges in this illustration approximate the percentage differentials recommended by CPEC in its ACR 81, Phase II report.

3. Revenue From Fees Should Be Budgeted as an Offset to General Fund Support. For years, the debate over student charges at California's public colleges and universities has centered on the question of whether "tuition" should be imposed at one or more of the segments. California has long adhered to a "no-tuition" policy for state residents. Resident students attending the four-year segments, nevertheless, are required to pay fees. The difference in terminology—"tuition" versus "fee"—revolves around how funds collected from students are used. The term "tuition", is used to refer to charges that finance a portion of the cost of *instruction*. The term "fees" is used to refer to those charges used to finance everything *but* the costs of instruction.

a. Tuition Versus Fees. Under the state's "no-tuition" policy, revenues from the fees charged students cannot be used to fund instructional costs. The implications of this policy are twofold. *First*, the permissible level and use of student fees depends heavily on how "instructional costs" are defined. *Second*, because fee revenues tend to be allocated to specific non-instructional programs, the "no-tuition" policy results in a de facto split between "state-supported" and "student-supported" programs.

"Instructional costs" can be defined narrowly or broadly. On the one hand, instructional costs can be defined to include 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 would allow student fee revenue to be used to support all remaining items in the segments' budgets without violating the "no-tuition" policy. On the other hand, "instructional costs" can be defined to include faculty salaries, clerical and support costs associated with faculty, library costs, research, all equipment and facilities used for the instructional program, together with the cost of maintaining such equipment and facilities, and 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.

In order to comply with the state's "no-tuition" policy, the segments must segregate revenue from student fees from all other revenues so that the expenditure of these funds can be accounted for separately. As a result, individual programs tend to be labeled as "student-supported" or "state-supported." Over time, this division of funding responsibility takes on a life of its own, and makes it more difficult for the segments, as well as the Legislature, to respond to changes in funding needs and availability.

b. Problems With a "No-Tuition" Policy. The state's current policy of allowing fees while prohibiting tuition has three major drawbacks. First,

it tends to put emphasis on what students pay for, rather than on how much they pay. 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.

- **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 "no-tuition" 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 student fee revenue is being used for "non-instructional" purposes, the upward trend in the level of fees tends to take on a secondary importance.

Put another way, California's "no-tuition" policy has led to excessive concern with terminology and budget accounting without necessarily producing the benefits originally envisioned by the Legislature—quality education at an affordable price. Many students and their parents believe that they *are* paying tuition when they make out their check to UC or CSU. As they set aside the money needed to cover the check, the distinction between "fees" and "tuition" probably is lost on most, if not all, of them.

- **Inconsistencies Between Segments.** A second problem with California's "no-tuition" policy stems from the fact that under the policy, student fee revenues must be clearly identified as supporting specific (non-instructional) programs. This, in turn, leads to protracted discussions of what are and are not the appropriate financial responsibilities of students and the state.

In the current year, student fees at UC are over two times students 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. Given the differences in fee levels between UC and CSU, adherence to a "no-tuition" policy invariably fosters inconsistencies between the segments in terms of what students must pay for. As long as UC collects more fee revenue than CSU, UC students will be paying for some programs that the state is supporting at CSU campuses. At one point, or another, each of these inconsistencies finds its way to the Legislature. These inconsistencies could be avoided if fee revenues were combined with state funds and not earmarked for particular programs.

- **Categorical Protection for Student Services Programs.** Under the "no-tuition" policy, 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, during periods of fiscal restraints, the policy causes programs funded from student fees to be more insulated from budget reductions than instructional programs. For example, during the past two years, when significant reductions were made in the budget for each segment, student services fared better than instructional programs, since reducing expenditures in fee-funded programs did not ease the fiscal burden on the state's General Fund. Second, because fee revenue cannot be used to maintain the instructional program, any cutbacks in state fund-

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

ing necessitated by fiscal restraints take their toll in this key area.

The combined effect is that instructional programs—which constitute the UC's and CSU's *raison d'être*—may be cut while ancillary programs, like counseling and health services, are maintained. It is by no means clear that this reflects the preferences of those who the "no-tuition" policy is supposed to protect: students and their families. It may be that students would prefer to maintain the instructional programs when state 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.

To avoid these problems, student fee revenue should be budgeted as an offset to the General Fund appropriation, rather than be restricted to financing student services.

C. Link Financial Aid to Fee Levels

Whatever policy the Legislature adopts toward student charges, it is essential that this policy be linked to a policy that provides adequate financial aid for those students least able to pay the charges. Specifically, *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.

D. Summary of Legislative Analyst Recommendations

Later in our analysis of the budgets for individual segments and colleges, we make a variety of recommendations designed to yield a sensible long-term policy toward student charges. These recommendations can be divided into two categories: policy recommendations and specific recommendations.

Policy Recommendations:

We recommend that:

- *The Legislature adopt a long-term policy on student fee levels that recognizes the private benefits that students derive from higher education.*
- *Fee levels be calculated based on the cost of education for each segment or college.*
- *Fees be budgeted as offsets to state appropriations, rather than budgeted to support specific programs.*
- *Any fee increase be accompanied by increases in student financial aid.*

Specific Recommendations:

We recommend that:

- *Student charges be set equal to a specific percentage of the "cost of education," with the "cost of education" defined as the sum of the state General Fund appropriation and student fee revenues used to operate the institutions, expressed on a per student basis.*
- *The average be calculated separately for each segment, rather than for the three segments combined.*

- *Student charges for students in comparable degree programs be set at the same percentage of education costs at each segment.*
- *Student charges vary by level or degree program, in order to reflect differences in the private benefits accruing to students at different levels.*
- *The percentage of support that students have to pay be set at a specific level, rather than be allowed to vary within a range of levels.*
- *Student charges be budgeted as offsets to state appropriations, rather than budgeted to specific programs.*
- *Fee levels for each academic year be set in the preceding October, based on the average change in state appropriations and fees during the three preceding years.*

5. NONRESIDENT STUDENT TUITION

The University of California (UC) and the California State University (CSU) traditionally have charged tuition to students who are residents of other states or countries. The general policy governing these charges is set forth in the *Master Plan for Higher Education*, as follows:

"Students who are residents of other states pay as follows:

- a. All students except those exempt by law pay tuition sufficient to cover not less than the state's contribution to the *average teaching expense* (emphasis added) per student as defined by the Master Plan Survey Team's Technical Committee on Costs of Higher Education in the institution or system as follows:

"Teaching expense is defined to include the cost of the salaries of the instructors involved in teaching for the portion of their time which is concerned with instruction, plus the clerical salaries, supplies, equipment and organized activities related to teaching."

- b. Other fees for services not directly related to instruction."

This section of the overview discusses UC's and CSU's implementation of this policy and concludes with a recommendation for a change in UC's methodology.

A. Determination of Residency

The UC and CSU are required by the Uniform Student Residency Requirements Act (Education Code Section 68000, et seq.) to use a uniform criteria for determining the residency status of students. The residency criteria include (1) physical residence in California for one year and (2) demonstration of financial independence from parental support for a period of three years.

B. Tuition-setting Methodologies

While the law requires the use of uniform criteria for determining student residency, it does not require the UC and CSU governing boards to use the same mechanism in determining *the level* of nonresident tuition charges. In fact, the two segments use *different* tuition-setting methodologies:

- **University of California.** The UC bases its nonresident tuition on an analysis of (1) *the marginal cost* associated with increasing enrollment by one full-time equivalent (FTE) student, (2) the nonresident tuition charged in 22 comparable public institutions, and (3) the projected change in economic indices. For example, in 1983-84, UC estimates its

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

marginal cost to be \$3,651 per student, and the average nonresident tuition charged by the 22 comparison institutions to be \$2,360. Based on this data, the UC has set its nonresident tuition at \$3,360 per year.

• **California State University.** CSU's nonresident tuition charge is based on *the average cost* per student of instruction and instructional support. In 1983–84, CSU estimates the average cost to be \$3,240, and has set the nonresident tuition charge at this level. If UC were to base its nonresident tuition on average cost, it would be charging approximately \$5,300 in 1983–84.

C. Tuition Levels

Table 8 provides a summary of the nonresident tuition levels at the two segments for 1982–83 through 1984–85.

Table 8
Nonresident Tuition
1982–83 through 1984–85

	<u>California State University</u>			<u>University of California</u>		
	<i>Tuition Per Quarter Unit</i>	<i>Annual Tuition</i>	<i>Maximum Annual^a Tuition</i>	<i>Tuition Per Quarter Unit</i>	<i>Annual Tuition</i>	<i>Maximum Annual Tuition</i>
1982–83	\$70	\$3,150	None	N/A	\$3,150	\$3,150
1983–84	72	3,240	None	N/A	3,360	3,360
1984–85 (budgeted)	78	3,510	None	N/A	3,564	3,564

^a Based on a student load of 15 units.

As the table shows, CSU assesses nonresident tuition on a per unit basis and imposes no cap on the maximum allowable tuition. UC, on the other hand, charges a flat annual amount to all nonresident students.

D. Uniform Nonresident Tuition Methodology Proposed

Our analysis finds that the UC's policy toward nonresident tuition is inconsistent with the policy set forth in the Master Plan. Accordingly, we *recommend that the Legislature direct UC, beginning in 1985–86, to base nonresident tuition on the average cost of instruction.* (This recommendation is discussed under Item 6440-001-001.)

6. ACADEMIC CALENDARS**A. Introduction and Background**

During 1983, the Legislature was faced with the issue of academic calendars—that is, the scheduled weeks of student instruction during an academic year. The issue arose as a result of the Governor's proposal to eliminate the year-round operations (YRO) calendar at four CSU campuses (Hayward, Los Angeles, Pomona and San Luis Obispo) during 1983–84. Before final action was taken on the budget, the administration reversed its position and requested that funding for YRO be restored. The Legislature included funding to continue YRO at these four campuses in the 1983 Budget Act. At the same time, the Legislature included language in the *Supplemental Report to the 1983 Budget Act* directing CSU to report on the costs and benefits of year-round operations.

This section of the postsecondary education overview (1) summarizes

the various academic calendars used on UC and CSU campuses, (2) reviews the incremental costs associated with a quarter system relative to the cost of a semester system, and (3) evaluates and comments on the findings of the CSU's report on YRO.

B. Types of Academic Calendars

There are two basic academic calendar systems used by UC and CSU—the semester system and the quarter system.

1. *University of California.* Eight of the nine UC campuses operate on the quarter system. This system consists of three academic terms of 10 weeks' duration per academic year. These terms typically run from late September to mid-June.

The remaining campus, Berkeley, converted from the quarter system to the semester system in the current year. The semester calendar at Berkeley is composed of two academic terms of 15 weeks duration. The fall term runs from late August to late December and the spring term runs from mid-January to mid-May. Officials at the campus state that the conversion was made to provide for additional teaching and learning time during an academic term.

2. *California State University.* Ten of the 19 CSU campuses operate on the semester system. These campuses, like UC, Berkeley, offer two academic terms of 15 weeks each. While the calendars vary somewhat among the campuses, the fall term typically runs from late August to mid-December and the spring term runs from late January to late May.

Eight of the CSU campuses operate on the quarter system. Four of these campuses schedule three terms of 10 weeks each, running from late September to mid-June. On the other four campuses—Hayward, Los Angeles, Pomona, and San Luis Obispo—a fourth quarter is offered in the summer months from mid-June to mid-September. These four campuses, thus, have year-round academic operations.

The final CSU campus, Stanislaus, offers a "4-1-4" calendar. The name refers to the two academic terms with four months of instruction and the one academic term with one month of instruction offered by Stanislaus. The two major terms follow the fall and spring semester calendars. The one-month term runs from early January to early February.

C. Funding for the Various Types of Academic Calendars

1. *University of California.* UC receives funding for faculty based on a target student-faculty ratio. In addition, it receives funds for general assistance for each faculty position. This funding ratio is not adjusted to reflect differences in the academic calendar used by different campuses.

2. *California State University.* CSU, on the other hand, receives funding determined by a variety of formulas. The predominant variable used to derive staffing and operating expenses and equipment for CSU is a full-time equivalent (FTE) student.

CSU generates *additional* support for those campuses utilizing a quarter system to cover "cycling costs." Cycling costs are defined as the variable, or incremental, costs associated with the operation of an additional academic term. Formulas which provide funding associated with cycling costs include those used to determine campuswide supplies and services allotments, staffing for department chairs and related clerical/technical support and audio-visual services. The Governor's Budget for 1984-85 proposes an estimated \$1.8 million for these cycling costs.

Funding for year-round operations is also formula-generated. The four

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

campuses which provide YRO receive funding based on (1) college-year enrollment (academic year and summer quarter enrollment) and (2) cycling costs related to quarter system operations. In 1983–84, the General Fund allocation for the *summer quarter* on these campuses was \$12.7 million.

D. CSU—Year-Round Operations

1. *Historical Perspective.* In the early 1960s, CSU began year-round operations. The quarter system was selected as the academic calendar most adaptable to year-round programs. The 1964–65 Budget contained conversion funds for CSU to change to the quarter system and operate on a year-round basis. In June 1965, Hayward became the first CSU campus to offer a full state-supported summer quarter. In 1966, the summer quarter was instituted at San Luis Obispo and Pomona. In June 1967, Los Angeles began its year-round program.

The Governor's Budget for 1968–69 did not include the funds requested by the Trustees to convert San Francisco to YRO, thus signifying a change in state policy. Though funds for this purpose were added to the Budget Bill by the Legislature, the Governor vetoed the augmentation.

In 1969, the Department of Finance proposed deletion of funding for the four existing summer programs, effective in the summer of 1971. The Legislature, however, enacted AB 887 expressing legislative intent that (1) year-round operations be established at the (then) California State Colleges, (2) the four campuses continue to operate on a year-round basis, and (3) year-round operation programs be instituted at campuses with more than 10,000 FTE within two years of the effective date of an appropriation containing sufficient planning money to provide for the transition. Despite requests for such funds by the CSU Trustees in the early 1970s, no funds were provided to institute year-round operations at additional CSU campuses.

As noted previously, for 1983–84 the Governor's Budget again raised the issue of YRO by proposing the elimination of funding for the state-funded summer quarter at CSU. In its place, the Department of Finance proposed adding a fee-funded summer session. Although the funding for YRO at the four campuses subsequently was reinstated, the Legislature adopted the following language in the *Supplemental Report to the 1983 Budget Act* in order to secure more information on the pros and cons of YRO.

"CSU shall submit a report on state-funded summer quarters at the Hayward, Los Angeles, Pomona, and San Luis Obispo campuses to the legislative budget committees by 12/15/83.

This report shall include an examination of the costs and benefits of providing a state-funded summer quarter as they relate to (1) use of facilities, (2) student degree completion, (3) impacted academic programs, and (4) use of faculty. The report shall also review the impact of termination of this state-funded summer quarter and include an estimation of added long-term costs associated with enrollment shifts into subsequent academic terms and delays in student progress toward an academic degree. In addition, the report shall review the equity of the student cost of attending a fee-funded summer session versus a state-funded summer quarter including a comparison of the number and types of classes offered in the two operations."

2. *Evaluation of the CSU Report.* The CSU report, submitted in re-

sponse to the supplemental language, concludes that termination of year-round operations would:

- Delay student graduations;
- Reduce admission rates;
- Reduce the utilization of facilities and equipment;
- Allow fewer students in degree programs already declared impacted—an impacted program is an academic program which, due to facility and staffing limitations, cannot accept all qualified applicants;
- Increase the number of impacted programs; and
- Result in savings only if student access to the system is reduced.

The report bases these conclusions on (1) a comparison of YRO with the "regular" academic terms—fall, winter, and spring—in terms of costs, curriculum, faculty utilization and enrollment and (2) the results of a survey of students conducted at the four YRO campuses in the summer of 1983. Specifically, CSU found that:

- The annualized marginal cost of a full-time equivalent student in the summer quarter is \$2,049, compared with a systemwide average of \$2,085 per FTE in academic year.
- The summer quarter is similar to any other quarter on the same campus in terms of curricular offerings, faculty utilization, and student body characteristics such as ethnicity and age.
- The summer quarter utilizes facilities and equipment to a far greater extent than a fee-funded summer session would.
- The vast majority of students attending the summer quarter do so to accelerate their graduation.

We found CSU's report to be one of the most complete and useful reports submitted by CSU in recent years. Our analysis of the report leads us to conclude that state-funded summer quarters comprise integral instructional components at the Hayward, Los Angeles, Pomona, and San Luis Obispo campuses. The fundings from our analysis are discussed below, in terms of (1) the cost of summer quarter operations, (2) the use of facilities, (3) the curriculum and impacted programs, (4) student degree progress, and (5) the "equity" of the programs.

a. *Costs.* As noted above, the annualized marginal cost for a full-time student enrolled in the summer quarter is virtually the same as the cost for a full-time student enrolled during the regular academic year. Table 9 shows a summary of these costs for the YRO campuses.

Table 9
CSU Year-Round Operations
1983-84

<i>Campus</i>	<i>Net General Fund Allocation</i>	<i>Annual FTEs</i>	<i>Cost Per FTE</i>
Hayward.....	\$2,158,795	1,050	\$2,056
Los Angeles.....	5,170,767	2,590	1,996
Pomona.....	2,576,572	1,300	1,975
San Luis Obispo.....	2,821,008	1,270	2,221
Totals.....	\$12,727,142	6,210	\$2,049

In 1983-84, the marginal systemwide cost per FTE for the academic year was \$2,085. Thus, it would seem that the state incurs no additional cost *per student* as a result of YRO at these four campuses.

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

b. *Use of Facilities.* Elimination of YRO would reduce the utilization of existing facilities and equipment, and would cause campus-specific disruptions. For example, Pomona and San Luis Obispo have reached their physical capacity and could not physically accommodate any summer quarter enrollment shifted to the academic year. Consequently, a substantial number of prospective students would have to be denied access to these campuses if YRO were discontinued. The Los Angeles campus has reached its physical capacity between the hours of 5:00 p.m. to 10:00 p.m. during the regular academic year. Elimination of the summer quarter on this campus would create additional academic-year demand for evening courses which could not be met. Since 68 percent of the summer quarter students at Los Angeles attend on a part-time basis, mainly during these hours, a substantial delay in their academic progress could occur if YRO were halted.

c. *Curriculum and Impacted Programs.* An academic program in the CSU is declared "impacted" if more qualified students apply to the program in the *first* month than the program has the capacity to accept. On the four YRO campuses, 11 programs have been designated as impacted. These include all engineering programs and computer science at Pomona and San Luis Obispo and nursing at the Hayward and Los Angeles campuses. Because the teaching methods (lecture versus laboratory mode) are virtually identical during the summer quarter and academic year, the additional laboratory courses required by these "high technology" programs can be offered during the summer, thereby increasing each campus' ability to accommodate additional students in impacted programs. For example, in 1982, 216 FTE students were enrolled in the nursing program at Los Angeles—26 percent more students than the campus could admit during the regular year.

d. *Student Degree Progress.* The report found that if summer quarter operations were terminated (1) current students could have completion of their degree programs delayed and (2) prospective *qualified* students could have their admission either delayed or denied altogether. The results of the student survey taken in the summer of 1983 indicate that up to 75 percent of the students polled would have to delay graduation if summer quarter operations were eliminated. This delay would result in a long-term enrollment shift into the academic year, at unknown additional costs.

e. *"Equity" of State-Funded Summer Quarter.* In proposing the conversion of the summer quarter from state-funded to fee-funded, the Department of Finance stated in 1983 that it would improve "equity" by requiring all CSU students attending classes during the summer months to pay the same fee, irrespective of the campus they attended. (Currently, YRO students pay a lower fee than other CSU summer students—\$17 per unit, compared with \$35 per unit in 1983–84.)

Our analysis indicates that this comparison is not valid. As pointed out above, the curricular program offered at YRO campuses is fundamentally different from the program offered at campuses with fee-funded summer sessions. The CSU's report shows that summer session courses at non-YRO campuses are predominantly in the fields of business and education, while YRO summer courses mirror the range of courses offered during the regular academic year. In addition, 81 percent of the students enrolled in YRO courses during the summer are also enrolled during the academic year. In contrast, less than 20 percent of summer session enrollees at

non-YRO campuses are continuing students. In sum, we believe the equity argument for replacing a state-funded summer quarter with a fee-funded summer session does not hold up because (1) the nature of the academic programs is fundamentally different and (2) the types of students attending different.

E. Conclusions and Recommendations

1. *Long-Term YRO Policy.* Based on our analysis, we conclude that the state-funded summer quarter is cost-beneficial because (1) it provides a greater number of students with access to education at no increase in the marginal cost per student, (2) it utilizes facilities and equipment to a fuller extent, and (3) it helps to ease the overcrowding in impacted academic programs. Consequently, *we recommend that the state-funded summer quarter at Hayward, Los Angeles, Pomona, and San Luis Obispo be continued on a permanent basis.*

Statutory authority to implement our recommendation is already in place. We recommend, however, that enrollment displays in the Governor's Budget be modified to show total enrollment for these campuses. (This and the following recommendation appears in our analysis of the CSU support budget, Item 6610-001-001.) Currently, enrollment is shown in two categories—academic year enrollment and summer quarter enrollment. We believe that combining these two enrollment totals will more appropriately reflect the fact that summer quarter enrollment is equivalent to academic year enrollment in every sense—and that it just happens to occur during a different time of year.

2. *Technical Adjustment—San Francisco Campus.* We recommend a reduction of \$40,000 associated with the YRO coordinator and related clerical support at the San Francisco State University. (This recommendation also formally occurs under the CSU Item 6610-001-001.) In our review of YRO, we found that 1.5 positions had been added to the SFSU budget in the early 1970s for a YRO coordinator and related clerical support. This was done in anticipation of converting this campus to year-round operation. Because this conversion has not occurred and there are no plans for this conversion, we recommend that funds for this purpose be deleted, for a General Fund savings of \$40,000.

3. *Semesters Versus Quarters.* As noted above, UC and CSU have opted to use a variety of academic calendars. Although the quarter system requires some additional funding at CSU, the choice of an academic calendar should be based primarily on educational considerations, rather than primarily on fiscal considerations. In fact, the instructional calendar used on each campus is selected by the faculty through the local campus academic senate. Consequently, we have no analytical basis for recommending any change in current policy regarding the selection of an academic calendar.

7. STATE STUDENT FINANCIAL AID POLICY AND THE PRIVATE COLLEGES

A. Background

California has a long-standing tradition of providing financial aid to students at the postsecondary education level. The primary purposes of such aid are (1) to broaden access to postsecondary education by reducing the financial burden of attending college for students from low and middle income families, (2) to permit students to choose among a variety of postsecondary education institutions, while at the same time maintaining the diversity of postsecondary education in California by improving the

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

strength and financial condition of private colleges, and (3) conserving state construction funds by diverting students from public institutions to private colleges and universities.

This section of the postsecondary education overview focuses on the second of these objectives: promoting student choice.

B. Programs Which Promote Student Choice of Private Colleges

Providing financial support for private colleges and universities historically has been an important objective of the state's student aid programs. Since the Constitution prohibits direct support of private schools, student aid programs have been established, in part, to provide *indirect* assistance to private colleges by making grants to students who choose to attend these institutions.

In 1983-84, the state will provide approximately \$156.1 million from the General Fund for financial aid to students. Of this amount, approximately \$50 million will go to students attending private colleges.

Three financial aid programs administered by the Student Aid Commission (SAC) provide most of the state financial aid revenue awarded to students at private colleges. They are Cal Grant A—the Scholarship Program, Cal Grant B—the College Opportunity Grant Program, and the Graduate Fellowship Program.

1. *Cal Grant A.* This is the largest of the programs which provide assistance to students at private colleges. It provides 14,900 new awards annually to financially needy students whose family income falls below a ceiling that is adjusted annually. A student's grade point average determines his or her eligibility for awards. The minimum grade point average in 1983-84 is 2.8, representing a grade of B to B-minus.

2. *Cal Grant B.* This program provides 6,825 new awards annually to "high potential," economically disadvantaged and minority students. Annual family income for those selected typically falls below \$20,000. Factors such as parental education level determine "disadvantage." At least 51 percent of the Cal Grant B awards must go to students who attend community colleges.

3. *The Graduate Fellowship Program.* This program provides approximately 200 new awards annually of no more than \$5,500 to financially needy students pursuing post-baccalaureate degrees.

Table 10 shows the number of students attending private colleges receiving aid under these three student aid programs during the last three years, and the amount of support they received. It shows a decline in total financial aid awards of approximately \$7.6 million, or 15 percent. It also shows a decline in the number of SAC program participants who choose to use their awards at private colleges of nearly 2,500 students, or 17 percent. Since a number of private colleges are heavily dependent on student aid revenue, these declines are of great concern to these colleges.

The balance of this discussion focuses on the Cal Grant A program because it is the largest of the three programs and provides the most state-supported financial aid to students attending private colleges.

C. Current Policy Direction Unclear

In a 1978 report on the state's policy toward independent colleges, the California Postsecondary Education Commission (CPEC) indicated that the SAC programs had been successful in achieving the goals of increasing

Table 10
Financial Aid Awarded to Students Attending Private Colleges
Through the State's Student Aid Programs
1981-82 to 1983-84
(dollars in thousands)

Program	Total Revenue and Award Grants						Change from 1981-82			
	1981-82		1982-83		1983-84		Funds Awarded		Number of Awards	
	Amount	Number	Amount	Number	Amount	Number	Amount	Percent	Number	Percent
Cal Grant A	\$49,118	15,084	\$45,268	14,167	\$43,705	13,231	-\$5,413	-12.4%	-1,853	-14.0%
Cal Grant B	6,320	2,008	5,531	1,743	4,949	1,470	-1,371	-27.7	-538	-36.6
Graduate Fellowship	2,412	398	1,893	329	1,614	296	-798	-49.4	-102	-34.5
Totals	\$57,850	17,490	\$52,692	16,239	\$50,268	14,997	-\$7,582	-15.1%	-2,493	-16.6%

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

student choice and diverting students from public institutions. Whether this is still true, however, is not clear. Since 1978–79, student fees have increased faster than the amount of financial aid awards. In addition, inflation has caused parental income to increase, making some families' ineligible for financial aid programs, even though the families' economic circumstances are no better—and perhaps even worse—than in prior years. Finally, enrollment stabilization at the public segments (UC and CSU) has eased the need to divert students to private colleges as a means of conserving public resources.

Together, these trends have had an influence on the postsecondary educational choices made by Cal Grant A participants. Whether the results of these choices are in accordance with legislative intent is also not clear.

1. *Shift of Students to Public Segments.* Table 11 shows the distribution of new Cal Grant A winners, by segment, for the last five years. It shows that in 1979, 6,169, or 41 percent of new winners, chose to attend private colleges. The total has dropped to 4,362, or 29 percent, in the current year.

The number of Cal Grant A winners at both public segments has increased as the institutional choices of Cal Grant A winners have shifted away from private colleges. Since 1981–82, approximately 36 percent of all new winners have chosen to attend UC campuses, compared with 32 percent in 1979–80. The share of winners choosing to attend the state university system has increased even more sharply, from 24 percent to 32 percent.

D. Reasons for the Erosion of Student Choice of Private Colleges

The increasing tendency for student aid recipients to select public, rather than private colleges for their higher education probably is due to a variety of factors including recent trends in (1) the number of awards made, (2) the maximum award as a percent of average tuition and fees, and (3) the income ceiling (which determines program eligibility). These three variables are subject to periodic adjustment by the Student Aid Commission (SAC) and the Legislature. The adjustments, however, are not made using a standard methodology.

Our review of the state's current financial aid policy reveals two main problems that have implications for the rate at which students choose to attend private colleges:

- maximum award levels tend to increase more slowly than fees at private colleges and
- the impact of inflation on family income is not fully taken into account when the income ceiling is adjusted.

1. *Maximum Awards.* The maximum award level determines how much of the cost of attending college must be financed by the student. As a result, it can influence the choices made by students receiving awards by making the generally higher-cost private colleges more or less affordable.

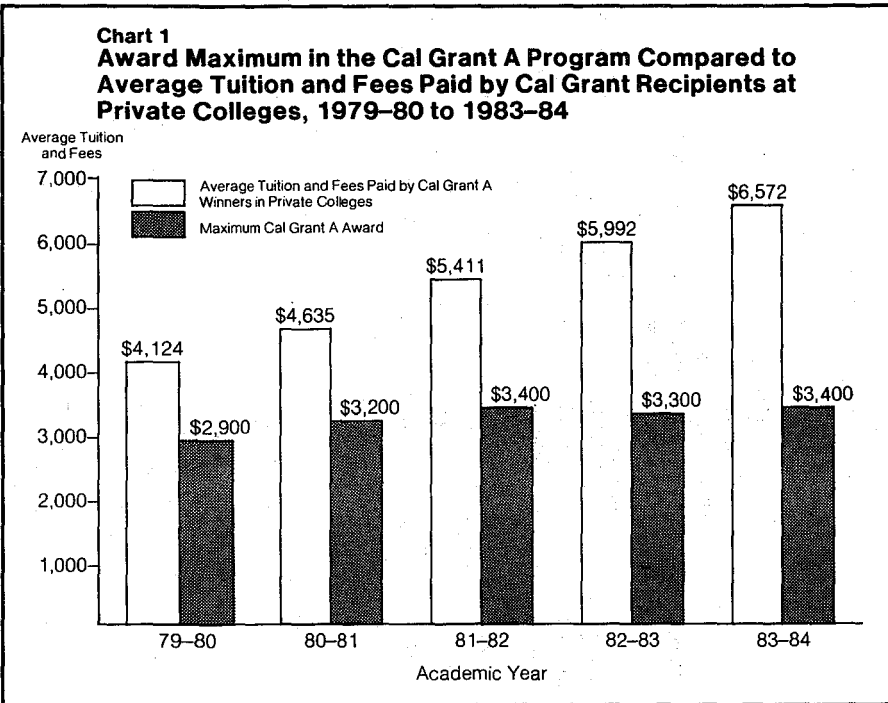
Table 11
Cal Grant A
(State Scholarships)
Distribution of New Grant Recipients by Segment
1979-80 to 1983-84

<i>Segment</i>	<i>1979-80</i>		<i>1980-81</i>		<i>1981-82</i>		<i>1982-83</i>		<i>1983-84</i>	
	<i>Number</i>	<i>Percent Attending Segment</i>	<i>Number</i>	<i>Percent Attending Segment</i>	<i>Number</i>	<i>Percent Attending Segment</i>	<i>Number</i>	<i>Percent Attending Segment</i>	<i>Number</i>	<i>Percent Attending Segment</i>
UC	4,779	32.0%	5,008	33.6%	5,589	37.4%	5,497	36.8%	5,325	35.7%
CSU	3,624	24.3	4,084	27.4	4,140	27.7	4,478	30.0	4,753	31.9
Private	6,169	41.3	5,461	36.6	4,913	32.9	4,592	30.7	4,362	29.2
Other eligible institutions ^a	352	2.4	370	2.4	291	2.0	372	2.5	482	3.2
Totals	14,924	100.0%	14,923	100.0%	14,933	100.0%	14,939	100.0%	14,922	100.0%

^a Includes California Maritime Academy and proprietary schools.

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

Each year, the SAC administratively determines the maximum award it will grant under each of its programs. Chart 1 compares the maximum award in the Cal Grant A program with the average tuition and fees paid by Cal Grant recipients at private institutions, for each of the last five years. The chart shows that in the current year, the maximum award will provide \$3,400 or 52 percent of the average tuition and fees at private institutions. While this represents an increase of \$500, or 17 percent, over the maximum award of 1979–80, average fee levels at private colleges have increased by \$2,448, or 59 percent, during the same period.



2. The Income Ceiling. The Student Aid Commission has adopted the widely used “uniform needs analysis” as the means for determining financial need on the part of Cal Grant applicants. As part of the analysis, the commission sets a ceiling on income and assets. Applicants whose family income exceeds the ceiling are ineligible to receive awards.

Table 12 displays the income ceilings for the Cal Grant A program in each year since 1979–80. It shows that the income ceiling has been increased by 25 percent over the last five years. When, however, the change in prices that families must pay is taken into account, the income ceiling actually has declined by over 5 percent.

Table 12
Income Ceiling in the
Cal Grant A Program Compared
to Change in California CPI, 1979-80 to 1983-84

	<i>SAC Determined Income Ceiling</i>	<i>Percent Change in California CPI from 1979-80</i>	<i>Income Ceiling for the Change in California CPI</i>
1979-80.....	\$29,900	—	\$29,900
1980-81.....	33,000	11.6%	29,575
1981-82.....	37,500 ^a	23.7	30,310
1982-83.....	37,500 ^a	26.3	29,578
1983-84.....	37,500 ^a	32.1	28,388
Total Change Since 1979-80	\$7,600	25.4%	-\$1,512

^a Midpoint of new variable income ceiling.

Further, as Table 12 shows, the Cal Grant A program has gone three years without any change in the income ceiling. In sum, the current income ceiling does not make adequate allowance for the impact of inflation on family income since 1979-80. We estimate that the ceiling for 1984-85 would have to be increased by \$1,968, or 5.1 percent, to represent the same amount of purchasing power as the 1979-80 income ceiling.

E. The Governor's Budget

The Governor's Budget for 1984-85 proposes an increase for all of the commission's major grant programs of \$10.9 million, or 13 percent, above current-year expenditures, as shown in Table 13. The budget includes a total of \$84.8 million for the Cal Grant A, Cal Grant B, and Graduate Fellowship programs. The proposed amount for these three programs is \$10.4 million, or 13 percent, more than the amount appropriated in the current year.

Table 13 also shows that the budget provides for a 10 percent increase in both the amount of the *maximum award* and the *number of new awards*, for each of the Cal Grant programs, and a 6 percent increase in both the amount of the maximum Graduate Fellowship and the number of new Graduate Fellowships.

The SAC estimates that private college tuition and fees paid by Cal Grant winners will increase by 9.8 percent in 1984-85. Such an increase would raise tuition and fees to \$7,216. Thus, the proposed Cal Grant A award maximum of \$3,740 would cover 52 percent of these costs, the same coverage as in the current year.

While the proposals contained in the Governor's Budget may maintain the current percentage of award recipients choosing to attend private colleges; they do not answer the policy questions that must be asked regarding student aid and the independent colleges.

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

Table 13
Governor's Proposals for Programs Administered
by the Student Aid Commission
1984-85

Program	Maximum Award				Total Funding For Award Programs				Number of New Awards			
	1983-84		Change		1983-84		Change		1983-84		Change	
			Amount	Percent			Amount	Percent			Amount	Percent
Cal Grant A Scholarship.....	\$3,400	\$3,740	\$340	10.0%	\$55,480	\$62,520	\$7,040	12.9%	14,900	16,400	1,500	10.0%
Cal Grant B Opportunity.....	4,300	4,730	430	10.0	22,752	26,014	3,262	14.3	6,825	7,500	675	9.9
Cal Grant C Educational.....	2,000	2,120	120	6.0	2,535	2,746	211	8.3	1,337	1,420	83	6.0
Graduate Fellowships.....	5,500	5,830	330	6.0	2,548	2,721	173	6.8	472	500	28	5.9
Bilingual Teacher Grants.....	3,600	3,816	216	6.0	2,497	2,786	289	11.6	340	408	68	20.0
Totals.....	N/A	N/A	N/A	N/A	\$85,812	\$96,787	\$10,975	12.8%	23,874	26,228	2,354	9.9%

F. Conclusion

We conclude that the increasing tendency for Cal Grant recipients to choose public, rather than private colleges reflects the recent pattern of relatively small increases in award levels and a decrease in the inflation-adjusted income ceiling. Together, these two factors have reduced the value of the state's aid programs in promoting student choice. This has not happened through design, but because there is no policy in place that links changes in award maximums and income ceilings to the *Legislature's* goals.

This is not to say that the Legislature might not have chosen to give greater weight to promoting access, at the expense of promoting choice, when confronted with tight fiscal restraints. In the absence of a clear policy toward financial aid programs, however, the Legislature will find it difficult to accomplish *its* priorities, and the outcome will tend to be driven by other factors such as the rate increase in private college tuition and fees and the rate of inflation. A clear legislative policy regarding the income ceiling and the maximum award would assist the Legislature in accomplishing its objectives.

Accordingly, we recommend that the Legislature reevaluate its policy objectives for financial aid programs and clarify its policy toward private colleges.

We note that a significant budget augmentation would be necessary if the Legislature wished to reverse the trend for Cal Grant A winners to choose public, rather than private, colleges. The SAC estimates that in order to increase the rate at which new award winners attend private colleges to the 1979-80 level of 41 percent, an augmentation of approximately \$10.3 million would be needed in 1984-85. This would allow an increase in the maximum award of \$1,672, or 49.2 percent, above the current level (\$3,400). The costs would be even higher in subsequent years as renewal award winners received the increased grants. To maintain the rate at the current-year level (29 percent) an increase in the maximum award of \$330, or 9.7 percent, would be needed, at cost of approximately \$1.4 million. (The Governor's Budget proposes an award increase of \$340 (10%) at a cost of \$1.5 million.)

8. INSTRUCTIONAL EQUIPMENT

A. Background

The *Supplemental Report to the 1983 Budget Act* directed the University of California (UC), the California State University (CSU), the Department of Finance, and the Legislative Analyst's office to jointly develop a new funding model for instructional equipment for high-technology education. In order to comply with this directive, we reviewed with UC and CSU:

- the segments' current processes for determining the need to replace instructional equipment, and
- the historical relation between the determined need and the amount made available for equipment replacement.

B. Process Used to Determine Need

1. *The University of California.* The UC estimates its annual need for instructional equipment replacement based on the estimated depreciation rate for instructional equipment which still has a useful life. Prior to calculating the depreciated value of its inventory, the inventory

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

is adjusted to reflect current price levels.

The UC maintains a computerized inventory management system. The campuses update their individual inventory—adding new items and deleting others—during the year. At the end of the year, each campus submits a computer tape to the Office of the President with an entry for each item currently in its inventory. These inventories include for each item the date of purchase and the acquisition cost. The inventory includes all instructional equipment purchased with state funds and instructional equipment purchased or received through extramural (nonstate) sources. Equipment added to the inventory through extramural sources is added to the inventory at either the purchase price or the current market (depreciated) value.

a. **Calculation of Overall Replacement Need.** To determine the annual need for replacement of instructional equipment, the UC determines:

- the average useful life of equipment,
- the salvage value of equipment,
- the annual depreciation rate, and
- the price-adjusted value of equipment.

• **Average Useful Life.** Useful life is defined as the time period over which an item of equipment retains its ability to serve its intended purpose. The UC assigns useful life values to its instructional equipment groups based primarily on data from (1) the U.S. Department of Internal Revenue, (2) the American Hospital Association, and (3) the California State Board of Equalization. Where there are differences between estimates for the same type of equipment, such differences are resolved in favor of the modal estimate. Where no modal estimate occurs, the highest estimate is selected.

• **Salvage Values.** Salvage value is an estimate of the price at which the equipment can be sold at the end of its estimated useful life. These values are based on published estimates and are expressed as a percent of the equipment's value. The UC process incorporates salvage values into its estimates to ensure that equipment is not depreciated below the amount that UC would be able to recover when obsolete equipment is sold.

• **Annual Depreciation Rate.** The annual depreciation rate is calculated using a straight-line depreciation method. That is, depreciation is estimated to be the same amount in each year. The depreciation rate is also adjusted for salvage value.

For example, an item of equipment purchased for \$1,000 with a salvage value of 10 percent and a useful life of 5 years would have an annual depreciation rate of 18 percent. That is, this item of equipment would be depreciated at 18 percent per year for five years, at which point it would have been totally depreciated down to its salvage value of 10 percent.

• **Price Adjustment.** The UC uses a price index to adjust the acquisition value of each item of equipment for the effect of changes in the price level. This adjustment is made using the Annual Average Producer Price Index published by the U.S. Department of Labor. The result of this price index adjustment is referred to as the "adjusted value of equipment."

The UC's overall replacement need is defined as the estimated annual depreciation rates multiplied by the price-adjusted value of the inventory.

In our hypothetical example, above, assume that it would cost \$1,250 to purchase the same item of equipment in 1984. Under these circumstances, the UC would estimate its replacement need in that year to be \$225—the depreciation rate of 18 percent times \$1,250. (Note that the salvage value of this equipment has been automatically increased from 10 percent of \$1,000 to 10 percent of \$1,250).

This method of determining replacement needs is used for 88 percent of the instructional equipment in the UC inventory. The remaining 12 percent consists of equipment with acquisition costs between \$200 to \$500. In order to manage the large volume of items in this classification, the UC devised a separate depreciation schedule based on the actual useful life (10 years) and salvage value (7 percent) of this category as a whole. The total acquisition cost of items in this category during 1982–83 was \$24 million, resulting in an annual depreciation need of \$2 million.

2. *The California State University (CSU)*. CSU does not have an analytical process for determining its annual need for instructional equipment replacement (IER). Between 1975–76 and 1982–83, the CSU based its request for IER funds on the amount appropriated for IER in 1974–75, adjusted for price increases in accordance with the annual Department of Finance budget letter.

The CSU requests for IER funding in 1983–84 and 1984–85 sought larger amounts based on the systems' belief that its instructional equipment inventory is depreciating more rapidly than funding for IER is growing.

3. *Comments on the UC and CSU Needs Determination Process*. The Legislature's primary concern in adopting the supplemental report language was the need for a better funding model for high-technology instructional equipment. Based on our review, and on discussion with UC and CSU, we believe that the current model used by the UC to estimate equipment replacement needs is sound. We found that while the current model tends to understate the replacement need for some high technology equipment, it tends to overstate the replacement need for other equipment in the inventory. Accordingly, we do *not* believe that it would be cost-effective to devise a *new* system for projecting instruction equipment replacement needs. We also believe that UC's model can meet the needs of CSU, as well as UC.

C. Budget Proposal for IER in 1984–85

The budget requests \$21.4 million for the UC and \$11.9 million for the CSU for instructional equipment replacement needs in 1984–85. These amounts represent increases of \$12.3 million and \$9.0 million, respectively, over the amounts provided in 1983–84. *The UC request is equal to the annual depreciation need estimated by its model.*

Table 14 shows the distribution of the UC's and CSU's instructional equipment inventory, by year of purchase. It shows that 62 percent of the CSU's instructional equipment, on a price adjusted basis, was purchased prior to 1973, while 51 percent of the UC's instructional equipment was purchased prior to that date. Consequently, the CSU's instructional equipment is slightly older than equipment within the UC system.

A rough estimate of CSU's need for instructional equipment replacement can be made using the UC model, adjusted to reflect the size of the inventories in each system. Given that (1) CSU has an inventory amounting to 72 percent of UC's and (2) CSU's equipment is approximately as old as UC's, CSU's replacement need should be equal to about 72 percent of UC's need. On this basis, CSU's equipment replacement need in 1984–85 would be about \$15 million or about \$3 million more than the amount requested in the Governor's Budget.

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

Table 14
Instructional Equipment Inventories for
the California State University and the University of California
(in millions)

	<u>California State University</u>			<u>University of California</u>		
	<i>Acquisition Cost of Inventory</i>	<i>Price Weighted Cost of Inventory</i>	<i>Cumula- tive Percentage</i>	<i>Acquisition Cost of Inventory</i>	<i>Price Weighted Cost of Inventory</i>	<i>Cumula- tive Percentage</i>
1958 or earlier	\$6.5	\$19.9	6.1%	\$5.4	\$18.4	4.7%
1959	2.2	6.6	8.1	1.3	3.7	5.6
1960	2.9	8.9	10.9	2.2	6.4	7.2
1961	3.0	9.0	13.6	2.7	7.9	9.2
1962	4.0	12.2	17.4	3.3	9.3	11.6
1963	4.1	12.4	21.2	3.7	10.5	14.2
1964	3.4	10.1	24.3	3.9	11.1	17.0
1965	3.6	10.6	27.5	4.3	12.2	20.1
1966	3.7	10.7	30.8	5.6	15.6	24.0
1967	4.6	12.9	34.8	6.0	16.0	28.1
1968	6.4	17.3	40.1	7.5	19.4	33.0
1969	5.8	15.1	44.7	7.1	17.6	37.4
1970	5.2	13.0	48.7	6.0	14.2	41.0
1971	3.8	9.2	51.6	4.6	10.5	43.7
1972	7.3	17.4	56.9	5.8	12.7	46.9
1973	7.1	16.2	61.9	6.5	14.2	50.5
1974	9.4	18.7	67.6	7.9	15.1	54.3
1975	9.5	16.5	72.7	7.6	12.8	57.5
1976	9.4	15.4	77.4	9.1	14.6	61.2
1977	9.8	15.0	82.0	12.7	19.2	66.1
1978	11.7	16.6	87.1	19.4	27.2	73.0
1979	10.3	13.4	91.2	20.3	26.5	79.7
1980	10.5	12.2	95.0	25.5	29.5	87.1
1981	12.2	12.9	99.0	22.8	25.0	93.4
1982	3.4	3.4	100.0	26.2	26.2	100.0
Subtotals	\$159.8	\$325.6		\$227.5	\$395.6	
Other items	—	—		24.0	55.0	
Totals	\$159.8	\$325.6		\$251.5	\$450.6	

D. IER Funding Lags

Table 15 shows the relationship between UC's estimated needs and state IER appropriations since 1976-77 (the first year in which UC used its model). The table shows that if the amount proposed in the 1984-85 budget is provided, it will be the first time that funding has reached the level required to cover replacement needs as estimated by the model.

Table 15 also shows the price-adjusted difference between the UC request and the IER appropriation since 1976-77. In 1984-85 dollars, the funding shortfall adds up to \$65.8 million. That is, it would take \$65.8 million in today's dollars to make up the difference between the amount needed for instructional equipment and the amount appropriated between 1976-77 and 1984-85.

Table 15
Relationship Between Estimated Need for
Instructional Equipment Replacement (IER) and
State IER Appropriations
University of California
1976-77 through 1984-85
(in millions)

	<i>IER Need</i>	<i>State IER Funding</i>	<i>State IER Funding Versus Need</i>	<i>Price-Adjusted Value* of IER Funding Shortfall</i>
1976-77	\$9.3	\$4.4	-\$4.9	-\$9.3
1977-78	12.7	6.9	-5.8	-10.3
1978-79	11.2	3.4	-7.8	-12.9
1979-80	12.0	7.9	-4.1	-6.0
1980-81	14.3	10.0	-4.3	-5.4
1981-82	14.4	10.9	-3.5	-4.0
1982-83	16.5	11.6	-4.9	-5.4
1983-84	20.8	9.1	-11.7	-12.5
1984-85	21.4	21.4	—	—
Totals	\$132.6	\$85.6	-\$47.0	-\$65.8

* Estimated 1984-85 dollars. Price adjustments based on the Producer Price index.

Because CSU does not maintain comparable data, a direct estimate of the shortfall in this segment cannot be prepared. Using our assumption that CSU's needs are equal to about 72 percent of UC's, however, we estimate that the cumulative amount required for instructional equipment replacement for CSU during this period was \$95.5 million. Since CSU received \$39 million in IER state funds between 1976-77 and 1984-85, it would take \$56.5 million in today's dollars to make up the difference between CSU's need for instructional equipment replacement and the amount provided since 1976-77.

E. Availability of Other Funds

Both UC and CSU have available other state and extramural funds that can be used to purchase instructional equipment. Table 16 shows that UC added \$12.3 million and \$13.5 million to its instructional equipment inventory from these sources in 1981-82 and 1982-83, respectively. The CSU added \$4.1 million and \$11.3 million in those same years. These funds are budgeted primarily to meet new, rather than replacement, needs.

Table 16
Non-IER State and Extramural Expenditures for Instructional Equipment
1981-82 and 1982-83
(in millions)

	<i>1981-82</i>	<i>1982-83</i>
University of California:		
Non-IER state	\$7.2	\$9.7
Extramural	5.1	3.8
Totals	\$12.3	\$13.5
California State University:		
Non-IER state	\$2.2	\$7.3
Extramural	1.9	4.4
Totals	\$4.1	\$11.3

OVERVIEW OF POSTSECONDARY EDUCATION—Continued

Neither the UC nor the CSU are required to spend a specific sum on equipment purchases. With the substantial increase in state support for IER proposed for 1984-85, it is possible that individual campuses within UC or CSU might redirect the non-IER state funds to other budget items. It is also possible that extramural funds will not be sought as aggressively as in past years.

Given the importance of instructional equipment to the two segments, and the large shortfall in funding this equipment that occurred during the past eight years, we recommend that the Legislature request UC and CSU to (1) maintain their efforts to purchase instructional equipment using non-IER funding sources, and (2) maintain the value of equipment added to the inventory from extramural sources at recent levels.

F. Recommendations

Based on our review of the instructional equipment funding formulas and levels for UC and CSU, *we recommend in Items 6440-001-001 and 6610-001-001 that:*

- *The amounts requested for instructional equipment replacement (IER) for the UC (\$21.4 million) and the CSU (\$11.9 million) be approved.*

- *Funding requests for instructional equipment replacement in the future be based on the estimated yearly depreciated value of instructional equipment.*

- *The UC continue to use its current model in determining its annual IER need.*

- *The CSU be directed to implement the UC model in order to determine its annual IER needs.*

- *The UC and CSU be required to prepare an annual report on IER.*

- *The UC and CSU be required to maintain their current efforts to fund instructional equipment from their base budget appropriations and, to the maximum extent possible, from extramural sources.*

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

Item 6420 from the General

Fund and Federal Trust Fund

Budget p. E 119

Requested 1984-85	\$2,730,000
Estimated 1983-84	2,466,000
Actual 1982-83	2,372,000
Requested increase (excluding amount	
for salary increases) \$264,000 (+10.7 percent)	
Total recommended reduction	None
Recommendation pending	33,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
6420-001-001—CPEC, support		General	\$2,730,000
6420-001-890—CPEC, support		Federal Trust	(10,000)

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. Office Automation Equipment. Withhold recommendation on \$33,000 of the proposed increase of \$167,000, pending receipt of additional information on the justification for this equipment. 1679
2. Faculty Fringe Benefit Study. Recommend CPEC submit to the Legislature by March 15, 1984, a fringe benefit evaluation proposal which identifies the funding needed and specific tasks to be performed in order to provide a more analytical in-depth review of the current benefits offered to California faculty, as compared to benefits offered at comparison institutions. 1679

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.

The commission has 54.5 full-time equivalent positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes two appropriations totaling \$2,740,000 for support of CPEC in 1984-85. This is \$234,000, or 9.3 percent, more than estimated current-year expenditures.

Table 1 presents a summary of expenditures and funding sources for the commission. As the table shows, the budget proposes an appropriation of \$2,730,000 from the General Fund for support of the commission in 1984-85. This is \$264,000, or 10.7 percent, more than estimated current-year expenditures. This increase will grow by the cost of any salary or staff benefit increases that may be approved for the budget year. In addition, the table shows that federal support is expected to decline to a level of \$10,000, which is \$30,000 (75 percent) less than the current-year amount.

Table 1
California Postsecondary Education Commission
Expenditures and Funding
1982-83 through 1984-85
(dollars in thousands)

<i>Programs</i>	<i>Actual 1982-83</i>	<i>Estimated 1983-84</i>	<i>Proposed 1984-85</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Academic Affairs	\$1,012	\$1,056	\$1,081	\$25	-2.4%
2. Analytical Studies	576	600	619	19	3.2
3. Administration	816	870	1,040	170	19.5
Totals	\$2,404	\$2,526	\$2,740	\$234	9.3%
General Fund	\$2,372	\$2,466	\$2,730	\$264	10.7%
Federal funds	1	40	10	-30	-75.0
Reimbursements	31	20	—	-20	-100.0
Personnel-years	53.6	54.5	51.2	-3.3	-6.1%

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION—Continued

Table 1 also shows a proposed reduction of 3.3 positions in 1984-85. This reduction is achieved by (1) transferring funds equivalent to 1.6 positions to consultant services, (2) increasing the salary savings position target by 0.5 positions and (3) a workload related reduction of 1.2 positions.

Table 2 shows the specific factors accounting for the net \$264,000 increase in General Fund support proposed for the budget year. The significant General Fund budget changes consist of:

- \$14,000 increase for merit salary adjustments.
- \$30,000 (6 percent) increase to offset the effects of price changes on operating expenses.
- \$70,000 increase related to the cost of providing for a full year the salary and benefit increases that became effective for the last six months of 1983-84.
- A net reduction of \$17,000 in funds for the second year of a five-year study on the eligibility standards of the UC and the CSU systems. A total of \$42,000 will be expended on this study in the current year.
- \$167,000 increase to purchase office automation equipment.

Table 2
California Postsecondary Education Commission
Proposed 1984-85
General Fund Budget Changes
(in thousands)

		<i>Expenditures</i>
1983-84 Adjusted Base Budget		\$2,466
A. Changes to Maintain Existing Budget		114
1. Merit increase	\$14	
2. Price increase	30	
3. Employee compensation annualization	70	
B. Budget Change Proposals		150
1. Eligibility study	-17	
2. Office automation network	167	
Total, 1984-85 Support		\$2,730
Total Change:		
Amount		\$264
Percent		10.7%

ANALYSIS AND RECOMMENDATIONS**A. CPEC Administration (Item 6420-001-001)**

Based on our analysis of CPEC's proposed budget, we recommend approval of (1) the baseline budget, (2) the funds proposed for cost increase to maintain the baseline budget, and (3) the proposed budget change related to the eligibility study. Our analysis of the proposed \$167,000 increase for office automation equipment appears below. In addition, we discuss the need for CPEC to refine its annual report on faculty salaries and fringe benefits.

Office Automation Network

We recommend that the Legislature approve \$134,000 of the \$167,000 requested for office automation network equipment. We withhold recommendation on the balance of the request—\$33,000—pending receipt of information justifying the need for this equipment.

The budget requests \$167,000 for CPEC to purchase an office automation network. The budget document states that the network will integrate word processing, data processing, and research writing functions. The budget change document indicates that the following items will be purchased with the \$167,000: (1) eight word processing machines to replace existing machines (\$80,000), (2) nine personal computers to replace eleven terminals currently used by CPEC (net cost of \$54,000), and (3) three new work stations (\$33,000).

System and Feasibility Plans in Progress. The CPEC is in the process of completing reports on its plan for short and long-term information systems needs. This report will include detailed information on the problems to be addressed by, and the alternatives for achieving, office automation. These reports will be available by March 1, 1984. In the absence of this plan, our review of CPEC's budget request focused on those elements that would replace existing equipment. Taking into account the useful life of the existing equipment, we believe that the purchase of eight word processing machines and nine personal computers is cost-effective. Accordingly, we recommend approval of the \$134,000 budgeted for purchase of this equipment.

We do not have sufficient information to justify purchase of the three new work stations, at a cost of \$33,000. The work stations do not replace any current equipment in the CPEC inventory and, as such, would represent the first purchase related to a network system. Accordingly, we withhold recommendations on the additional funds requested for these work stations until we have reviewed information on the overall needs related to the information system, as well as detailed needs, problems, and alternatives available to CPEC for office automation. This information should be available in the CPEC's forthcoming plan for office automation.

B. Director's Salary

Chapter 323, Statutes of 1983 (the trailer bill to the 1983 Budget Act), directed the Postsecondary Education Commission to annually review and fix the salary of its director without having to submit the salary for the review and approval of any other administrative agency. The commission, however, must notify the Chairperson of the Joint Legislative Budget Committee of this annual salary amount. Chapter 323 specified that the commission shall utilize a methodology which takes into account the salaries paid executive officers of similar state boards and commissions in states with higher education systems comparable to California's in size, complexity, and level of expenditures.

Following the methodology and procedures outlined in Ch 323, the commission raised the director's salary from \$56,760, to \$73,233, effective September 1, 1983.

C. Fringe Benefit Report Needed

We recommend that CPEC submit to the legislative fiscal committees by March 15, 1984, a fringe benefit evaluation proposal which identifies the funding needed and the specific tasks that must be performed in order for the commission to provide a more analytical in-depth review of the

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION—Continued

current benefits offered to California faculty, as compared with the benefits offered to faculty at comparison institutions. We further recommend that separate cost estimates be prepared for a study in 1984-85 covering (1) both UC and CSU comparison institutions, (2) only UC comparison institutions, and (3) only CSU comparison institutions.

Background. In both the 1981-82 and 1982-83 *Analyses* we recommended that CPEC undertake a study to provide a more analytical in-depth review of the current benefits offered to California faculty. In May 1982, CPEC reported that the funding needed for such a study would range from \$6,000 to \$7,000 per institution included in the comparison study. Thus, if all eight of UC's comparison institutions and all 20 of CSU's comparison institutions were included, the cost of the study would total between \$168,000 to \$196,000.

The need for such a study is highlighted again in the current year. The preliminary report on faculty salaries and benefits prepared by CPEC reports that with no change in compensation, UC would lag behind its comparison institutions in terms of fringe benefits by 13.2 percent in 1984-85. On the other hand, the CPEC report shows that CSU would be 19.9 percent ahead of its comparison institutions in terms of these benefits. Unfortunately, there is no analytical basis on which the Legislature can evaluate the fringe benefit data provided by CPEC.

Data Now Used to Compare Fringe Benefits Are Meaningless. The data on faculty benefits provided by CPEC consider only the employer's cost. For this reason, they are useless to the Legislature in attempting to compare the value to the employee of the actual fringe benefits he or she receives. This is because the employer's cost often bears little relationship to the value of the fringe benefits received by the employee. This is especially true with respect to employee pensions, which comprise 80 percent of all countable fringe benefits at UC and 70 percent of such benefits at CSU.

The employer cost of pensions is not a good indication of the value of pension benefits provided because the extent to which these benefits are funded by the employer, and the actuarial methods used by employers, differ widely. Thus, it is possible that two faculty members at different institutions could be earning entitlements to identical pension *benefits* but, due to differences in actuarial funding practices, the respective employers' *costs* associated with faculty retirement benefits would be vastly different. The CPEC report recognizes this problem, and cautions that its figures on the employer cost of fringe benefits can often be seriously misleading.

Valid Comparisons Now Possible. In previous *Analyses*, we noted that due to limitations in methodology, little could be done to improve the usefulness of fringe benefit comparisons. Recently, however, research in public employee compensation has made significant strides toward developing a common methodology for reporting pension costs. A major improvement has been the development of employer cost figures for comparable positions, assuming that all employers were using the same pension funding method (with uniform assumptions regarding rates of separation and promotion, salary increases, rates of return on pension funds, and inflation).

The results from such studies show that the rankings of employers based on salary alone may differ considerably from the rankings based on total

compensation (salary plus appropriate measures of the value of fringe benefits). Consequently, use of salary comparisons *alone* in setting compensation for faculty at UC and CSU may give a misleading picture of the relative competitiveness of the California public segments in hiring qualified faculty. If, as seems reasonable, potential faculty members weigh both salary and fringe benefits in considering employment offers from UC or CSU, the relevant comparison from the standpoint of competitiveness is *total* faculty compensation in UC and CSU and total compensation offered by the respective comparison institutions. For this reason, it is vital that the Legislature have comparable information on the value of fringe benefits provided to faculty members at these institutions.

We, therefore, recommend that CPEC reevaluate its May 1982 study plan and provide an updated plan to the Legislature by March 15, 1984. We further recommend that CPEC develop separate cost estimates for undertaking a study in 1984-85 that would include all of UC's and CSU's comparison institutions and alternative studies limited to each segment's comparisons. Separate cost estimates would give the Legislature the flexibility of deciding to undertake a study of fringe benefits in just one segment, so as to test the proposed methodology.

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

We recommend approval.

The budget proposes the expenditure of \$10,000 from the Federal Trust Fund for (1) continued support of a study to develop models for evaluating remedial courses and services for postsecondary education students, and (2) the acquisition of materials for the commission's library. CPEC received \$39,000 in federal funds in the current year for initial support of the remedial evaluation study. CPEC anticipates a third year of support for this study in 1985-86.

UNIVERSITY OF CALIFORNIA

Item 6440 from the General

Fund and various funds

Budget p. E 123

Requested 1984-85	\$1,447,713,000
Estimated 1983-84	1,124,592,000
Actual 1982-83	1,144,026,000
Requested increase (<i>including</i> amount for salary increases) \$323,121,000 (+28.7 percent)	
Total recommended reduction	10,188,697
Recommendation pending	148,095,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
6440-001-001—UC, Support		General	\$1,333,003,000
6440-001-046—UC, Institute of Transportation Studies		Transportation	940,000
6440-001-144—UC, Research in mosquito control		California Water	100,000
6440-011-001—UC, Employee compensation		General	113,670,000
6440-490—UC, Reappropriation		General	—
Total			\$1,447,713,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Graduate Enrollment. Reduce Item 6440-001-001 by \$645,000.* Recommend deletion of funds for graduate enrollment increase of 200 students because the university has not made sufficient efforts to reallocate existing enrollments to accomplish the intended objective. 1699
2. *Instructional Equipment Replacement (IER).* Recommend approval of \$21.4 million proposed for IER. Further recommend that the Legislature direct the UC to (1) prepare an annual report on IER and (2) maintain current efforts to fund instructional equipment from the base budget appropriation and, to the maximum extent possible, from extramural sources. 1702
3. *Instructional Use of Computers.* Withhold recommendation on \$4.0 million requested for instructional use of computers, pending receipt of (a) additional information on the allocation of funds in the current year and (b) detail on how the university would allocate the additional funds in 1984-85. 1704
4. *Funding Reduction for Health Science.* Withhold recommendation on the proposed unspecified reduction of \$7.2 million in the Health Science Instruction program, pending receipt of more information on the proposal. 1707
5. *Microelectronics Research. Reduce Item 6440-001-001 by \$2,000,000.* Recommend deletion of proposed augmentation because the university has the ability to accomplish the intended objective by realigning its research priorities within the base budget for its existing research program. 1713
6. *Faculty Research. Reduce Item 6440-001-001 by \$500,000.* 1715

Recommend deletion of \$500,000 augmentation because (1) there is no analytical basis on which to establish a need for these funds and (2) the university has the ability to accomplish the intended objective by realigning its research priorities within the base budget for the existing research program.

7. Teaching Hospitals. Recommend the university report during budget hearings on operating revenue and expenses for its five teaching hospitals. 1722
8. Student Fee Policy. Recommend the Legislature adopt Budget Bill language specifying a long-term policy on student fee levels to aid students and their parents in planning to meet the costs of higher education by adding stability and predictability to the fee-setting process. 1726
9. *Student Fee Funding Shift. Reduce Item 6440-001-001 by \$6,968,697.* Recommend the Legislature reject the proposal to shift the source of support for (1) the Student Affirmative Action Program and (2) the Educational Opportunity Program portion of student fee-supported financial aid from student fees to the State General Fund because it would further restrict use of student fee revenue. 1728
10. Nonresident Tuition. Recommend the Legislature direct the university to adopt a policy that sets nonresident tuition at the *average cost* of instruction per student. Further recommend that the new nonresident tuition level be phased-in over a three-year period, beginning in 1985-86. 1729
11. *Graduate and Professional Student Affirmative Action (GPSAA). Reduce Item 6440-001-001 by \$75,000.* Recommend deletion because the proposed use of these funds would not be cost-effective. Withhold recommendation on additional request of \$425,000, pending receipt of information on (1) the redirection of funds from the consolidation of undergraduate Student Affirmative Action and Educational Opportunity Programs and (2) information on the current availability of research assistantships and mentorship grants for minority and women students at the university. 1734
12. Building Maintenance. Withhold recommendation on the proposed increase of \$4 million for building maintenance and on the proposed increase of \$6.5 million for deferred maintenance, pending receipt of (1) the criteria used by the university to determine preventive maintenance needs, (2) information on the funding level required in 1984-85 to provide staff or contract services to meet preventive maintenance needs, (3) the systemwide criteria that will be used to prioritize the deferred projects in the latest (December 1983) deferred projects list, and (4) a plan to track and monitor systemwide maintenance projects. 1740
13. Use of Capacity Space. Recommend the Budget Bill be amended to (1) delete Provision 9 of Item 6440-001-001 (a reporting requirement relating to the reclassification of space) and (2) add a control section requiring UC to notify 1741

UNIVERSITY OF CALIFORNIA—Continued

- the Joint Legislative Budget Committee, fiscal committees and the Department of Finance prior to reclassifying space to other uses.
14. University of California Retirement System (UCRS). 1745
Recommend approval of \$70.6 million to restore the state's share of contributions to UCRS in 1984-85. Withhold recommendation on the proposed remaining increase of \$12.3 million to improve retirement benefits for UCRS members because this proposal should be considered with the 1984-85 employee compensation package.
 15. Employee Compensation for 1984-85. Withhold recommendation on \$113.7 million requested for employee compensation increases pending receipt of (1) revised data on compensation levels for faculty at comparison institutions, (2) memoranda of understanding (MOUs) for union-represented employees and (3) compensation proposals for nonrepresented employees. 1747
 16. Reappropriation of Savings. Delete Item 6440-490. Recommend the Budget Bill be amended to delete the provision which provides for reappropriation of savings because conventional budgeting practices require that expenditures be budgeted for the fiscal year in which they are expected to occur. 1748

Summary of Legislative Analyst Fiscal Recommendations

We recommend reductions totaling \$10.2 million to the UC budget for 1984-85. In addition, we withhold recommendations on \$148 million included in the budget. Of the total amount on which we are withholding recommendation, 85 percent is proposed for employee compensation increases (\$113.7 million in salary and \$12.3 million in UCRS benefit increases). In order to develop a recommendation on this request, we will need to obtain and review three types of data which were not available at the time this *Analysis* was prepared: (1) compensation levels for faculty at comparison institutions (2) memoranda of understanding (MOUs) for union-represented employees and (3) compensation proposals for non-represented employees.

The remaining \$22 million on which we withhold recommendation involves (1) instructional use of computers, (2) health science instruction enrollment changes, (3) a graduate student affirmative action plan, and (4) building maintenance augmentations. The university is cooperating with us in providing the additional information needed to analyze these four requests.

Most of the \$10.2 million in recommended reductions is tied to our recommendation on the use of student fee revenue. Specifically, we recommend the deletion of \$7 million in General Fund support proposed for specific student services programs because it would continue the policy of restricting the use of student fee revenue. The remaining \$3.2 million in reductions we recommend involve funding requests for (1) graduate enrollments, (2) microelectronics research, (3) faculty research and (4) graduate affirmative action.

Our recommendations are summarized in the following table:

Summary of Legislative Analyst's Recommended Fiscal Changes

<i>Activity</i>	<i>Program Changes</i>	<i>Impact on General Fund</i>	<i>Recommendations Withheld</i>
Graduate enrollment	-\$645,000	-\$645,000	—
Instructional use of computers	—	—	\$4,000,000
Unspecified reduction in health science.....	—	—	7,200,000
Microelectronics research.....	-2,000,000	-2,000,000	—
Faculty research	-500,000	-500,000	—
Student fee funding shift	—	-6,968,697	—
Graduate and professional student affirmative ac- tion	-75,000	-75,000	425,000
Building maintenance	—	—	10,500,000
UC Retirement System (UCRS)	—	—	12,300,000
Employee compensation.....	—	—	113,670,000
Totals	\$3,220,000	\$10,188,697	\$148,095,000

GENERAL PROGRAM STATEMENT

The University of California (UC) was established in 1868 as California's land grant university. It has constitutional status as a public trust, and is 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 of first-year students 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 in California, 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 the public higher education system, 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.

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 been delegated the 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 17.61 undergraduate and graduate students. The UC then determines how many faculty and other staff will 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.

During the current year, the university has 58,866 full-time equivalent

UNIVERSITY OF CALIFORNIA—Continued

(FTE) academic and nonacademic employees, and is providing instruction to 130,749 students.

OVERVIEW OF THE BUDGET REQUEST

Budget Presentation. This analysis divides the UC budget request into twelve classifications. The first three—Instruction, Research, and Public Service—encompass the primary educational functions of the system. The next seven—Academic Support, Teaching Hospitals, Student Services, Institutional Support, Operation and Maintenance of Plant, Financial Aid and Auxiliary Enterprises—provide support services to the three primary programs. The remaining functions—Unallocated Adjustments and the Special Regents Programs—include budget reporting procedures which affect all of the other ten programs and special resource allocations. (Table 2 provides an overall outline of the order in which our analysis is presented.)

Table 1
University of California
Expenditure Budget (dollars in thousands)

	<i>Actual</i> <i>1982-83</i>	<i>Estimated</i> <i>1983-84</i>	<i>Proposed</i> <i>1984-85</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
I. Support Budget					
1. Instruction					
A. General campus	\$476,044	\$528,878	\$553,341	\$24,463	4.6%
B. Health sciences	221,602	224,687	228,428	3,741	1.7
C. Summer session	8,218	9,250	9,550	300	3.2
D. University extension	54,968	62,009	63,009	1,000	1.6
2. Research	118,453	123,634	125,886	2,252	1.8
3. Public Service	61,273	66,653	66,653	—	—
4. Academic Support					
A. Libraries	88,017	95,576	96,135	559	0.6
B. Organized activities— other	99,480	105,161	107,305	2,144	2.0
5. Teaching Hospitals	602,991	666,540	717,823	51,283	7.7
6. Student Services	107,440	103,980	103,980	—	—
7. Institutional Support	154,717	158,145	160,292	2,147	1.4
8. Operation and Maintenance of Plant	152,746	158,489	169,836	11,347	7.2
9. Student Financial Aid	49,742	62,471	61,077	-1,394	-2.2
10. Auxiliary Enterprises	162,830	155,173	166,550	11,377	7.3
11. Unallocated Adjustments					
A. Provisions for allocation	—	27,839	9,047	-18,792	-67.5
B. Fixed costs, economic factors, and actions required as a result of 1983-84 decisions	—	—	81,430	81,430	—
C. Employee compensation	—	—	113,670	113,670	—
12. Special Regents' Programs	32,387	39,027	39,027	—	—
13. Unspecified Reductions in the Health Sciences	—	-7,200	-7,200	—	—
Totals, Support Budget	\$2,390,908	\$2,580,312	\$2,865,839	\$285,527	11.1%
II. Sponsored Research and Other Activities	684,990	716,324	763,803	47,479	6.6
III. Department of Energy Labs	1,273,331	1,336,998	1,443,958	106,960	8.0
Grand Totals	\$4,349,229	\$4,633,634	\$5,073,600	\$439,966	9.5%
Personnel *	59,624	58,866	57,750	-1,116	-1.9

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

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

The proposed budget for 1984-85 totals \$5.1 billion, and has three components: (1) the support budget (\$2.9 billion), (2) sponsored research and other extramural activities (\$764 million), and (3) the three U.S. Department of Energy (DOE) laboratories (\$1.4 billion). No state funds are provided for sponsored research and the DOE laboratories.

The sources of funding for the university's support budget are shown in Table 2. The Governor's Budget proposes a total UC support budget of \$2.9 billion, which is \$285.5 million, or 11.1 percent, above estimated current-year expenditures. The proposed \$285.5 million increase would be funded from the following sources:

- State General Fund Appropriations: an increase of \$336.7 million (30.3 percent).
- University General funds: an increase of \$2.6 million (5.8 percent).
- University income: a decrease of \$102.5 million (-67.7 percent).
- State restricted appropriations: a decrease of \$13.5 million (-92.9 percent).
- University restricted appropriations: an increase of \$62.3 million (5.0 percent).

"General Fund" versus "general funds". The major source of revenue to UC is the state General Fund. There are other revenue sources, however, that are combined with the state General Fund appropriations to finance expenditures by the university.

These sources include nonresident tuition revenue, the state's share of overhead receipts from the federal government, 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. The term "general funds" is used to refer to the combined total of the state General Fund monies and the other general-purpose revenues available to the university. It should be noted that the state General Fund appropriation accounts for over 93 percent of "general funds" budgeted for 1984-85.

Table 3 shows the source of funding for individual programs. For example, the table shows that general funds provide \$546.0 million (nearly 99 percent) of the general campus instruction budget of \$553.3 million. On the other hand, general funds account for only \$46.8 million (6.5 percent) of the \$717.8 million budgeted for teaching hospitals. Patient charges for services will provide \$664.7 million of the hospitals' budgets, and endowments will contribute another \$124,000.

UNIVERSITY OF CALIFORNIA—Continued

Table 2
University of California Support Budget
Expenditures by Revenue Source
(in thousands)

	<i>Estimated 1983-84</i>	<i>Proposed 1984-85</i>	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>
1. General funds:				
A. State Appropriation	\$1,110,012	\$1,446,673	\$336,661	30.3%
B. University General funds:				
1. Nonresident tuition	35,529	37,661	2,132	6.0
2. Other student fees	6,600	6,007	-593	-9.0
3. Other current funds	3,400	4,500	1,100	32.3
Subtotals	\$45,529	\$48,168	\$2,639	5.8%
C. University Funds Used as Income:				
1. Federal overhead	\$43,946	\$43,922	-\$24	—
2. Department of Energy overhead and management	2,797	2,797	—	—
3. Prior year balances	1,121	—	-1,121	—
4. Other	2,231	2,231	—	—
5. UCRS funding to replace state funds	101,400	—	-101,400	—
Subtotals	\$151,495	\$48,950	-\$102,545	-67.7%
Totals General funds	\$1,307,036	\$1,543,791	\$236,755	18.1%
2. Restricted Funds:				
A. State Appropriations:				
1. Transportation research	\$905	\$940	\$35	3.9%
2. Agroecology program	211	—	-211	—
3. Mosquito research	100	100	—	—
4. Instructional equipment	9,145	—	-9,145	—
5. Deferred maintenance	3,584	—	-3,584	—
6. Energy research	635	—	-635	—
Subtotals	\$14,580	\$1,040	-\$13,540	-92.9%
B. Federal Grants and Appropriations	\$12,153	\$12,153	—	—
C. Local Government (Hospital revenue)	\$8,004	\$8,004	—	—
D. University Sources:				
1. Student fees	\$245,920	\$239,065	-\$6,855	-2.8
2. Sales and services	130,172	136,679	6,507	5.0
3. Teaching hospitals	613,410	664,693	51,283	8.4
4. Endowments	26,539	26,539	—	—
5. Auxiliary enterprises	153,738	165,115	11,377	7.4
6. Other	3,187	3,187	—	—
7. Prior-year balances	26,546	26,546	—	—
8. Special Regents' Programs	39,027	39,027	—	—
Subtotals	\$1,238,539	\$1,300,851	\$62,312	5.0%
Totals, Restricted Funds	\$1,273,276	\$1,322,048	\$48,772	3.8%
Totals, Support Budget	\$2,580,312	\$2,865,839	\$285,527	11.1%

Table 4 shows the details of the net \$336.7 million increase in General Fund support proposed for the budget year. The significant changes include:

a. *Changes to Maintain the Existing Base.* The budget requests \$148.9 million to maintain the adjusted 1983-84 base budget. This change accounts for 44 percent of the total increase. The major items in the category include:

- **Faculty and Staff Merit and Promotion Funds**—\$20.1 million for merit and promotional salary adjustments.
 - **Price Increases**—\$26.9 million to offset the effects of inflation on operating expenses. This amount reflects a 9.1 percent adjustment for the overall operating budget and includes a 21 percent (\$5.2 million) increase for library materials.
 - **Annualization of Compensation Increases**—\$30.5 million for the full-year cost of salary and benefit increases that took effect on January 1, 1984.
 - **Restoration of Retirement Contributions**—\$70.6 million to restore state support for the University of California Retirement System (UCRS) from the reduced 1983–84 level. (The budget also requests a budget change proposal of \$12.3 million to enhance benefits for UCRS members.)
- b. **Workload Changes**—\$11.1 million for workload changes, primarily for a projected increase in undergraduate student enrollment. This change accounts for 3 percent of the total increase.
- c. **Funding Shifts**—\$13.2 million to shift support for certain programs from State special funds (primarily the Capital Outlay Fund for Public Higher Education) to the state General Fund. This change accounts for 4 percent of the total.
- d. **Budget Change Proposals**—\$42.7 million for nine budget change proposals. This change accounts for 13 percent of the total increase. The items in this category include:
- **Graduate Enrollment**—\$645,000 to support an additional 200 graduate students in 1984–85.
 - **Instructional Equipment**—\$12.3 million to replace instructional equipment, bringing total state support for this program to \$21.4 million in 1984–85.
 - **Instructional Use of Computers**—\$4.0 million for instructional use of computers, bringing total state support for this program to \$8.2 million in 1984–85.
 - **Faculty Research**—\$500,000 for faculty research grants, bringing to \$5.2 million the state support proposed for this purpose in 1984–85.
 - **Microelectronics Research**—\$2 million for microelectronics research, bringing to \$4.1 million the state support requested for this program in 1984–85.
 - **Student Affirmative Action**—\$500,000 to initiate General Fund support for an affirmative action program for graduate students.
 - **Building Maintenance**—\$4 million to augment the current \$27 million state-funded support level for building maintenance.
 - **Deferred Maintenance**—\$6.5 million for deferred maintenance projects, bringing total state support proposed for this activity to \$10.1 million in 1984–85.
 - **Retirement Benefits**—\$12.3 million to enhance benefits for members of the University of California Retirement System (UCRS). (The budget also requests \$70.6 million to restore state support for the UCRS from the reduced 1983–84 level.)
- e. **Student Fees**—\$7 million for the purpose of shifting support for the Educational Opportunity program and the Student Affirmative Action program from student fees to the state General Fund. The budget proposes a reduction in student fees of an equivalent amount, \$7 million, or \$70 per student in 1984–85. (Average undergraduate fees in 1984–85 would be \$1,317 per year.) This change accounts for 2 percent of the total increase.

UNIVERSITY OF CALIFORNIA—Continued

Table 3
University of California
Source of Funds by Program
1984-85 Governor's Budget
(in thousands)

	<i>General Funds</i>	<i>Federal Funds</i>	<i>Student Fees and Tuition</i>	<i>Teaching Hospitals</i>	<i>Sales and Services</i>	<i>Support Services</i>	<i>Auxiliary Enterprises</i>	<i>Endow- ments</i>	<i>Other Sources</i>	<i>Totals</i>
Instruction:										
General Campuses.....	\$546,031	\$50	\$1,032	—	\$677	—	—	\$2,440	\$3,111	\$553,341
Health Sciences	184,371	574	—	—	38,988	—	—	1,382	3,113	228,428
Summer Session	—	—	9,550	—	—	—	—	—	—	9,550
University Extension.....	—	—	63,000	—	—	—	—	—	9	63,009
Totals, Instruction	\$730,402	\$624	\$73,582	—	\$39,665	—	—	\$3,822	\$6,233	\$854,328
Research.....	\$108,236	\$3,211	\$24	—	\$88	\$2,582	—	\$7,167	\$4,578	\$125,886
Public Service:										
Community Service	\$1,712	—	\$3,196	—	\$17,540	—	—	\$845	\$2,829	\$26,122
Cooperative Extension	28,427	\$8,318	—	—	405	—	—	7	—	37,157
Drew Postgraduate Medical School	2,621	—	—	—	—	—	—	—	—	2,621
Calif. College of Podiatric Medicine.....	753	—	—	—	—	—	—	—	—	753
Totals, Public Service	\$33,513	\$8,318	\$3,196	—	\$17,945	—	—	\$852	\$2,829	\$66,653
Academic Support:										
Libraries.....	\$94,107	—	—	—	\$127	—	—	\$1,548	\$353	\$96,135
Museum and Galleries	2,108	—	—	—	40	\$60	—	212	—	2,420
Intercollegiate Athletics.....	—	—	\$1,162	—	161	—	—	—	173	1,496
Ancillary Support—General Campuses	4,200	—	409	—	3,242	553	—	2	385	8,791
Ancillary Support—Health Sciences	45,995	—	—	—	45,698	2,513	—	9	383	94,598
Totals, Academic Support	\$146,410	—	\$1,571	—	\$49,268	\$3,126	—	\$1,771	\$1,294	\$203,440
Teaching Hospitals	\$46,803	—	—	\$664,696	—	—	—	\$124	\$6,200	\$717,823
Student Services:										
Social and Cultural Activities	—	—	\$21,126	—	\$4,180	—	—	\$14	—	\$25,320
Supplemental Educational Services	—	—	3,739	—	70	—	—	—	\$22	3,831
Counseling and Career Guidance	—	—	17,262	—	12	\$672	—	—	—	17,946
Financial Aid Administration	—	—	12,205	—	—	10	—	—	89	12,304

Student Admissions and Records.....	—	—	15,305	—	792	—	—	—	16,097
Student Health Services.....	—	—	17,271	—	559	3,920	—	16	21,810
Student Affirmative Action.....	\$5,883	—	—	—	—	—	—	—	5,883
Disabled Students	789	—	—	—	—	—	—	—	789
Totals, Student Services	\$6,672	—	\$86,908	—	\$5,613	\$4,602	—	\$30	\$103,980
Institutional Support:									
Executive Management	\$34,159	—	\$905	—	—	\$3,398	—	\$302	\$41,434
Fiscal Operations	24,408	—	991	—	—	1,718	—	—	28,466
General Administrative Services	34,966	—	2,310	—	—	3,097	—	116	43,023
Logistical Services	25,659	—	2,138	—	—	3,632	-\$438	—	34,085
Community Relations	7,121	—	2,102	—	—	1,945	—	481	13,284
Totals, Institutional Support	\$126,313	—	\$8,446	—	—	\$13,790	-\$438	\$899	\$160,292
Operation and Maintenance of Plant.....	\$162,937	—	\$6,138	—	—	—	—	\$444	\$169,836
Student Financial Aid.....	\$5,500	—	\$49,285	—	—	—	\$2	\$5,969	\$61,077
Auxiliary Enterprises	—	—	\$987	—	—	—	\$165,551	\$12	\$166,550
Unallocated Adjustments:									
Provisions for Allocation	-\$10,860	—	\$8,928	-\$3	—	—	—	\$5,449	\$9,047
Program Maintenance:									
Fixed Costs and Economic Factors, and Actions Required as a Result of 1983 -84 Decisions.....	81,395	—	—	—	—	—	—	—	81,430
Cost of Changes in Employee Compen- sation.....	113,670	—	—	—	—	—	—	—	113,670
Totals, Unallocated Adjustments	\$184,205	—	\$8,928	-\$3	—	—	—	\$5,449	\$204,147
Special Regents' Programs	—	—	—	—	—	—	—	\$39,027	\$39,027
Unspecified Program Reductions in the Health Sciences	-\$7,200	—	—	—	—	—	—	—	-\$7,200
TOTALS, BUDGETED PROGRAMS.....	\$1,543,791	\$12,153	\$239,065	\$664,693	\$112,579	\$24,100	\$165,115	\$26,539	\$2,865,839
Sponsored Research and Other Activities....	—	\$491,076	—	—	—	—	—	—	\$763,803
Department of Energy Laboratories	—	\$1,443,958	—	—	—	—	—	—	\$1,443,958
Totals (Budgeted and Extramural Pro- grams)	\$1,543,791	\$1,947,187	\$239,065	\$664,693	\$112,579	\$24,100	\$165,115	\$26,539	\$5,073,600

UNIVERSITY OF CALIFORNIA—Continued

f. *Employee Compensation*—\$114 million for employee compensation increases in 1984–85. For *faculty*, this provides an increase of 9 percent on July 1, 1984, and another increase of 3.8 percent on January 1, 1985, for a total state-funded increase of 12.8 percent. Combined with faculty salary actions taken by UC in 1983–84, this increase would bring UC faculty salaries to the 1984–85 average levels projected for faculty salaries at the eight academic institutions used for salary comparisons. For UC *staff* employees, the budget provides a salary and benefit increase of up to 10 percent, the same increase for which state employees are funded. This proposal represents 34 percent of the total UC budget increase.

Table 4
University of California
Proposed 1984–85 General Fund Budget Changes
(in thousands)

		Total Percentage of Expenditures Change
1983–84 Base Budget (Adjusted)	\$1,110,012	—
A. Changes to Maintain Existing Budget	148,883	44.2%
1. Merit increases and promotions	\$20,145	
2. Price increases	26,904	
3. Employee compensation annualization	30,481	
4. Retirement (UCRS) restoration	70,600	
5. Social security	2,276	
6. Employee benefits	1,589	
7. Overenrollment adjustment	-1,618	
8. UC income adjustment	-1,494	
B. Workload Changes	11,067	3.3
1. Undergraduate enrollment	9,695	
2. Health science—Drew/UCLA	525	
3. Operation and maintenance of plant	847	
C. Funding Shifts from State Special Funds to State General Fund	13,327	4.0
1. Instructional equipment	9,145	
2. Energy institute	138	
3. Utilities conservation	249	
4. Agroecology research	211	
5. Deferred maintenance	3,584	
D. Budget Change Proposals	42,745	12.7
1. Graduate enrollment	645	
2. Instructional equipment replacement	12,300	
3. Instructional use of computers	4,000	
4. Faculty research	500	
5. Microelectronics research	2,000	
6. Student affirmative action	500	
7. Building maintenance	4,000	
8. Deferred maintenance	6,500	
9. Retirement (UCRS) benefits	12,300	
E. Student Fee Reductions	6,969	2.1
a. Shift of educational opportunity program	5,500	
b. Shift of student affirmative action	1,469	
F. Employee Compensation Increase	113,670	33.8
1984–85 Proposed Budget	\$1,446,673	
Change from 1983–84:		
Amount	\$336,661	100%
Percent	30.3%	

Other significant changes in the proposed budget include:

- **Health Sciences Enrollment Reduction.** The continuation of a \$7.2 million reduction, effective in the current year (1983-84), is proposed in the Health Sciences Instruction Program. The budget proposal states that "pursuant to decisions regarding the 1983-84 and 1984-85 budgets, and in order to fund fixed cost items, \$7.2 million in reductions to health sciences instructional programs and organized activities, along with associated enrollment reductions, will be phased in over several years." There are no details on the impact of the reductions on various programs, but the budget proposal states that this detail will be provided prior to hearings on the UC budget.
- **Position Reductions.** A reduction of 1,116 positions is proposed in the UC budget for 1984-85.

UC Position Reductions Misleading

The 1,116 position reduction shown in the budget for UC, and counted as part of the Governor's overall 4,900 position reduction attributed to "tight administrative control", is grossly misleading. *This reduction does not affect positions which are directly state supported.* Consequently, these position reductions have no impact on the state General Fund or state Special Funds.

Of the total reductions, 957 are projected for the teaching hospitals which receive 93 percent of their operating expenses from patient revenue. Moreover, this reduction in the teaching hospitals reflects the actions taken by the Legislature in 1982 to reform Medi-Cal, rather than new actions to be taken in the budget year. In fact, position reductions were anticipated by the Legislature when the 1982 reforms were enacted.

In addition, 200 of the positions are in the Health Sciences Instruction program *and should have been eliminated in the current year because, as noted above, the funding for these positions is reduced in the current year, not the budget year.*

Table 5
University of California
Instruction Budget
Summary of Expenditures and Personnel
(dollars in thousands)

	Actual 1982-83	Budgeted 1983-84	Proposed 1984-85	Change	
				Amount	Percent
<i>Elements</i>					
General campus	\$476,044	\$528,878	\$553,341	\$24,463	4.6%
Health sciences	221,602	224,687	228,428	3,741	1.7
Summer session	8,218	9,250	9,550	300	3.2
University extension	54,968	62,009	63,009	1,000	1.6
Totals	\$760,832	\$824,824	\$854,328	\$29,504	3.6%
General Funds	\$627,208	\$696,269	\$730,402	\$34,133	4.9%
Restricted Funds	133,624	128,555	123,926	-4,629	-3.6
Personnel (FTE)	20,119	20,357	20,628	271	1.3%

UNIVERSITY OF CALIFORNIA—Continued

ANALYSIS AND RECOMMENDATIONS

I. INSTRUCTION

The Instruction program includes (1) general campus instruction, (2) health science instruction, (3) summer session, and (4) university extension. Table 5 displays the instruction budget for the university in the prior, current and budget years. For 1984–85, prior to the allocation of salary increase funds, a total of \$854.3 million is proposed for instruction, of which \$730.4 million is from general funds. The proposed budget for Instruction is \$29.5 million, or 3.6 percent, higher than the current-year budget for this program.

A. ENROLLMENT

Table 6 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 the enrollment estimates on which the current-year budget is based. Table 6 shows that UC general campus undergraduate enrollment for 1983–84 was budgeted at 91,725. The revised estimate indicates that *actual* undergraduate enrollment will be 93,982, or 2.5 percent (2,257 students) above the budgeted level.

The budget proposes a supplemental appropriation of \$1.6 million in the current year to cover the marginal costs related to the additional undergraduate students, pursuant to Control Section 24.40 of the 1983 Budget Act. Control Section 24.40 permits the Director of Finance to authorize the accelerated expenditure of budgeted funds by UC and CSU (not to exceed \$5 million total) when actual systemwide undergraduate enrollment exceed budgeted undergraduate enrollment by 2 percent. This is done in anticipation of the need for a General Fund deficiency appropriation.

- **1984–85 Budgeted Enrollment Increase.** Table 6 shows that budgeted enrollment for 1984–85 is above *budgeted* enrollment for 1983–84 by 2,673 (2.1 percent). When compared to *actual* enrollment in the current year, however, the proposed increase is only 408 FTE.

Budgeted enrollment changes, by category, are as follows:

- General campus undergraduate—up 2,510 (2.7 percent) over the current-year budgeted level, and up 253 (0.3 percent) from the current-year revised level.
- General campus graduate—up 200 (0.8 percent) over current-year budgeted level, and up 192 (0.8 percent) from the current-year revised level.
- Health sciences—down 37 (0.3 percent) from the current-year budgeted level, and down the same from the current-year revised level.

Table 6
University of California
Full-Time Equivalent Students (FTE)
(Three-Quarter Average)

<i>Campus</i>	<i>1982-83</i> <i>Actual</i>	<i>1983-84</i>		<i>1984-85</i> <i>Proposed</i>	<i>Governor's Budget</i> <i>Change from</i> <i>Budgeted</i> <i>1983-84</i>	
		<i>Budgeted</i>	<i>Revised</i>		<i>Number</i>	<i>Percent</i>
Berkeley						
General Campus						
Undergraduate	18,616	18,828	(18,910)	18,828	—	—
Graduate.....	7,570	7,741	(7,613)	7,741	—	—
Health Sciences	762	768	(768)	765	-3	-0.4%
Subtotals	26,948	27,337	(27,291)	27,334	-3	— ^a
Davis						
General Campus						
Undergraduate	13,556	13,200	(13,345)	13,200	—	—
Graduate.....	3,023	2,934	(2,986)	2,934	—	—
Health Sciences	1,963	1,860	(1,860)	1,847	-13	-0.7
Subtotals	18,542	17,994	(18,191)	17,981	-13	— ^a
Irvine						
General Campus						
Undergraduate	8,542	8,750	(9,039)	9,222	472	5.4
Graduate.....	1,361	1,278	(1,337)	1,338	60	4.7
Health Sciences	1,042	1,051	(1,051)	1,044	-7	-0.7
Subtotals	10,945	11,079	(11,427)	11,604	525	4.7%
Los Angeles						
General Campus						
Undergraduate	19,532	18,738	(19,524)	19,448	710	3.8
Graduate.....	7,525	7,621	(7,451)	7,621	—	—
Health Sciences	3,810	3,889	(3,889)	3,898	9	0.2
Subtotals	30,867	30,248	(30,864)	30,967	719	2.4%
Riverside						
General Campus						
Undergraduate	3,108	3,204	(3,092)	3,096	-108	-3.4
Graduate.....	1,267	1,270	(1,201)	1,270	—	—
Health Sciences	47	48	(48)	48	—	—
Subtotals	4,422	4,522	(4,341)	4,414	-108	-2.4%
San Diego						
General Campus						
Undergraduate	9,790	10,095	(10,384)	10,538	443	4.4
Graduate.....	1,357	1,272	(1,377)	1,332	60	4.7
Health Sciences	1,035	1,064	(1,064)	1,058	-6	-0.6
Subtotals	12,182	12,431	(12,825)	12,928	497	4.0%
San Francisco						
Health Sciences	3,743	3,672	(3,672)	3,655	-17	-0.5
Subtotals	3,743	3,672	(3,672)	3,655	-17	-0.5%
Santa Barbara						
General Campus						
Undergraduate	13,445	12,955	(13,710)	13,649	694	5.4
Graduate.....	1,859	1,880	(1,937)	1,925	45	2.4
Subtotals	15,304	14,835	(15,647)	15,574	739	5.0%

UNIVERSITY OF CALIFORNIA—Continued

Santa Cruz

General Campus

Undergraduate	6,182	5,955	(5,978)	6,254	299	5.0
Graduate.....	508	411	(513)	446	35	8.5
Subtotals	6,690	6,366	(6,491)	6,700	334	5.2%

Total University

Undergraduate	92,771	91,725	(93,982)	94,235	2,510	2.7
Graduate.....	24,470	24,407	(24,415)	24,607	200	0.8
General Campus.....	117,241	116,132	(118,397)	118,842	2,710	2.3%
Health Sciences	12,402	12,352	(12,352)	12,315	-37	-0.3
Totals.....	129,643	128,484	(130,749)	131,157	2,673	2.1%

^a Less than 0.1 percent change.

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 7 shows the general campus instruction budget for the prior, current, and budget years. An increase in general funds of \$33.6 million, or 6.6 percent, is proposed for general campus instruction in 1984-85. This is prior to any increase needed to cover salary and benefit increases approved for the budget year. (The proposed salary and benefit increase of \$113.7 million is shown in program eleven—unallocated adjustments.)

The \$33.6 million increase in state General Fund support consists of the following elements:

- **Undergraduate enrollment**—\$7.6 million to fully fund UC's estimated 1984-85 undergraduate enrollment.
- **Graduate enrollment**—\$645,000 to provide support for an additional 200 graduate students in 1984-85.
- **Instructional equipment replacement**—\$12.3 million for replacement of instructional equipment, bringing total state support for this activity to \$21.4 million.
- **Instructional use of computers**—\$4.0 million for instructional use of computers, bringing total state support for this function to \$8.2 million.
- **Funding shift**—\$9.1 million from the General Fund in lieu of using the Capital Outlay Fund for Public Higher Education to support the instructional equipment replacement program.

1. Workload Formulas and Indicators

a. **Workload formulas.** Changes in the number of faculty positions, undergraduate teaching assistants (TAs) and related staff within UC are based on workload formulas (student/faculty ratios) that have been agreed upon by the Legislature and UC. Table 8 shows the general campus workload factors for the last ten years.

The slight change in the student/faculty ratio in the current year (1983-84) reflects an agreed-upon change in the methodology used to calculate the number of full-time equivalent (FTE) graduate students. Over the last ten years, these workload formulas have been very stable.

The 1984-85 budget proposal for the addition of faculty positions, TAs and related support staff is based on the 1983-84 workload ratios shown in Table 8. That is, the increase of 130 faculty positions and 48 TA positions shown previously in Table 7 reflects the increase in total general campus enrollment projected for 1984-85.

Table 7
University of California
Instruction—General Campus
Summary of Expenditures and Personnel
(dollars in thousands)

<i>Elements</i>	<i>Actual</i>	<i>Budgeted</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1982-83</i>	<i>1983-84</i>	<i>1984-85</i>	<i>Amount</i>	<i>Percent</i>
1. Faculty	\$272,486	\$309,059	\$313,133	\$4,074	1.3%
2. Teaching assistants	27,110	31,035	31,774	739	2.4
3. Instructional support	157,862	171,839	175,189	3,350	1.9
4. Other	1,769	2,565	2,565	—	—
5. Equipment replacement	11,647	9,145	21,445	12,300	134.5
6. Instructional computing	4,170	4,195	8,195	4,000	95.4
7. Technical education	1,000	1,040	1,040	—	—
Totals	\$476,044	\$528,878	\$553,341	\$24,463	4.6%
General funds	\$458,075	\$512,423	\$546,031	\$33,608	6.6%
Restricted funds	17,969	16,455	7,310	-9,145	-55.6
Personnel (FTE)					
Faculty	6,794	6,617	6,747	130	2.0%
Teaching Assistants	1,842	2,084	2,132	48	2.3
Other	4,932	4,925	5,018	93	1.9
Totals	13,568	13,626	13,897	271	2.0%

b. *Comment on the Graduate Student Count.* As mentioned above, the slight change in the faculty/student ratio is due to a change in the methodology used to count graduate students. In prior years, graduate students were considered to be in full-time attendance based on an individual evaluation by their advisor. Under the new methodology, master's degree and first stage doctoral candidates are considered full-time if they are taking 12 units of credit, while second stage doctoral students are counted as one FTE for no more than 9 quarters.

Table 8
University of California
Budgeted General Campus Student/Faculty and Undergraduate/TA Ratios

	<i>Student/Faculty</i>	<i>Undergraduate/TA</i>
	<i>Ratio</i>	<i>Ratio</i>
1973-74	17.41:1	46.27:1
1974-75	17.49:1	46.47:1
1975-76	17.49:1	46.46:1
1976-77	17.49:1	46.46:1
1977-78	17.48:1	46.46:1
1978-79	17.48:1	46.46:1
1979-80	17.48:1	46.46:1
1980-81	17.48:1	44.19:1
1981-82	17.48:1	44.19:1
1982-83	17.48:1	44.20:1
1983-84	17.48:1 ^a	44.20:1
1983-84 (revised)	17.61:1 ^b	—

^a Historical calculation method used prior to 1983-84.

^b New calculation method introduced in 1983-84, thereby increasing the FTE graduate enrollment base by 873 students.

UNIVERSITY OF CALIFORNIA—Continued

This change was made at the suggestion of the California Postsecondary Education Commission (CPEC) to reflect more accurately the actual workload count at the graduate level. Although this change in methodology has resulted in an estimated increase of 873 graduate students in the current year, it does not represent an actual workload increase or a need for additional funding. The change has been reflected, however, in the student/faculty ratio, which was increased from 17.48:1 to 17.61:1 to incorporate the modified FTE into the current workload formula.

c. *Workload Indicators.* In response to the Legislature's long standing interest in the amount of time that UC faculty devote to instructional activities, UC has contracted with a private research firm since 1977-78 for an annual survey of faculty time use.

The survey is based on self-reporting by UC faculty on how they use their time. The workload formula described above, however, rather than the survey results, is used to determine workload changes to the UC budget.

Table 9 compares the results of the six surveys conducted since 1977-78 on the time allocated by the UC faculty to instructional activities. The data show a relatively stable level of time devoted to instructional activities. There are no significant differences in the time reported in 1982-83 compared to 1981-82.

UC does not have a systemwide policy on the number of courses per quarter or semester that faculty members should teach. Such decisions are left to the judgment of the individual academic departments, whose determinations of individual faculty teaching loads are based on the types of courses offered, the method of instruction, class size, and frequency of need for the offering. As shown in Table 9, these determinations result in an *average* of 5.5 hours per week in regularly scheduled course instruction.

Table 9
University of California
Faculty Time Devoted to Instructional Activities*
1977-78 to 1982-83
(average hours per week)

	<i>Academic Year</i>					
	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83
Total, All Instructional Activities	28.4	27.6	27.5	28.9	27.7	27.5
Regularly scheduled course instruction	5.8	5.5	5.3	5.6	5.7	5.5
Supervising independent special study	2.4	2.3	2.7	2.6	2.6	2.5
Course preparation	10.8	10.7	10.1	11.6	10.4	10.1
Other instructional activities	9.5	9.3	9.4	9.0	9.0	9.5

* Source: Faculty Time-Use Study Report for 1982-83 Academic Year, page 31. These data are for full-time regular faculty members paid only from "Instruction and Research" funds.

2. Undergraduate Enrollment Increase

The Governor's Budget proposes an augmentation of \$9.7 million to fund the estimated undergraduate enrollment increase at UC in 1984-85. Our analysis of the data supplied by UC indicates that the projected undergraduate enrollment increase is reasonable. Because current state

policy guarantees admission to UC for all eligible undergraduates, we recommend approval of this augmentation.

3. Graduate Enrollment Increase Not Justified

We recommend the deletion of \$645,000 requested for additional faculty to support a projected graduate enrollment increase of 200 students because an increase in enrollment is not needed to accomplish the intended objective. We further recommend that the Legislature direct UC to encourage the reallocation of graduate enrollments internally to meet shifting societal needs. (Reduce Item 6440-001-001 by \$645,000.)

As shown in Table 10, the budget anticipates a net increase of 200 graduate students in 1984-85, at a state General Fund cost of \$645,000. This projected increase in the number of students is not related in any way to the change in the methodology (described above) used to count graduate students; it represents a real increase in the number of students.

Table 10
University of California
Comparison of Budgeted Graduate FTE Enrollment
General Campus
1981-82 through 1984-85

	1981-82	1982-83	1983-84		Proposed 1984-85	Proposed Increase over 1983-84
			Historical Method ^a	New Method		
Berkeley	7,498	7,436	7,436	7,741	7,741	—
Davis	2,955	2,892	2,892	2,934	2,934	—
Irvine	1,236	1,206	1,206	1,278	1,338	60
Los Angeles	7,369	7,252	7,252	7,621	7,621	—
Riverside	1,298	1,258	1,258	1,270	1,270	—
San Diego	1,248	1,233	1,233	1,272	1,332	60
Santa Barbara	1,886	1,838	1,838	1,880	1,925	45
Santa Cruz	419	419	419	411	446	35
Totals	23,909	23,534	23,534	24,407	24,607	200

^a Under the new methodology for master's and first-stage doctoral candidates, 12 units equal 1 FTE; each second stage doctoral headcount student is counted as 1 FTE for no more than 9 quarters.

The budget request is based, in part, on a recent graduate enrollment plan developed by the UC for the years 1984-85 through 1986-87. The *Regents' Budget* sought an increase in graduate enrollment of 800 students, to be phased in over this period, with an increase of 375 graduate students requested for 1984-85. Of the 375 requested by the Regents for 1984-85, 243 would have been in *scientific* and *technical* fields. The *Governor's Budget* proposes an increase of 226 graduate students in scientific and technical fields, offset by an undesignated reduction of 26 student slots in other fields of study for a net increase of 200 students.

The UC believes that an expansion of 200 graduate students is necessary because "the lack of new resources for graduate programs in recent years has slowly eroded our (UC's) ability to accommodate to shifts in student demand and societal need." UC further states that "although we (UC) have reallocated resources by deemphasizing and disestablishing programs of lesser quality or lesser demand, *those internal reallocations have reached their limit*" (emphasis added).

In the past, the Legislature has taken the position that graduate enrollments can and should be controlled by UC. Specifically, the Legislature

UNIVERSITY OF CALIFORNIA—Continued

has recognized that beyond the undergraduate level, it is no more appropriate to base funding for UC on student demand than it is to fund other state programs on the basis of client demand.

We acknowledge the shift in graduate student interest away from certain fields and toward the more scientific and technical fields, and the importance of offering more students an opportunity to do graduate work in these fields. We also recognize that UC has made some effort to reallocate graduate slots internally in response to societal demand. We do not believe, however, that this effort has been sufficient to warrant an increase in total enrollment at this time.

Table 11 shows UC graduate enrollment levels by discipline for 1969–70, 1983–84 and the increase proposed for 1984–85.

Table 11
University of California
Graduate Enrollment by Discipline
(Average Annual Headcount Enrollment)

	<i>Actual 1969-70</i>	<i>Budget 1983-84</i>	<i>Change from 1969-70</i>	<i>Proposed Increase 1984-85</i>
<i>Scientific and Technical Fields</i>				
Biological Sciences	1,539	1,711	172	23
Psychology	614	503	-111	—
Physical Sciences	2,139	2,407	268	60
Mathematics	904	699	-205	12
Engineering and Computer Science	3,180	3,849	669	131
Scripps (SIO)	169	185	16	—
Subtotals	8,545	9,354	809	226
<i>Social Sciences</i>	3,842	2,665	-1,177	—
<i>Arts and Humanities</i>				
Fine and Applied Arts	1,228	1,339	111	—
Foreign Languages ^a	—	559	559	—
Letters	3,381	1,306	-2,075	—
Humanities ^a	—	409	409	—
Subtotals	4,609	3,613	-996	—
<i>Agriculture</i>				
Agriculture and Home Economics	948	1,170	222	—
<i>Professional Schools</i>				
Law	1,830	2,429	599	—
Business and Administration	1,486	2,039	553	—
Education	3,022	1,823	-1,199	—
Architecture and Urban Planning	378	730	352	—
Social Welfare	510	420	-90	—
Library Sciences	318	300	-18	—
Journalism	84	58	-26	—
Subtotals	7,628	7,799	171	—
<i>Other</i>				
Area Studies	—	142	142	—
General, Other ^b	196	105	-91	—
Interdisciplinary Studies	—	117	117	—
Physical Education	90	49	-41	—
Subtotals	286	413	127	—
<i>Undesignated reduction</i>	—	—	—	-26
Totals	25,858	25,014	-844	200

^a Included in Letters for 1969–70.

^b Includes Area Studies, Interdisciplinary Studies and Criminology for 1969–70.

Table 11 shows that UC has made substantial revisions in graduate student enrollment, consisting primarily of reductions in Social Sciences, Arts and Humanities, and Education and increases in Scientific and Technical Fields. Our review of other recent data, however, reveals a pressing need for further realignment of graduate student slots. This need primarily involves UC's Schools of Business/Administration and Law.

a. ***Tough Times for MBAs.*** There is growing recognition of a weakening in the demand for MBAs. For example, a December 12, 1983, article in *Fortune* magazine, entitled "Tough Times for MBAs", reported that:

"Everyone thinks of an MBA degree as the magic ticket for the fast-track ride through company ranks. But many businesses now see a lot less shimmer on the sheepskin, and question whether they should pay as many MBAs such high salaries. . . . Few MBAs will be forced to hock their Mark Cross briefcases. But even for graduates of the top schools, salaries in some jobs have flattened out. One reason may be that as the number of new MBAs grew from 4,640 in 1960 to 62,000 this year, the degree has been devalued."

b. ***The Need for More Lawyers is Questionable.*** Table 12 shows data on lawyer/population ratios for the United States and California in selected years. In 1970, there was one lawyer for every 572 persons at the national level, while the California ratio was slightly higher—one per 583. During the 1970's, the number of lawyers increased nationally, but it increased at an even faster pace in California. As a result there was one lawyer for every 418 people nationally, and one for every 365 people in California.

Table 12
Lawyer-to-Population Ratio for the United States
and California, for Selected Years

	Actual 1970	Actual 1980	Estimated 1983
United States	1:572	1:418	1:375
California	1:583	1:365	1:299
California's rank among the states.....	11	8	—

Source: For 1970 and 1980, the American Bar Foundation. United States for 1983, the American Bar Foundation. California estimate for 1983 is based on the number of lawyers reported by the California State Bar (84,000) and July 1, 1983, state population estimate of the State Department of Finance.

In 1983 it is estimated that there was one lawyer for every 375 people nationally and *one lawyer to every 299 people in California*. While we have no analytical basis for determining society's need for lawyers, these statistics suggest that a significant portion of the resources now allocated by UC to training lawyers could easily be redirected to programs of greater need or higher priority without having an adverse impact on public access to attorneys.

c. ***Comments by California Postsecondary Education Commission (CPEC).*** Because the level of graduate enrollment is a policy issue, we requested CPEC to comment on UC's proposed graduate enrollment plan. CPEC responded that the university has not made a compelling argument for an expansion in graduate enrollment. Specifically, CPEC concluded that:

UNIVERSITY OF CALIFORNIA—Continued

"Given the serious funding constraints faced by the University over the last five years, some evidence that the quality of existing graduate programs has not eroded should be provided before increases in the size of the programs is funded. If it is determined that an increase in the number of FTE graduate students is necessary to maintain the quality, effectiveness, and service to society of the University's programs, then we find the graduate enrollment plan to be a moderate, even conservative document. *The Commission, however, has yet to identify expenditures for increasing the size of the graduate program as one of the urgent priorities in the competition for funds, and while the University's plan argues persuasively for the essential function of graduate education, it does not, we feel, make an equally compelling argument of the need for its expansion.*" (Emphasis added.)

d. **Recommendation.** Table 11 shows that the fields of Business and Law experienced substantial enrollment increases during the period 1969–70 through 1983–84. More importantly, notwithstanding indications that the demand for graduates from these two fields is declining, UC's graduate plan for 1984–85 proposes to *increase* business enrollments by 53 students over the current level and reduce law school enrollment by *only* 15 students. We believe this aspect of UC's proposal makes no sense, and is indicative of UC's failure to adhere to *its* primary criterion for requesting additional funding for an increase in graduate enrollment: namely, the responsibility of institutions of higher learning to supply trained individuals to meet the needs of society.

In short, we do not believe that UC has made sufficient effort to meet the needs of society by reallocating graduate student slots within the base. On this basis, we recommend deletion of the funds requested to increase graduate enrollment, for a General Fund savings of \$645,000.

4. Instructional Equipment Replacement (IER)

We recommend approval of the \$21.4 million requested for instructional equipment replacement (IER). We further recommend that the Legislature adopt supplemental report language directing UC to (1) prepare an annual report on IER and (2) maintain current efforts to fund instructional equipment from the base budget appropriation and, to the maximum extent possible, from extramural sources.

In response to a directive in the *Supplemental Report to the 1983 Budget Act*, we conducted a study of instructional equipment replacement (IER). (A more detailed discussion of the results from this study may be found in the postsecondary overview section.) As part of this study, we reviewed:

- the approaches currently used by the UC and CSU to determine when replacement of instructional equipment is necessary, and
- the historical relationship between the need for equipment replacement and the amount made available for that purpose.

Based on our review and discussions with UC and CSU, we conclude that the current model used by UC to estimate instructional equipment replacement needs is basically sound and that it should be used by CSU, as well. We find that while the current model tends to understate the replacement need for some high technology equipment, it tends to overstate the replacement need for other equipment in the inventory. Conse-

quently, the parameters used in the model need to be closely monitored. On balance, however, we do *not* believe that it would be cost-effective to devise a *new* system for projecting instructional equipment needs.

a. **Recommendations.** Our study of instructional equipment replacement has led us to make a number of recommendations:

- We recommend approval of the \$21.4 million requested by UC for instructional equipment replacement (IER) in 1984-85. Our review found that the level of funding proposed in the budget is reasonable, based on the estimated need to replace instructional equipment within UC.
- We recommend that funding requests for IER in the future be based on the estimated yearly depreciated value of instructional equipment. In our judgment, the concept of using estimated depreciation to schedule an orderly replacement of instructional equipment is sound budgetary practice.
- We recommend that UC continue to use its current model for determining its annual IER needs. This model provides a reasonable methodology for estimating yearly depreciation.
- We recommend that UC prepare an annual report on its needs to replace instructional equipment because the parameters and procedures used in the model need to be closely examined.
- We recommend that UC maintain its current efforts to fund instructional equipment from base budget appropriations and, to the maximum extent possible, from extramural sources. By adopting a maintenance-of-effort requirement, the Legislature will have some assurance that the substantial influx of state support for IER in 1984-85 will not result in an offsetting redirection of other state funds away from instructional equipment or to less effort on the UC's part to secure extramural purchases or gifts.

b. **Suggested Supplemental Report Language.** Accordingly, we recommend that the Legislature adopt the following supplemental report language for UC (as well as for CSU):

"It is the intent of the Legislature that funding requests for instructional equipment replacement submitted by the UC and the CSU be based on the estimated yearly depreciated value of instructional equipment. The UC shall continue to use its current model for determining replacement needs for such equipment. The CSU shall use the same model currently used by the UC to determine its annual IER needs.

The UC and CSU are directed to prepare an annual IER status report that identifies (1) the yearly acquisition cost and price adjusted value of their instructional equipment inventory, (2) the yearly cumulative percentage value of their inventories, and (3) the estimated depreciation loss occurring during the next fiscal year.

The latter estimate will be the basis for the IER budget request for that year. The format of this report shall be same for UC and CSU, and shall be developed jointly by the UC, CSU, the Department of Finance, and the Legislative Analyst. The reports shall be submitted annually by October 1 to the Joint Legislative Budget Committee and the fiscal committees.

It is also the intent of the Legislature that the UC and CSU continue their current efforts to fund instructional equipment purchases from their base budget appropriations and extramural sources. To ensure a maintenance of effort, the UC and CSU shall include in their first annual

UNIVERSITY OF CALIFORNIA—Continued

IER reports the amounts of instructional equipment purchases made from these sources for the last three budget years (1981–82, 1982–83, and 1983–84). The UC and CSU are directed to maintain in 1984–85 the average expenditures for instructional equipment made with non-IER state funds during the past three years and, to the maximum extent possible, the average value of equipment added to the inventory from extramural sources. In future years, this maintenance of effort provision shall continue at a price-adjusted level.”

5. Instructional Use of Computers

We defer recommendation on a proposed increase of \$4.0 million for instructional use of computers, pending receipt of (a) additional information on the allocation of \$4.2 million in the current-year budget for computer resources and (b) detail on how UC would allocate the additional funds in 1984–85.

The budget proposes total state support of \$8.2 million for instructional computing in 1984–85. This amount is \$4.0 million (95 percent) above the current-year funding level of \$4.2 million. The UC maintains that the requested increase would help meet its most urgent instructional computing needs. Of the \$4.0 million augmentation, UC plans to use (1) \$2.4 million for hardware/software support and (2) \$1.6 million for staff support. Hardware acquisitions would include the combination of main frame, mini computer, and micro computer technology. The UC also maintains that additional staff are needed to provide consulting services to faculty for course development and to assist students with tutorials, short courses, and seminars.

We defer recommendation on this proposal because (1) the method of allocating and managing the currently budgeted \$4.2 million for instructional computing is unclear and (2) a more detailed description of how the additional \$4.0 million will be spent is needed.

We have advised UC that in order for us to properly analyze this request, we need to have documentation that (1) the system's demand for computer resources exceeds the available supply and (2) the demand for computer resources is not the result of computer resources being treated as a “free good” (by “free good”, we mean as a resource that is not limited). Specifically, we have asked UC to respond to the following questions:

- What is the distribution of the \$4.2 million currently budgeted for instructional computing (1) by major allocation unit (that is, school, department), (2) by type of computing resource (for example, central computing facility versus micro labs), and (3) by class of computing;
- How would the \$4.0 million in new funds for instructional computing be allocated, using the distribution format outlined in question one;
- What are the components of the system used to allocate computer resources to competing demands, and how efficient is that system; and
- What mechanisms are in place to monitor and control the allocation plan?

UC has agreed to respond to these issues in sufficient time for us to review this budget request prior to the budget hearings. Pending receipt and review of this information, we withhold recommendation on the

proposed amounts for instructional use of computers.

C. HEALTH SCIENCE INSTRUCTION

1. Programs

The Health Science Instruction program includes the cost of faculty and instructional support for the seven subprograms—medicine, dentistry, pharmacy, nursing, optometry, public health, and veterinary medicine. These programs are taught in the university's 14 health science schools, located on six campuses, which include:

- five schools of medicine,
- one school of veterinary medicine,
- two schools of dentistry,
- one school of pharmacy,
- two schools of nursing,
- two schools of public health, and
- one school of optometry.

Table 13 shows the health science instruction budget, by program element, for the prior, current, and budget years. For 1984-85, the budget proposes a General Fund increase of \$525,000 (0.3 percent) over the current year, prior to allocation of salary and benefit increases. The \$525,000 increase provides full-year funding for the new faculty positions approved by the Legislature last year for the Drew/UCLA medical education program. The phase-in of the Drew educational program will be completed in 1984-85, with an enrollment level of 48 medical undergraduate students and 170 medical residents.

Table 13
University of California
Instruction—Health Sciences
Summary of Expenditures and Personnel
(dollars in thousands)

<i>Program Elements</i>	<i>Actual 1982-83</i>	<i>Estimated 1983-84</i>	<i>Proposed 1984-85</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Medicine.....	\$170,032	\$164,063	\$167,804	\$3,741	2.3%
2. Dentistry.....	14,607	15,817	15,817	—	—
3. Nursing.....	6,415	6,553	6,553	—	—
4. Optometry.....	1,573	1,492	1,492	—	—
5. Pharmacy.....	4,338	5,014	5,014	—	—
6. Public health.....	8,009	8,201	8,201	—	—
7. Veterinary medicine.....	12,612	12,504	12,504	—	—
8. Other.....	4,016	11,043	11,043	—	—
Totals.....	\$221,602	\$224,687	\$228,428	\$3,741	1.1%
General funds.....	\$169,133	\$183,846	\$184,371	\$525	0.3%
Restricted funds.....	52,469	40,841	44,057	3,216	7.9
Personnel (FTE)					
Faculty.....	2,102	2,071	2,071	—	—
Other ^a	2,710	2,753	2,753	—	—
Totals.....	4,812	4,824	4,824	—	—

^a Clerical staff, lab technicians and research assistants.

UNIVERSITY OF CALIFORNIA—Continued

2. Medical 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, receive most of their training at the hospitals and are paid a portion of their stipends by UC. Affiliated residents are hired, paid and, for the most part, trained by non-UC hospitals which have affiliation agreements with UC.

Over the past several years, the Legislature has raised a number of concerns about the UC medical residency program. These concerns involve:

- the appropriate number of medical residency positions,
- the location of medical residency positions,
- the distribution of residency positions among specialties, especially the distribution between primary and non-primary care, and
- the allocation of state support for residency training at affiliated hospitals.

Table 14 shows the total number of medical residents in the current year and the distribution of these residents, by type of hospital. The table shows that of a total of 4,209 residents, 37 percent are in UC-operated hospitals and the remainder are in affiliated programs. Also shown in the table is the associated resident/faculty ratio workload measure applicable to each type of hospital.

Table 14
University of California
Medical Residents by Type of Hospital Setting
and Related Resident/Faculty Ratio
1983-84

	Type of Hospital					Total
	University- Operated	VA Hospital	County	NPI ^a	Community	
Davis	304	83	—	—	159	546
Irvine	252	189	47	—	126	614
Los Angeles	466	278	367	45	251	1,407
Drew/UCLA Program	—	—	170	—	—	170
San Diego	242	135	—	—	37	414
San Francisco	280	119	203	48	408	1,058
Totals:						
Number of residents	1,544	804	787	93	981	4,209
Percent of all residents	36.7%	19.1%	18.7%	2.2%	23.3%	100.0%
Resident/Faculty Ratio	7:1	10:1	7:1	7:1	10:1	

^a Neuropsychiatric Institutes.

Table 15 shows the number of medical residency positions for selected years as well as the change in the mix of specialties between primary care and non-primary care. Of the 170 residency positions at Drew, 82 are in primary care specialties. Inclusive of Drew, therefore, the mix of residency positions between primary care and non-primary care has shifted from a 41 percent/59 percent split in 1976-77 to a 49 percent/51 percent split for the current and budget years.

Table 15
University of California
Medical Residents Budgeted
(for Selected Years)

	Primary Care			Non-Primary Care	Drew/UCLA Medical Education Program	Total
	Family Practice	Other	Total			
1970-71 ^a	—	—	—	—	—	1,982
1972-73 ^a	—	—	—	—	—	2,645
1976-77	305	1,302	1,607	2,278	—	3,885
1978-79	484	1,436	1,920	2,370	—	4,290
1980-81	519	1,566	2,085	2,291	—	4,376
1982-83	504	1,482	1,986	2,020	—	4,006
1983-84	504	1,482	1,986	2,053	170 ^b	4,209
1984-85 Proposed	504	1,482	1,986	2,053	170 ^b	4,209

^a Data on specialty distribution of residents were not collected for these years. The total number of positions for these years includes the "intern" classification in order to provide valid comparisons with latter years.

^b Of the 170 residency positions at Drew, 11 are in family practice, 71 are in other primary care specialties and 88 are in non-primary care specialties.

3. Report on Unspecified Program Reduction Needed

We recommend that the UC make available to the fiscal committees of the Legislature by March 1, 1984 the details of the proposed unspecified Health Science Instruction program reductions totaling \$7.2 million. We withhold recommendation on this proposal, pending receipt of this information. We further recommend that UC incorporate the findings contained in the three reports on medical residency programs, required by the 1983 Budget Act, into its proposed plan of reduction.

The budget proposes to continue a \$7.2 million health science reduction implemented by the UC during the current year. According to the university, this reduction was made necessary by the Governor's veto of funds for the system provided in the 1983 Budget Bill. Specifically, the budget states that "pursuant to decisions regarding the 1983-84 and 1984-85 budgets, and in order to fund fixed cost items, \$7.2 million of reductions to health sciences instructional programs and organized activities, along with associated enrollment reductions, will be phased-in over several years." This reduction, which is associated with 200 FTE positions, is yet to be specified by UC. The budget states that "details on the impact of the reductions (proposed in the Health Science Instruction program) on various programs, including related enrollment reductions, will be provided to the legislative budget committees prior to hearings on the university's budget."

Such a report clearly is necessary if the Legislature is to review the proposal in a meaningful way. We believe that this report should also contain information on certain program limitations and the allocation of medical residents.

a. **Limiting Parameters.** The Health Science Instruction budget, like the General Campus Instruction budget, is driven by workload formulas which are based on a target ratio of students to faculty. Table 16 shows the approved student/faculty ratios for the seven health science programs and the related marginal instructional costs per student. For example, for each

UNIVERSITY OF CALIFORNIA—Continued

student added to the M.D. curriculum the UC budget would increase by \$18,900 for the marginal costs of educating that student. Similarly, if one student slot is deleted from that program, the formula would delete \$18,900. Thus, in evaluating the alternatives to attaining a \$7.2 million reduction, UC should use, as an instructional cost guide, the marginal cost figures shown in Table 16.

Table 16
University of California
Health Sciences
Approved Student-Faculty Ratios and Associated Marginal
Instructional Costs
1983-84

	<i>Student-Faculty Ratio</i>	<i>Marginal Instructional Cost</i>
Schools of Medicine:		
M.D. curriculum	3.5:1	\$18,900
House staff		
Campus and county hospitals	7:1	9,400
Other affiliated hospitals	10:1	6,600
Graduate academic and graduate professional	8:1	8,300
Family nurse practitioner	8:1	8,300
Allied health programs	20:1	3,300
Schools of Dentistry:		
D.D.S. curriculum	4:1	14,800
House staff		
Campus and county hospitals	7:1	8,500
Other affiliated hospitals	10:1	5,900
Dental hygienist	8:1	7,400
Graduate professional	4:1	14,800
Graduate academic	8:1	7,400
Schools of Nursing:		
B.S. curriculum	7.5:1	6,200
Graduate academic and graduate professional	8:1	5,800
Schools of Public Health:		
B.S. curriculum, graduate academic and graduate professional	9.6:1	5,200
Residents	7:1	7,100
School of Veterinary Medicine:		
D.V.M. curriculum	5.4:1	16,600
House staff	7:1	12,800
Graduate academic and graduate professional	8:1	11,200
School of Pharmacy:		
Pharm.D. curriculum	11:1	6,000
House staff	7:1	9,400
Graduate academic	8:1	8,200
School of Optometry:		
O.D. curriculum, graduate academic and graduate professional	12.5:1	4,000

Furthermore, UC's review should take into consideration program re-

ductions which were planned prior to 1983. Table 17 shows the health science enrollment levels, by programs, for the years 1980-81 through 1985-86. The data show that prior to any reduction in the number of student slots to achieve the \$7.2 million unspecified reduction in the budget year, health science instruction budgeted enrollment levels already were scheduled to be reduced by 37 students in 1984-85, and by an additional 61 students in 1985-86.

These scheduled reductions are the result of an unrelated action taken by the Legislature in the 1982-83 budget year. The enrollment changes in Table 17 are net changes, after taking into account the scheduled enrollment increases at Drew which occur in 1983-84 and 1984-85. We also note that the General Fund support for the phased reduction shown in Table 17 was deleted in 1982-83. Thus, the enrollment reductions shown in the table will not result in additional General Fund savings.

Table 17
University of California
Budgeted Health Sciences Year-Average Headcount Enrollment

	1980-81	1981-82	1982-83	1983-84	1984-85*	1985-86*
1. Medicine						
M.D. Curriculum	2,626	2,652	2,632	2,626	2,620	2,590
Other Medicine	5,452	5,470	4,975	5,178	5,178	5,178
2. Veterinary Medicine	688	729	721	715	709	703
3. Dentistry	1,053	1,084	1,074	1,049	1,030	1,011
4. Pharmacy	568	571	568	565	562	559
5. Nursing	931	963	947	922	922	922
6. Public Health	965	980	1,002	1,002	1,002	1,002
7. Optometry	298	301	298	295	292	289
Totals	12,581	12,750	12,217	12,352	12,315	12,254

* Enrollments for these years are budget projections which were prepared prior to the development of any plan to reduce student slots as will be required to implement the \$7.2 million reduction in the Health Science Instruction program proposed in the 1984-85 Governor's Budget.

The data in Table 16 and Table 17 set the parameters for attaining a \$7.2 million reduction in the Health Science Education program. In addition, several recent reports on medical residents should be taken into consideration in developing a plan for achieving the reduction.

b. *Reports to the Legislature on Medical Residents.* In 1983 the Legislature directed UC to prepare three reports on the medical residency program—one on the UCLA program, one on the remaining four programs, and one on alternative formulas.

• *UCLA Report on Affiliations.* In 1983, the Legislature directed UC to prepare and submit by January 1, 1984 a report on the distribution of state support for UCLA's 252 medical residents located in its nine affiliated community hospitals. The appropriation of \$786,000 for UCLA's residency programs in community hospitals during the last six months of 1983-84 was made contingent upon:

- submission by UC of a written report detailing how, during the periods of July 1, 1983 to December 31, 1983, and January 1, 1984 to June 30, 1984, UCLA planned to spend the \$1,572,000 it received in state General Fund support for the residency training programs at UCLA's nine affiliated community hospitals,
- an indication in the report that by June 30, 1984, at least \$1,572,000 in state General Fund support would be expended for direct and in-

UNIVERSITY OF CALIFORNIA—Continued

direct support of the nine affiliated community hospitals residency programs, and

- certification in writing by the directors of the nine programs that they have seen the expenditure report and are in agreement with the data contained in it as to the level of support received by their residency programs.

This legislative directive was based on our findings that in 1980–81 *only 3 percent* of the amount allocated by the Legislature for community residency programs at UCLA actually was going directly to those programs.

UC has submitted the report called for by the Legislature. Our review indicates that:

- UCLA has developed an expenditure plan for the nine affiliated hospitals that allocates \$1,593,824, of which \$388,960 (24 percent) is budgeted in direct support and the remainder is budgeted as indirect support;
 - eight of the community residency program directors, representing 240 of the 252 residency positions, have certified that they have seen the expenditure report and agree with the data contained in it; and
 - one residency program, with an enrollment of 12 students and an associated state cost of \$74,857, did not sign a statement because it decided on June 25, 1982, to disaffiliate with UCLA, effective July 1, 1984. The university is planning to return the funds associated with this program to the state in the current year.
- *Affiliated Support at Other UC Medical Schools.* The *Supplemental Report to the 1983 Budget Act* directed UC to submit a report by December 1, 1983, on the allocation of state funds for medical residents for the medical schools at Davis, Irvine, San Diego, and San Francisco. The UC has submitted this report which details the allocation of direct and indirect support for the 1,506 affiliated residency positions in these four programs. The state is providing \$13 million to support these programs in the current year.

Table 18 shows the direct allocation of state dollars to the affiliated residency programs in these medical programs, as reported by the UC. The table shows that the four medical programs will allocate \$9.9 million (76 percent) of their budget for their medical residency positions *directly* to the affiliated hospitals. The report indicates that county hospital affiliations receive 91 percent of the budgeted total in direct allocations, while veterans and community hospitals receive 113 percent and 45 percent, respectively.

The report identifies an additional \$6.7 million in indirect expenditures made with state funds on behalf of the affiliated residency programs of these medical schools. Thus, the report indicates that these four medical schools budgeted a total of \$16.6 million for their affiliated residency programs in 1983–84, while the state appropriation totals only \$13 million. The report also identifies nonstate funds which support these programs.

We have not undertaken an analysis of this report because, as discussed next, UC is working on a new funding formula for medical residencies.

Table 18
University of California State Funds Budgeted
and *Direct Allocations* of State Funds for the Residency Training Programs
At Davis, Irvine, San Diego, and San Francisco

1983-84
(in thousands)

	<i>Facility Type</i>							
	<i>County Hospitals</i>		<i>Veterans Hospitals</i>		<i>Community Hospitals</i>		<i>Totals</i>	
	<i>Budget</i>	<i>Direct Allocation</i>	<i>Budget</i>	<i>Direct Allocation</i>	<i>Budget</i>	<i>Direct Allocation</i>	<i>Budget</i>	<i>Direct Allocation</i>
Davis	—	—	\$476	\$476	\$1,160	\$454	\$1,766	\$930
Irvine	\$454	\$111	1,280	1,500	853	951	2,587	2,562
San Diego	—	—	1,054	1,183	289	294	1,343	1,477
San Francisco	2,437	2,521	1,000	1,312	3,896	1,081	7,333	4,914
Totals	\$2,891	\$2,632	\$3,940	\$4,471	\$6,198	\$2,780	\$13,029	\$9,883
Direct Allocation as a Percent of Budgeted Amount		91%		113%		45%		76%

• **Formula Alternatives.** The *Supplemental Report to the 1983 Budget Act* also required UC to submit by March 1, 1984, a report on alternative mechanisms for funding affiliated residency programs. The Legislature directed UC to consider, in preparing its report, at least the following three alternative approaches:

- the allocation of vouchers to affiliated hospitals, which could be used to purchase services from UC medical schools,
- the establishment of minimum standards for an affiliation, which would have to be adhered to in order for state funds to be provided to UC for affiliated residency programs, and
- alternative funding formulas which better reflect the actual costs incurred by UC.

At the time this *Analysis* was prepared, the report on formula alternatives had not been completed by UC.

c. **Conclusion.** We believe that the findings of the reports on medical residency training programs must be reviewed in the context of the UC proposal to reduce the health sciences instruction budget by \$7.2 million. The issues raised in the medical residency reports are an integral part of the overall enrollment plan and budget for the health science instruction program.

We, therefore, recommend that UC integrate its findings on the three medical residency programs with its implementation plan for achieving the \$7.2 million reduction in the health science instruction budget.

We further recommend that UC submit a detailed plan for achieving this reduction to the fiscal committees by March 1, 1984. We withhold recommendation on the proposed reduction, pending receipt of this plan.

II. RESEARCH

A. OVERVIEW OF FUNDING PROPOSAL

The UC is California's primary state-supported agency for research. "Organized research" is the term UC uses in referring to those research activities which unlike departmental research, are budgeted and accounted for separately. Expenditures for departmental research are funded primarily through that portion of faculty salaries corresponding to the time spent on research as a part of the faculty members' normal university duties. Based on the annual faculty time use study findings, approximately

UNIVERSITY OF CALIFORNIA—Continued

24 percent of faculty time is spent on research. This would translate into approximately \$172 million in 1984-85. In addition, the university will receive an estimated \$483.2 million from extramural sources (primarily the federal government) for research activities in 1984-85. Consequently, total support for research is considerably larger than the amount shown in the budget for "organized research."

Expenditures for organized research in the prior, current, and budget years are shown in Table 19.

Table 19
University of California
Organized Research Program
Summary of Expenditures and Personnel
1982-83 to 1984-85
(dollars in thousands)

<i>Element</i>	<i>Actual 1982-83</i>	<i>Estimated 1983-84</i>	<i>Proposed 1984-85</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
General campus	\$29,830	\$29,844	\$31,596	\$1,752	5.9%
Health sciences	10,342	12,241	12,241	—	—
Agriculture	70,204	67,544	67,544	—	—
Marine sciences	8,077	9,301	9,301	—	—
Individual faculty grants and travel	— ^a	4,704	5,204	500	10.6
Totals	\$118,453	\$123,634	\$125,886	\$2,252	1.8%
State General Fund	\$98,885	\$105,387	\$108,236	\$2,849	2.7%
Restricted funds:					
State	\$1,600	\$1,602	\$1,005	-\$597	-37.3%
Other ^b	17,968	16,645	16,645	—	—
Personnel (FTE)	3,159	2,903	2,903	—	—

^a Approximately the same level of individual faculty grants was budgeted in 1982-83 as in 1983-84. The actual expenditure of these funds in 1982-83 is reflected in the totals shown for General Campus, Health Sciences, Agriculture and Marine Sciences elements.

^b Includes Endowment revenue, federal funds and overhead recovery funds.

The budget proposes total support for organized research in 1984-85, prior to the allocation of salary and price adjustments, amounting to \$125.9 million. This is \$2.2 million, or 1.8 percent, above estimated current-year expenditures. The proposed \$2.2 million increase reflects two partially offsetting changes:

- An increase of \$2.8 million (2.7 percent) from the state General Fund, and
- A decrease of \$597,000 (-37 percent) from state restricted appropriations.

The \$2.8 million increase in state General Fund support would be allocated as follows:

- **Microelectronics Research**—\$2 million, bringing total General Fund support for this program to \$4.1 million in 1984-85.
- **Faculty Research**—\$500,000, bringing total General Fund support for this program to \$5.2 million in 1984-85.
- **Energy Institute**—\$138,000, to replace support previously derived from the state Energy and Resources Fund.
- **Agroecology Research**—\$211,000, to replace support previously derived from the state Environmental License Plate Fund.

In addition to the shift in funding away from state restricted funds noted above, the budget proposes a reduction of \$248,000 in state support for the

Institute of Appropriate Technology. Together, these changes account for the net decrease of \$597,000 in expenditures from state restricted funds proposed for 1984-85.

B. FUNDING FOR ORGANIZED RESEARCH OUTPACES OVERALL UC GROWTH

In addition to the amounts identified for organized research in Table 19, the Regents also allocate funds to the campuses for research activities from the Special Regents' Program funds. These funds are derived from the Regents' share of overhead charges received from federal contracts and grants. The Regents, in turn, use these funds—which will total \$39 million in 1984-85—to support research and special programs and projects. The Regents plan to allocate \$17.2 million from these funds for research in the budget year.

Table 20 shows the amount of money allocated from the state General Fund, state restricted funds and Regents' funds for research, for selected years. The data in Table 20 show that during the period 1966-67 through 1976-77, the UC Organized Research budget increased by \$27.2 million, or 81 percent. Between 1976-77 and 1983-84, the Organized Research budget increased by \$63.5 million, or 105 percent. We note that the total state General Fund budget for all UC programs increased by 62 percent between 1976-77 and 1983-84. Thus, funding for Organized Research has increased at a significantly faster pace than state General Fund support for the overall UC programs during the last seven years.

Table 20
University of California
Support for Organized Research^a
(in thousands)

	State General Fund	State Restricted Funds	Regents' Funds	Totals
1966-67	\$32,563	\$278	\$659	\$33,500
1971-72	38,022	695	2,095	40,812
1976-77	56,123	609	3,925	60,657
1981-82	93,382	1,324	8,689	103,395
1982-83	98,885	1,600	17,150	117,635
1983-84	105,387	1,602	17,150	124,139
1984-85	108,236	1,005	17,150	126,391

^a Amounts for state General Fund and state Restricted Funds are actual through 1982-83 and budgeted for 1983-84 and 1984-85. Regents funds are budgeted totals for each year shown.

C. MICROELECTRONICS RESEARCH

We recommend that the \$2,000,000 augmentation requested for microelectronics research be deleted, for a corresponding savings to the General Fund, because the university has the ability to realign its research priorities within the base budget of its existing research program, and consequently an increase is not needed to fund the new research priorities. (Reduce Item 6400-001-001 by \$2,000,000.)

As mentioned above, the Governor's Budget proposes a total of \$4.1 million for microelectronics research in 1984-85. This is an increase of \$2.0 million, or 91 percent, over the current-year level. (This amount is prior

UNIVERSITY OF CALIFORNIA—Continued

to a 1984–85 inflation adjustment of 6 percent to the 1983–84 base budget.) Proposed Budget Bill language specifies that:

- no more than \$204,000 of the \$4.1 million may be used for administrative and related costs,
- an unspecified portion of the \$4.1 million may be used to support graduate student education and related teaching support, and
- the balance shall be used to fund industry/academic joint research projects in microelectronics, with each state dollar to be matched by industry.

1. Background

The microelectronics (MICRO) program was established in the 1981 Budget Act. Its objective is to help the California electronics and computer industries maintain their competitive edge by expanding pertinent research and graduate student education at the UC. Under the research part of the program, faculty members submit proposals for research projects that may become the basis for new industrial products in the future.

The state and industry jointly support the funded projects: each faculty member is responsible for obtaining a prior commitment from an industrial firm to support at least one-half of the cost of his/her project. Graduate student education is supported both through research assistantships funded by the projects and through fellowships granted directly to students in the fields covered by MICRO. The operation of the program is under the control of an executive committee consisting of faculty members from five UC campuses. A peer-review process is used to determine which individual project proposals qualify for funding.

Table 21 shows the distribution of state and industry support for the MICRO project since 1981–82. The table also shows the number of participating private companies.

Table 21
University of California
Support for the MICRO Program
1981–82–1984–85
(dollars in thousands)

	<i>State General Fund</i>	<i>Industry Support</i>	<i>Total Support</i>	<i>Number of</i>	
				<i>Companies</i>	<i>Projects</i>
1981–82.....	\$980	\$1,344	\$2,324	25	31
1982–83.....	1,940	3,215	5,155	33	51
1983–84.....	2,080	2,216	4,296	40	58
1984–85.....	4,080	—	—	—	—

The data in Table 21 indicate that the program appears to be operating in accordance with legislative intent.

2. Organized Research Versus the MICRO Program: A Question of Priorities

Our analysis indicates that while some state support for the MICRO program is warranted because of the microelectronics industry's importance to the California economy, no analytical basis for the proposed 91 percent increase in funding has been presented to the Legislature.

In general, the state provides UC with a lump sum amount of money for research, and permits the university to allocate the funds as it sees fit.

The lump sum amount is increased annually to offset the effects of inflation on purchasing power. As shown in Table 20, the amount budgeted for Organized Research in the current year is \$124.1 million. The Governor's proposal to augment funding for MICRO by \$2.0 million implies that each and every dollar in the organized research units (ORUs) base budget will be used for research having a higher priority than the MICRO program. Were this not the case, the university could fund the augmentation for MICRO through internal reallocations, although it might then request funds to expand the program to include research in some other area having slightly less priority than everything else in the base. Whether all of the other research activity within the current-year ORU base budget does, indeed, have a higher priority to the Legislature (or even to the university) than the work to be accomplished with the \$2 million, we are unable to say.

In sum, we have no basis for concluding that a \$2 million augmentation is needed to expand the MICRO program. For this reason, and in view of the fact that support for Organized Research has increased at a much faster pace than General Fund support for other UC programs during the past seven years, we recommend that the augmentation request for the MICRO program be rejected, for a General Fund savings of \$2 million. If this recommendation is adopted, state support for MICRO in 1984-85 will total \$2.2 million, inclusive of a 6 percent inflation adjustment.

D. FACULTY RESEARCH

We recommend that the \$500,000 augmentation requested for individual faculty research be deleted because (1) there is no analytical basis to support this request and (2) UC has the ability to realign its research priorities within the base budget for its existing research program. (Reduce Item 6440-001-001 by \$500,000.)

1. Budget Request

The budget proposes a General Fund support level of \$5.2 million for individual faculty research. This is an increase of \$500,000 (10.6 percent) over the amount budgeted for this purpose in the current year. (This amount is prior to a 1984-85 inflation adjustment of 6 percent to the 1983-84 base budget.) In addition, an undesignated part of the \$17.2 million allocated by the Regents to support research at the campuses (discussed previously) will also be used for individual faculty research grants. Because the Regents provide research support to the campuses in the form of a block grant, no detail is available on the actual use of this \$17.2 million. UC reports, however, that the \$17.2 million block grant figure was based on the premise that the campuses would use \$4.1 million for individual faculty research. Thus, a total of \$9.3 million (\$5.2 million from the state General Fund and \$4.1 million from the Regents) is available to support individual faculty research grants in the budget year. This funding level is sufficient to provide (1) a \$4,000 grant per year to each nontenured junior faculty member within UC or (2) a \$1,000 per year grant to each of the 8,800 faculty members on UC's General and Health Science campuses.

2. Analysis of Request

We recommend that the UC's request for a \$500,000 increase in individual research grants be denied because:

- UC has provided no analytical basis to support the request, and

UNIVERSITY OF CALIFORNIA—Continued

- UC has the ability to realign its research priorities within the base budget for its existing research program.
- a. *Lack of Analytical Basis.* UC has used the following rationale to support its request for additional state funds for individual faculty research grants:
 - *Junior Faculty.* Funding for faculty research is needed to recruit and retain outstanding teachers and scholars.
 - *Specific Fields of Study.* These grants represent the major or only support for research undertaken by a large number of faculty members in fields where there is little or no extramural funding—most notably the humanities, fine arts, and some social services.
 - *Seed Funding.* These grants facilitate the development of pilot material for submission with grant proposals.

We do not disagree with UC regarding the desirability of having designated research grant funds. This desirability by itself, however, is not sufficient to justify an increase in this program. Additional data is needed for this purpose, but the UC has not provided it as yet. In fact, UC cannot provide the systemwide data needed to answer such basic questions as:

- *What is the Level of Support for Faculty Research?* UC does not know how much funds are actually used to support individual faculty research.

- *How Many Research Awards Are Made?* UC has no systemwide data on the number of awards granted or on the average amount of funds per award.

- *How Many Meritorious Proposals Are Not Funded?* UC has no systemwide data on the number of meritorious proposals for individual grants that were not funded because of the lack of state or Regents support.

Answers to these questions are needed to form an analytical basis for evaluating the Governor's proposal to augment support for faculty research by \$500,000. The university has informed us that it currently is collecting this information and will forward it to us as soon as it is available.

b. *UC Has Ability to Realign Priorities.* As noted in our analysis of the requested augmentation for the microelectronics research program, the state has provided UC with a lump sum amount, adjusted to offset the effects of inflation on purchasing power, for research, and has permitted UC to allocate the funds as it sees fit. The Regents use this same approach in allocating research money to individual campuses. If individual research is a high priority on the campuses, the campuses can use a greater share of the money allocated by the Regents for this purpose. Moreover, if individual research grants are of a high priority within the research program as a whole, UC can redirect its research program funds to this activity.

3. Recommendation

Thus, (1) because there is no analytical basis to support the augmentation requested for individual faculty research grants and (2) because UC can realign its research priorities within the total amount budgeted for this program, we recommend that the proposed augmentation for faculty research be denied, for a General Fund savings of \$500,000 in 1984-85. If this recommendation is adopted, state funded faculty research will total \$4.98 million in 1984-85, inclusive of a 6 percent inflation adjustment.

E. ACQUIRED IMMUNE DEFICIENCY SYNDROME (AIDS) RESEARCH

A total of \$3.1 million is requested for research into the cause and treatment of Acquired Immune Deficiency Syndrome (AIDS) in 1984-85. This is 6 percent above the level provided in 1983-84, the first year of the program. UC reports that 21 faculty members received research support for this program in the current year and, in addition, two AIDS Clinical Research Centers have been started—one at UC San Francisco and the other at UCLA.

F. INSTITUTE OF TRANSPORTATION STUDIES (Item 6440-001-046)

We recommend approval.

The Institute of Transportation Studies provides 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 \$940,000 from the State Transportation Fund is requested for support of this program in 1984-85. This is 3.9 percent above the 1983-84 level. Because these funds will maintain the Legislature's approved level of program, we recommend that they be approved.

G. RESEARCH IN MOSQUITO CONTROL (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 funding anticipated from other sources. State General Fund support for this program is proposed at a level of \$682,000 in 1983-84. The General Fund portion is included within the university's main appropriation.

Table 22
University of California Public Service Program
Summary of Expenditures and Personnel
(dollars in thousands)

<i>Elements</i>	<i>Actual 1982-83</i>	<i>Estimated 1983-84</i>	<i>Proposed 1984-85</i>
1. Campus Public Service.....	\$24,427	\$26,122	\$26,122
General funds	(1,268)	(1,711)	(1,711)
Restricted funds	(23,159)	(24,411)	(24,411)
2. Cooperative Extension	33,578	37,157	37,157
General funds	(24,961)	(28,428)	(28,428)
Restricted funds	(8,617)	(8,729)	(8,729)
3. Drew Medical School ^a	2,489	2,621	2,621
4. California College of Podiatric Medicine ^a	779	753	753
Totals.....	\$61,273	\$66,653	\$66,653
General funds	\$29,497	\$33,513	\$33,513
Restricted funds	31,776	33,140	33,140
Personnel (FTE)			
Academic	513	521	521
Staff	723	734	734
Totals.....	1,236	1,255	1,255

^a All General funds.

UNIVERSITY OF CALIFORNIA—Continued**III. PUBLIC SERVICE*****We recommend approval.***

The public service program includes Campus Public Service, Cooperative Extension, the Drew Postgraduate Medical School, and the California College of Podiatric Medicine.

Table 22 shows proposed expenditures and funding sources for each of these subprograms, for the prior, current, and budget years. The amounts shown in Table 22 are exclusive of any inflation and employee compensation adjustments which are allocated by UC based on the overall increases approved by the Legislature for these purposes.

Our review has not identified any issues regarding the level of funding proposed for these programs that we believe merit the Legislature's attention. Consequently, we recommend approval of the funding request for the Public Service program.

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 of \$1.7 million is provided for the following ongoing programs:

- ***California Mathematics Project (\$630,000)***—this project is designed to strengthen mathematics problem-solving skills and teaching techniques for mathematics teachers in K-14, especially those who did not major in mathematics.
- ***California Writing Project (\$446,000)***—this project seeks to improve the writing skills of students from elementary schools through the community colleges by helping teachers to improve the teaching of writing skills.
- ***EQUALS program (\$224,000)***—EQUALS is an in-service program that assists elementary and secondary classroom teachers, counselors, and administrators to increase the participation of female and minority students in mathematics courses, thus improving their opportunities to prepare for entry into math-based fields of study and work.
- ***Teratogen Registry (\$118,000)***—this project, located in San Diego, disseminates and analyzes data on substances which may have a harmful effect on the normal development of a human embryo and fetus.
- ***Scripps—Aquarium/Museum (\$145,000)***—this aquarium/museum, located on the grounds of the Scripps Institute of Oceanography in San Diego, helps increase public understanding and appreciation of the ocean through exhibits of living marine animals, museum displays, and a variety of educational programs. Research at the aquarium/museum is done on marine animal maintenance systems, fish coloration, and fish diseases.

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 22 shows the amount proposed in the budget for Cooperative Extension in 1984-85. Of the \$37.1 million requested, \$28.4 million, or 77 percent, would come from the General Fund.

C. THE DREW MEDICAL SCHOOL PUBLIC SERVICE PROGRAM

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

Drew annually prepares a report on its previous year's programs and submits the report, along with a scope-of-work proposal for the following year, to UCLA. The public service program proposal is jointly agreed to by Drew and UCLA. Table 22 shows that the proposed budget for the Drew Public Service Program in 1984-85 is \$2.6 million.

D. CALIFORNIA COLLEGE OF PODIATRIC MEDICINE

The budget proposes continued state support for a cooperative program in basic and clinical health sciences education and primary health care delivery research in podiatry. State support was initiated in 1974-75, in order to assure that the instruction provided by the only college of podiatric medicine in California would continue to be of high quality. The program is operated in conjunction with the university's San Francisco campus. Proposed state support for this program in 1984-85 is \$753,000.

IV. ACADEMIC SUPPORT

We recommend approval.

The Academic Support program includes libraries and organized activities. Table 23 shows the budget for both of these activities for the prior, current, and budget years.

A. LIBRARIES

The budget proposes general funds support totaling \$94 million for the university's libraries in 1984-85, exclusive of any allocations for salary and price adjustments. This is an increase of \$559,000, or 0.6 percent over estimated current-year expenditures. The \$559,000 increase reflects a workload adjustment—the additional library staff needed to serve the 2,510 additional undergraduate students anticipated by the budget.

UNIVERSITY OF CALIFORNIA—Continued

Table 23
University of California Academic Support Program
Summary of Expenditures and Personnel
(dollars in thousands)

	<i>Actual</i> 1982-83	<i>Budgeted</i> 1983-84	<i>Proposed</i> 1984-85	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
A. Libraries					
1. Books and Binding	\$25,396	\$27,956	\$27,956	—	—
2. Acquisitions-Processing	29,810	34,694	34,694	—	—
3. Reference-Circulation	30,480	29,788	30,347	\$559	1.9%
4. Automation	2,331	3,138	3,138	—	—
Totals	\$88,017	\$95,576	\$96,135	\$559	0.6%
General funds	\$85,641	\$93,548	\$94,107	\$559	0.6%
Restricted funds	2,376	2,028	2,028	—	—
Personnel	2,337	2,270	2,291	21	0.9%
B. Organized Activities					
1. Demonstration Schools	\$1,252	\$1,389	\$1,389	—	—
2. Vivaria and Other-General Campuses....	7,008	7,402	7,402	—	—
3. Dental Clinics	8,410	8,210	8,712	\$502	6.0%
4. Neuropsychiatric Institutes	48,992	57,515	58,582	1,067	1.2
5. Optometry Clinics	1,207	1,260	1,260	—	—
6. Veterinary Medicine Teaching Facility	6,795	7,619	7,661	42	0.6
7. Vivaria and Other-Health Sciences	18,751	15,217	15,750	533	3.5
8. Occupational Health Centers	2,532	2,633	2,633	—	—
9. Museums and Galleries	2,598	2,420	2,420	—	—
10. Intercollegiate Athletics	1,935	1,496	1,496	—	—
Totals	\$99,480	\$105,161	\$107,305	\$2,144	2.0%
General funds	\$48,568	\$52,303	\$52,303	—	—
Restricted funds	50,912	52,858	55,002	\$2,144	4.1%
Personnel	2,826	2,782	2,782	—	—

B. 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 (1) demonstration schools, which serve as laboratories for teaching and research, and (2) vivaria, which are centralized facilities for ordering and receiving animals for use in teaching and research.

For the health sciences, organized activities include (1) dental, veterinary, and optometry clinics, (2) the neuropsychiatric institutes at Los Angeles and San Francisco, (3) vivaria, and (4) two centers for the study of occupational health. No changes in the level of general funds support are proposed for organized activities in 1984-85.

V. TEACHING HOSPITALS**A. OVERVIEW**

The university operates five teaching hospitals in connection with its five medical schools. The hospitals include the UCLA Medical Center, the UCSF Hospitals and Clinics, the UC San Diego Medical Center, the UC Davis Medical Center, and the UC Irvine Medical Center.

In addition to their role in the university's clinical instruction program, the university teaching hospitals serve as a community resource for highly specialized (tertiary) care. The teaching hospitals also engage in cooperative educational programs with local community and state colleges by

providing the clinical setting for students in allied health science areas.

Operating expenses for the five hospitals are projected to total \$717.8 million in 1984-85, which is 7.7 percent above the current-year level. Patient revenues finance 93 percent of the hospitals' budgets. General Fund support for the hospitals is proposed at \$46.8 million, the same amount as in the current year.

1. Clinical Teaching Support (CTS)

The state's \$46.8 million 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 who 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.

2. Patient and Financial Activity

Table 24 shows a summary of patient activity at each of the five hospitals. Average bed availability ranges from a low of 407 at Davis to a high of 693 at UCLA. In 1982-83, the UC hospitals handled 870,348 outpatient clinical visits, and another 177,284 emergency visits.

Table 24
University of California
Teaching Hospitals
Summary of Patient Activity
For the Year Ended June 30, 1983

	<i>Davis</i>	<i>Irvine</i>	<i>Los Angeles</i>	<i>San Diego</i>	<i>San Francisco</i>	<i>Total</i>
<i>Inpatient:</i>						
Average number of beds available	407	421	693	396	560	2,477
Percent occupancy.....	73.7%	77.4%	66.1%	72.6%	69.5%	71.1%
<i>Outpatient:</i>						
Clinic visits.....	177,624	126,632	210,644	157,719	197,729	870,348
Emergency visits	36,320	45,305	39,786	33,678	22,195	177,284

Table 25 summarizes each hospital's revenues and expenditures in 1982-83. State General Fund support for CTS in 1982-83 totaled \$44.9 million, or approximately 7 percent of the hospitals' operating expenses. The excess of revenues over expenses for all five hospitals, combined, in 1982-83 totaled \$10 million.

UNIVERSITY OF CALIFORNIA—Continued

Table 25
 University of California Teaching Hospitals
 Financial Activity and Reserve Fund Balances
 For the Year Ended June 30, 1983
 (in millions)

	Davis	Irvine	Los Angeles	San Diego	San Francisco	Totals
Revenue and Other Nonoperating Income:						
State General Fund CTS	\$8.1	\$6.8	\$9.8	\$9.5	\$10.7	\$44.9
Gross Operating Revenue	114.7	136.9	214.4	125.0	144.4	735.4
Nonoperating Adjustments	2.9	2.5	1.2	0.1	—	6.7
Subtotals, Revenue and Other Nonoperating Income	\$125.7	\$146.2	\$225.4	\$134.6	\$155.1	\$787.0
Expenses and Other Nonoperating Offsets:						
Deductions from Revenue	\$15.0	\$35.1	\$38.1	\$32.3	\$26.1	\$146.6
Operating Expense	107.1	110.3	184.1	101.8	127.1	630.4
Subtotals, Expenses and Other Nonoperating Offsets	\$122.1	\$145.4	\$222.2	\$134.1	\$153.2	\$777.0
Net Gain, 1982-83	\$3.6	\$0.8	\$3.2	\$0.5	\$1.9	\$10.0
Prior-Year Balances and Other Reserve Fund Transactions	\$13.5	\$0.3	\$15.8	\$3.7	\$7.0	\$40.3
Reserve Fund Balance, June 30, 1983	\$17.1	\$1.1	\$19.0	\$4.2	\$8.9	\$50.3
Unexpended Plant Fund Balance, June 30, 1983 ^a	\$15.1	\$1.3	\$4.1	\$2.3	\$1.0	\$23.8

^a Represents hospital reserve funds that have been committed to a capital project and transferred from the Reserve Fund to the Plant Fund.

B. REPORT NEEDED ON HOSPITAL FINANCIAL ACTIVITY

We recommend that UC report to the fiscal committees during budget hearings on the current status of operating revenues and expenses for each of its five teaching hospitals.

As shown in Table 25, UC's five teaching hospitals realized net operating income of \$10 million in 1982-83. The teaching hospitals use these funds to finance their capital outlay and working capital needs. The UC estimates that the five hospital system will have an operating loss of \$4 million in 1983-84.

This operating loss, according to UC, is the result of Medi-Cal reform measures adopted by the Legislature in 1982. The primary purpose of the Medi-Cal reform measures was to reduce the state's costs for health care, which were growing far more rapidly than state revenues.

Among the reform measures enacted in 1982 by the Legislature, two, according to UC, are having a major adverse fiscal impact on the operations of the five teaching hospitals. These reforms involved (1) a change in responsibility for paying the cost of treatment required by medically indigent adults (MIAs) and (2) the imposition of limits on hospital charges through contracts between the hospitals and the state negotiated by the California Medical Assistance Commission (CMAC).

- **MIAs.** Responsibility for one category of Medi-Cal beneficiaries—Medically Indigent Adult (MIA)—was transferred from the state to the counties, effective January 1, 1983. As a result, UC hospitals are serving fewer MIAs and, therefore, have lower occupancy rates.

- **Contracts.** The CMAC was given the authority to negotiate contracts with hospitals setting reimbursement rates for inpatient services provided to Medi-Cal recipients. UC maintains that these limits have had an adverse impact on hospital revenues.

The UC hospitals are responsible for financing any deficit resulting from these reforms or any other factors. Nevertheless, the Legislature can expect UC to press for an increase in its appropriation for clinical teaching support to cover any or all of the deficit. In other words, the Legislature will be asked to give up some portion of the savings sought by the 1982 Medi-Cal Reform legislation.

Because of the potential magnitude of the deficits facing the teaching hospitals, we recommend that UC report during budget hearings on the operating revenues and expenses for each of the hospitals and advise the Legislature on those actions that could be taken to avoid the projected deficits.

C. BUDGET BILL PROVISION—HOSPITAL LOAN

We recommend approval.

The 1984 Budget Bill contains a provision, first adopted in the 1976 Budget Act, which permits the Director of Finance to authorize the accelerated expenditure of funds by the University of California, following the adoption of a resolution by the Regents of the University declaring the existence of a fiscal emergency in a teaching hospital. This action would be taken in anticipation of a supplemental General Fund appropriation for a loan to the university. The increased expenditure, however, may not exceed \$2,450,000.

The purpose of this provision 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 UC. The provision allows UC to appeal for exceptions to the reimbursement limits that it agreed to following negotiations with the California Medical Assistance Commission and, to the extent that the appeals are successful, repay the loan from the additional funds collected.

Table 26
University of California
Student Services
Summary of Expenditures and Personnel
(dollars in thousands)

<i>Element</i>	<i>Actual</i>	<i>Budgeted</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1982-83</i>	<i>1983-84</i>	<i>1984-85</i>	<i>Amount</i>	<i>Percent</i>
1. Social and cultural activities	\$27,441	\$25,911	\$25,911	—	—
2. Supplementary education services	5,164	4,766	4,766	—	—
3. Counseling and career guidance	21,858	22,606	22,606	—	—
4. Financial aid administration	13,565	12,296	12,296	—	—
5. Student admissions and records	16,918	16,020	16,020	—	—
6. Student health services	22,494	22,381	22,381	—	—
Totals	\$107,440	\$103,980	\$103,980	—	—
General funds	\$10,101	\$5,203	\$6,672	\$1,469	28%
Restricted funds	97,339	98,777	97,308	-1,469	-1.5
Personnel (FTE)	3,188	3,097	3,097	—	—

UNIVERSITY OF CALIFORNIA—Continued**VI. STUDENT SERVICES**

The Student Services program encompasses several functions, such as counseling, health services, and student affirmative action programs that are complementary to, but not part of, the instruction program. The major sources of support for this program are the registration and educational fees charged UC students.

A. EXPENDITURES

Table 26 shows the proposed expenditures and revenue sources for the Student Services program in the prior, current, and budget year. The amount proposed for student services in 1984-85—\$104 million—is the same as the current-year expenditure level.

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*, “tuition” is the term used for charges that finance instruction. The term “fee” is used for charges that finance activities *other than* instruction. The UC charges tuition only to students who are not legal residents of California. Fees are charged to all students.

The two major fees charged by UC are the educational fee and the registration fee.

a. **Education Fee.** The educational (ed) fee is a systemwide fee. The level of this fee 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 on the basis of systemwide priorities. About one-half (\$56 million) of the \$105 million in ed fee revenue collected by UC in 1983-84 will be used to fund the university's student financial aid program. The remainder is being used for student affirmative action and other student services programs.

b. **Registration Fee.** The registration (reg) fee is a campus fee. The level of this fee is established by the individual campus chancellors, within a maximum set by the Regents. Revenue from the reg fee accrues to the campuses, and is allocated by the chancellors on the basis of 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, designed to 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 27 displays the tuition and required fee levels in the UC system for the prior, current, and budget years. The fee levels shown in this table for 1984-85 have not been adjusted to provide for the higher cost of fee-funded programs due to inflation. The UC will comment during budget hearings on the magnitude of any increase above the fee levels shown in Table 27 that it plans for 1984-85.

2. Student Fee Reduction

The budget proposes to reduce the base student fee at UC by \$70 per year from \$1,387 in 1983-84 to \$1,317 in 1984-85. As reflected in the budget detail, this reduction can be attributed to the following three actions:

Table 27
University of California
UC Tuition and Required Fees

	<i>Actual</i> 1982-83 ^a	<i>Budgeted</i> 1983-84	<i>Proposed</i> 1984-85 ^b	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Nonresident Tuition	\$3,150	\$3,360	\$3,564	\$204	6.1%
Educational Fee					
Undergraduate	725	792	722	-70	-9
Graduate	785	852	782	-70	-8
Registration Fee	510	523	523	—	—
Other Required Fees ^c					
Undergraduate	65	72	72	—	—
Graduate	51	59	59	—	—
Total Fees					
Undergraduate	1,300	1,387	1,317	—	—
Graduate	1,346	1,434	1,364	—	—

^a Includes \$100 surcharge in Spring Quarter.

^b The fee levels in 1984-85 have not been adjusted to reflect the higher cost of fee-funded programs due to inflation.

^c Represents an average of fees charged by the nine campuses.

a. Shift funding for Student Affirmative Action Program From Student Fees to the State General Fund. In the current year, the budget for the Student Affirmative Action (SAA) program totals \$5.9 million, with the General Fund providing \$4.4 million (75 percent) and student fees providing \$1.5 million (25 percent). The budget requests \$1.5 million from the General Fund to replace the student fee revenue used to support the SAA. The reduction in student fees associated with this shift is \$12 per year.

b. Shift Funding for Student Financial Aid From Student Fees to the State General Fund. In the current year, the amount of financial aid provided to students is \$62.4 million, of which \$56 million (90 percent) is from student fee revenue and \$6.4 (10 percent) is from endowment revenue. The budget proposes a General Fund augmentation of \$5.5 million to permit a corresponding reduction in the amount of student fees now used for student financial aid.

The \$5.5 million corresponds to the amount of student fee revenue which supports financial aid for UC's Educational Opportunity Program (EOP). The purposes of the EOP are to bring economically and educationally disadvantaged students to UC, and to assist them in earning degrees. The reduction in student fees associated with this shift is \$46 per year.

c. Recognize Savings in Financial Aid Program. The final component of the proposed \$70 reduction in student fees is a product of the two funding shifts discussed above. If student fees are reduced by \$58 per year as a result of the proposed General Fund augmentations, the need for financial aid will also be reduced. The UC estimates that this reduction in financial aid requirements would be \$1.4 million, permitting a further reduction in student fees of \$12 per year.

The combined impact of these three actions would be a \$70 reduction in the annual educational fee, as shown in Table 27.

3. Fee Revenue

Table 28 displays the total revenue generated by the two major student fees—the educational fee and the registration fee. The table shows that

UNIVERSITY OF CALIFORNIA—Continued

UC students will pay a total of \$173 million in fees in the current year, and \$165 million in the budget year. The \$8.2 million reduction in student fee revenue reflects (1) the shift in support for the Student Affirmative Action Program and a portion of student financial aid from student fees to the state General Fund (\$6.9 million) and (2) a reduction of \$1.3 million in the need for student fee support for financial aid.

Table 28
University of California
Student Fee Revenue
(in thousands)

	<i>Actual</i> 1982-83	<i>Estimated</i> 1983-84	<i>Proposed</i> 1984-85	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Educational Fee	\$85,705	\$104,540	\$96,308	-\$8,232	-7.9%
Registration Fee	59,442	68,655	68,732	77	0.1
Totals	\$145,147	\$173,195	\$165,040	-\$8,155	-4.7%

4. Student Fee Policy

We recommend that the Legislature adopt Budget Bill language specifying a long-term policy on student fee levels to aid students and their parents in planning to meet the costs of higher education by adding stability and predictability to the fee-setting process.

a. Need for a Long-term Policy. As we noted in the postsecondary education overview section, in the past three years there has been a dramatic increase in the level of student fees charged California residents attending the two senior segments of the state's higher education system. The fee increases imposed during recent years have not been based on a long-term policy established by the Legislature for adjusting fee levels. Rather, these increases have been imposed as a means of alleviating the financial burdens that the state's General Fund has had to bear at a time when revenues were off because of the recession and other factors.

The changes proposed in UC fee levels for 1984-85 highlight the need for a state policy on fees. Because the fee levels for 1984-85 will not be determined until action on the state budget is completed, students and parents will not know what fee levels will be charged until the summer, or only a few months before the fall semester is scheduled to begin. We believe that adoption of a policy on fees, geared toward providing some degree of stability and predictability would aid students and their parents in planning to meet the costs of higher education.

b. Criteria for a Policy. In the postsecondary education overview, we recommend that the Legislature adopt a policy on student fees based on the following principles:

- student fee levels should recognize the private, as well as the societal, benefits from higher education,
- fee levels should be calculated on the basis of each segment's (or college's) level of expenditures (that is, the "cost of education"),
- the revenues from fees should be budgeted as offsets to state appropriations, rather than for the support of specific programs, and
- adequate financial aid should be made available to needy students so as to preserve access to higher education for state residents.

c. Recommended Policy. Based on these criteria, we recommend the following:

- Student fees should be set in amounts sufficient to equal a specific percentage of the "cost of education," with the "cost of education" defined as the sum of the state General Fund appropriation and student fee revenues used to operate the institutions, expressed on a per student basis.
- The "cost of education" should be calculated separately for each segment, rather than for the segments combined.
- Fees for students in comparable degree programs should be set at the same percentage of education costs.
- Student fees should vary by level of program or degree, in order to reflect differences in the private benefits accruing to students at different levels.
- The percentage of support that students pay should be set at a specific level, rather than allowed to vary within a range of levels.
- Student fees should be budgeted as offsets to state appropriations, rather than tied to specific programs.
- Fee levels for each academic year should be set in the preceding October, based on the average change in state appropriations and fees during the three preceding years.

d. *An Illustration of the Proposed Fee-Setting Mechanism.* Table 29 shows the hypothetical fees that would be charged students attending UC in 1984-85 if fees were set to equal various percentages of the cost of education. The cost of education for 1984-85 levels used in preparing Table 29 was calculated based on (1) cost of education in 1983-84 and (2) the average change in state appropriations and fees during the years 1981-82 through 1983-84. Table 29 shows that if the Legislature set undergraduate student charges at 13 percent of the cost of education, the fee charged to UC undergraduates would be \$1,385 in 1984-85. (This is \$2 less than the fee actually charged in the current year.)

Table 29

Hypothetical Fees Calculated as Different Percentages of UC's Cost for 1984-85

Current Fee (1983-84)	Fee Proposed for 1984-85 in Governor's Budget	Hypothetical Fee in 1984-85 Using Different Percentages of Total Cost ^a					
		12%	13%	14%	15%	16%	17%
\$1,387	\$1,317	\$1,284	\$1,385	\$1,487	\$1,588	\$1,689	\$1,789

^a Fee based on percentage of state appropriation and student fees in 1983-84, adjusted for the average annual change in state appropriations and student fees during the three prior years. Campus-based fees (\$72) are added to total after percentage calculation.

If, in addition, graduate fees were set at 14 percent of education costs, UC graduate students would pay \$1,487 in 1984-85, which is 7.4 percent more than what undergraduates would pay. (Currently, UC graduate students pay \$1,434, or 3.4 percent more than undergraduates.) If students in professional programs such as medicine, dentistry, and veterinary medicine were required to contribute 17 percent of the cost of their education, they would pay a fee of \$1,789, which is 20 percent more than the hypothetical fee for graduate students. (Currently, students in professional programs are assessed the same fee as other UC graduate students.) The differentials used in this illustration approximate the percentage differentials recommended by CPEC in its ACR 81, Phase II, report.

We have no analytical basis on which to recommend a specific fee level

UNIVERSITY OF CALIFORNIA—Continued

for students at the various segments.

e. *Implementation of a Long-Term Fee Policy.* In order to implement a long-term fee policy at UC, we recommend that the Legislature adopt the following Budget Bill language:

"Student fees at UC for *undergraduate students* for 1984-85 shall be set at a rate equal to ____ percent of the 1983-84 cost of education per student (state appropriations plus student fee revenue). *Graduate student fees* shall be set at a rate equal to ____ percent and *graduate professional student fees for students in medicine, dentistry, and veterinary medicine* shall be set at a rate equal to ____ percent. These fees shall be budgeted as offsets to state appropriations and shall be adjusted annually to reflect the average change in state support in the prior three years."

5. Proposed Funding Shifts Should Be Rejected

We recommend rejection of the proposals to shift the source of support for the Student Affirmative Action Program and the Educational Opportunity Program from student fees to the General Fund because the funding transfers would continue to restrict the use of student fee revenue. (Reduce Item 6440-001-001 by \$6,968,697.)

In the postsecondary education overview in this *Analysis*, 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 by different educational segments in terms of what they must pay for, and
- reduces the flexibility of the Legislature and the educational segments to the point where it can produce unintended and undesirable results.

To address these problems, we recommend that student fee revenue be budgeted as an offset to the General Fund appropriation, rather than be restricted to specific student service expenditures. If this recommendation is approved, the basis for the proposed shift in the source of funding for the Student Affirmative Action Program and Student Financial Aid Program (from student fee to the state General Fund) would disappear. Accordingly, we recommend that the following amounts be deleted (1) the \$1,468,697 General Fund augmentation requested for the Student Affirmative Action Program and (2) the \$5,500,000 General Fund augmentation requested for the Educational Opportunity Program portion of student fee-supported financial aid, for a General Fund savings of \$6,968,697 in 1984-85.

The Legislature should note that if fee levels at the university are reduced below the current-year level (\$1,387 for undergraduates), either (1) expenditures by the university would need to be reduced by a commensurate amount or (2) an offsetting General Fund augmentation would be needed to balance the budget.

6. Nonresident Tuition Policy

We recommend that the Legislature adopt supplemental report language directing the University of California to set nonresident tuition at the average cost of instruction per student. We further recommend that the new nonresident tuition level be phased-in over a three-year period, beginning in 1985-86.

a. **Current Law.** As discussed in the postsecondary overview section, the University of California and the California State University use different bases in calculating the *level* of nonresident tuition. The tuition-setting methodologies used by the two segments are discussed below.

- **University of California.** The UC bases its nonresident tuition on an analysis of (1) *the marginal cost* associated with adding one full-time equivalent (FTE) student, (2) the nonresident tuition charged in 22 comparable public institutions, and (3) the projected change in economic indices. For example, in 1983-84, UC estimates the marginal cost associated with an additional student to be \$3,651. This compares with the average nonresident tuition charged at the 22 comparison institutions of \$2,360 annually. Based on this information, it has chosen to set nonresident tuition at \$3,360 per year.
- **California State University.** CSU's nonresident charge is based on a calculation of *the average cost* per student related to the instruction and instructional support budgets. In 1983-84, the CSU estimates the average cost to be \$3,240 and has set the nonresident tuition charge at this level. If UC were to base its non-resident tuition level on its average cost per student, the nonresident tuition charged by the university would be approximately \$5,300 in 1983-84. If, however, faculty research time were deleted from the "cost of instruction," UC's average cost would be approximately \$4,300.

b. **Proposal for Uniform Nonresident Tuition Methodology.** The general guidelines for charging tuition to nonresident students are established in the Master Plan for Higher Education. The Master Plan states:

"Students who are residents of other states pay as follows:

- a. All students except those exempt by law pay tuition sufficient to cover not less than the state's contribution to the *average teaching expense* (emphasis added) per student as defined by the Master Plan Survey Team's Technical Committee on Costs of Higher Education in the institution or system as follows:

"Teaching expense is defined to include the cost of the salaries of the instructors involved in teaching for the portion of their time which is concerned with instruction, plus the clerical salaries, supplies, equipment and organized activities related to teaching."

- b. Other fees for services not directly related to instruction."

We suspect that the drafters of the Master Plan called for tuition to be based on the *average cost* of instruction per student because this measure more accurately reflects the state's cost of providing an education to nonresident students. This is because it includes both the fixed and marginal cost related to instruction. (Unlike residents, nonresident students do not contribute significantly toward the university's fixed costs through their taxes.)

Based on the policy set forth in the Master Plan, we recommend that the Legislature adopt supplemental report language which directs the Regents of the University of California to set nonresident tuition at the

UNIVERSITY OF CALIFORNIA—Continued

average cost of instruction per student. In order to allow those affected by the increase that will result from this directive time to make the necessary adjustments, we recommend that this new policy be phased-in over a three-year period.

Further, because tuition levels have already been set for 1984-85, we recommend that the phase-in begin in 1985-86. If there was no change in enrollment by out-of-state students, the revenue generated by the increase in nonresident tuition would range from \$7.8 million to \$18.4 million, depending on how the "cost of instruction" was defined.

c. *Analysis.* Clearly, the UC is not complying with the Master Plan's policy regarding out-of-state tuition. In fact, it is not even charging tuition at a level sufficient to fund the *marginal* costs to the state. It is likely, however, that the increase would result in a reduction in the number of students attending UC from other states. In order to implement this new policy toward nonresident tuition, we recommend that the Legislature adopt the following language in Item 6440-001-001 of the *Supplemental Report to the 1984 Budget Act*:

"Nonresident Tuition. It is the intent of the Legislature that the calculation of the tuition level charged for nonresidents at the University of California be set at the *average cost of instruction per student*. In order to allow for a period of adjustment to the new level, and taking into consideration that students have already been admitted for the 1984-85 academic year, this policy shall be phased-in beginning in 1985-86 and shall be fully implemented by the 1987-88 academic year."

C. STUDENT HEALTH SERVICES

In last year's *Analysis*, we recommended that UC prepare a plan for funding student health services through auxiliary organizations on a fee-for-service basis because this arrangement would (1) encourage greater use of private-sector health care services (services that in many cases have already been paid for) and (2) prevent students from having to pay twice for the same services. The Legislature subsequently directed UC to report on alternative mechanisms for funding student health services, including the use of auxiliary organizations to fund these services.

At the time this *Analysis* was written, UC had not submitted its report. The UC has informed us, however, that it will be prepared to comment on its findings regarding this matter during budget hearings. We will offer our comments on the report at that time.

D. STUDENT AFFIRMATIVE ACTION PROGRAMS

UC campuses are involved in a number of programs whose common objective is to increase the 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.

The budget proposes a General Fund augmentation of \$500,000 for initial state General Fund support for a Graduate and Professional Student Affirmative Action Program. This augmentation request is reflected in UC's budget request for Program VII, Institutional Support, which we discuss in the next section of this analysis.

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 30 shows the Institutional Support budget for the prior, current, and budget years, and how the budget is divided between the Office of the President and Campus Administration.

A. BUDGET OVERVIEW

The budget proposes a total of \$160.3 million for Institutional Support for 1984-85. This is \$2.1 million (1.4 percent) above estimated expenditures in 1983-84, excluding any salary or benefit increases that may be approved for the budget year.

Of the \$2.1 million increase, \$500,000 would come from the General Fund and \$1.6 million would come from restricted funds. As noted earlier in this analysis, the \$500,000 would provide initial state support for a Graduate and Professional Student Affirmative Action Program. The budget detail states that the university will "match" this \$500,000 augmentation by providing an additional \$500,000 in non-state funds for a Faculty Affirmative Action Program.

Table 30
University of California
Institutional Support
Summary of Expenditures and Personnel
(dollars in thousands)

	<i>Actual</i> <i>1982-83</i>	<i>Estimated</i> <i>1983-84</i>	<i>Proposed</i> <i>1984-85</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Office of the President:					
Executive Management	\$6,786	\$5,660	\$5,660	—	—
Fiscal Operations	4,305	3,583	3,583	—	—
General Administrative Services	3,501	2,917	2,917	—	—
Logistical Services	296	253	253	—	—
Community Relations	1,093	906	906	—	—
Subtotals	\$15,981	\$13,319	\$13,319	—	—
Campus Administration ^a					
Executive Management	\$33,697	\$35,774	\$35,774	—	—
Fiscal Operations	23,626	24,883	24,883	—	—
General Administrative Services	36,874	38,359	40,106	\$1,747	4.6%
Logistical Services	32,677	33,432	33,832	400	1.2
Community Relations	11,862	12,378	12,378	—	—
Subtotals	\$138,736	\$144,826	\$146,973	\$2,147	1.5%
Totals	\$154,717	\$158,145	\$160,292	\$2,147	1.4%
<i>General funds</i>	<i>\$126,098</i>	<i>\$125,813</i>	<i>\$126,313</i>	<i>\$500</i>	<i>0.4%</i>
<i>Restricted funds</i>	<i>28,619</i>	<i>32,332</i>	<i>33,979</i>	<i>1,647</i>	<i>5.1</i>
Personnel (FTE)	6,312	6,826	6,475	-351	-5.1%

^a Includes the budgets of the Office of the Regents (expenditures of \$6.2 million and \$4.8 million in 1982-83 and 1983-84, respectively), and Systemwide Programs and Provisions.

UNIVERSITY OF CALIFORNIA—Continued**1. Misleading Position Reduction**

Table 30 also shows that the budget is projecting a decline of 351 positions for institutional support in the budget year. This reduction, however, is not meaningful, because the current-year estimated position count (from which the "cut" was taken) is grossly overstated. A more accurate estimate of the current staffing level would be 6,475 positions—the same as shown for the budget year. Consequently, the position reduction claimed for the university is bogus.

B. AFFIRMATIVE ACTION**1. Overview**

The UC operates affirmative action programs for faculty, staff, undergraduate students, and graduate students. Table 31 shows estimated expenditures and revenue sources for UC's affirmative action programs in the current and budget years.

Table 31
University of California
Affirmative Action Programs
Expenditures and Funding
(in thousands)

Program	Estimated 1983-84	Proposed 1984-85	Change	
			Amount	Percent
1. Faculty and staff.....	\$2,455	\$2,955	\$500	20.4%
2. Undergraduate students				
a. Student Affirmative Action	5,884	5,884	—	—
b. Educational Opportunity Program	9,300	9,300	—	—
c. Academic Enrichment Program	201	201	—	—
3. Graduate and professional students				
a. Graduate Affirmative Action	150	650	500	333.3
b. Graduate Opportunity Fellowship Program	2,100	2,100	—	—
Totals.....	\$20,090	\$21,090	\$1,000	5.0%
General funds.....	\$5,471	\$12,940	\$7,469	136.5%
University Opportunity Fund	1,600	1,600	—	—
Student Educational Fee.....	9,219	2,250	-6,969	-75.5
Student Registration Fee	3,800	3,800	—	—
Endowments.....	—	500	500	N/A

2. Funding Shift Proposed

While the budget shows an increase of \$1 million in *expenditures*, the proposed increase in state General Fund support for these programs is \$7.5 million. The discrepancy is due to the funding shifts discussed previously.

The \$7.5 million increase requested from the General Fund for these programs reflects the following:

a. *The Proposal to Shift the Source of Funds for Undergraduate SAA from Student Fees to the General Fund.* The budget requests an additional \$1.5 million from the General Fund to replace student Educational Fee revenue used to support the undergraduate Student Affirmative Action Program (SAA). The budget proposes a corresponding reduction in the Educational Fee, which translates to a savings of \$12 per student in 1984-85.

b. *Shift in Source of Funds for EOP Financial Aid.* The budget requests \$5.5 million from the General Fund to support financial aid awards under the Educational Opportunity Program (EOP), also in lieu of using student Educational Fee revenue. Again, the budget proposes a corresponding reduction in the Educational Fee equal to \$46 per student in 1984-85.

c. *Graduate and Professional Student Affirmative Action.* The budget requests \$500,000 from the state General Fund to initiate state support for the Graduate and Professional Student Affirmative Action (GPSAA) program. In the current year, this program is supported by \$150,000 from the Educational Fee. In addition, \$2.1 million is available for Fellowship awards to minority and women graduate students, also funded from Educational Fee revenue.

3. Supplemental Reports Due on Undergraduate Affirmative Action

In last year's *Analysis*, we identified a number of problems associated with UC's undergraduate affirmative action program. These problems were:

- a. *Poorly-Defined and Overlapping Target Populations.* Our review found that there is considerable overlap between the target populations served by EOP and SAA.
- b. *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 the Office of the President.
- c. *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.
- d. *Administrative Inefficiency.* The existence of separate programs and funding sources for EOP, SAA 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 because they cannot consolidate all similar activities. Second, administrators must prepare accounting and other reports for two programs, when the service delivery mechanism has actually been combined into one program.
- e. *Program Duplication and Inconsistent Goals in Student Outreach.* Our review found significant duplication among SAA and EOP programs with respect to outreach efforts in the secondary schools. This duplication was evident both within campuses and between campuses.
- f. *Inconsistent Funding Sources.* Lastly, we found no clear logic behind the varied sources of funding to support student outreach programs at the university.

The Legislature subsequently directed UC to:

- prepare a plan by February 1, 1984, to consolidate the undergraduate SAA and EOP programs, and
 - submit an evaluation of early outreach programs by March 1, 1984.
- We will provide comments on these reports during budget hearings.

UNIVERSITY OF CALIFORNIA—Continued**4. Ethnic and Sex Distribution of Graduate Degrees Conferred**

Table 32 shows the number of graduates degrees conferred by the university, by selected discipline, ethnicity, and sex, in 1980–81. The table shows that of the 567 medical degrees conferred, 158 (27.9 percent) went to women, 21 (3.7 percent) were awarded to Blacks, 39 (6.9 percent) were awarded to Hispanics, and 220 (38.8 percent) went to White males. The table also shows that of the 210 doctoral degree conferees in engineering 9 (4.3 percent) were women, 3 (1.4 percent) were Blacks, 4 (1.9 percent) were Hispanic and 77 (36.7 percent) were White males.

We believe that the statistics on degree conferrals constitute the most appropriate data base for evaluating the effectiveness of a GPSAA program. The distribution of degree conferrals captures data on both the effectiveness of recruiting and retention. Moreover, the ultimate goal of a GPSAA program is degree conferral.

5. Graduate and Professional Affirmative Action

We recommend that \$75,000 of the \$500,000 requested for initial state support of the university's GPSAA program be deleted because these funds would not be used effectively in seeking to achieve the goal of GPSAA. We withhold recommendation on the remaining \$425,000, pending receipt of information on (1) the redirection of funds from the consolidation of the undergraduate SAA and EOP programs and (2) the current availability of research assistantships and mentorship grants for minority and women graduate students at UC. (Reduce Item 6440-001-001 by \$75,000.)

a. **Budget Proposal.** The \$500,000 requested in 1984–85 as initial state support for UC's Graduate and Professional Student Affirmative Action (GPSAA) program would be used as follows:

- **Research Assistantships.** The budget requests \$325,000 for 65 graduate research assistantships, at \$5,000 each. The faculty would have special involvement in the selection process for these awards, as well as special responsibility for the professional growth and development of the students selected.
- **Mentorship Programs.** The budget requests \$100,000 for (1) stipends of up to \$2,500 each to first-year graduate students for work on small-scale research projects with a faculty member and (2) identification of undergraduates who would receive special counseling and other encouragement from faculty in the student's field of interest. The budget request indicates that most of these funds will be used for stipends.
- **Early Identification.** The budget requests \$50,000 to provide for early identification of promising minority and women undergraduates. According to the university, part of this process will include the development of linkages with faculty from other California institutions and the production of outreach publications geared toward students in other four-year institutions.
- **Administration and Evaluation.** The budget requests \$25,000 for administration and evaluation of the affirmative action programs on a university-wide basis.

b. **Analysis of Proposal.** The UC's funding proposal for GPSAA addresses important objectives that we support. Our review of the proposal, however, has turned up a number of problems, of which three warrant the Legislature's attention.

- **Early Identification.** Spending the equivalent of 10 research assistantship awards or 20 mentorship stipends on "the development of

Table 32
UNIVERSITY OF CALIFORNIA
Degrees Conferred, By Selected Discipline, By Ethnicity, and By Sex 1980-81

<i>Discipline Division</i>		<i>Total</i>	<i>Non-Resident Alien</i>	<i>Black</i>	<i>American Indian or Alaskan Native</i>	<i>Asian or Pacific Islander</i>	<i>Hispanic</i>	<i>White</i>	<i>Filipino</i>	<i>No Response</i>	<i>Other</i>
A. First Professional Degrees											
Medicine	M	409	2	8	2	42	31	220	1	82	21
	F	158	2	13	—	12	8	97	1	22	3
	T	567	4	21	2	54	39	317	2	104	24
Dentistry	M	133	—	13	—	28	14	63	4	—	11
	F	43	1	4	—	9	4	22	—	—	3
	T	176	1	17	—	37	18	85	4	—	14
Law	M	500	1	34	3	23	32	363	2	9	33
	F	281	1	19	1	18	14	208	1	6	13
	T	781	2	53	4	41	46	571	3	15	46
Totals, All First Professional	M	1,194	5	59	5	116	83	757	7	93	69
	F	587	5	43	1	58	29	401	3	28	19
	T	1,781	10	102	6	174	112	1,158	10	121	88
B. Doctorate Degrees											
Biological Sciences	M	216	16	1	—	13	2	163	—	12	9
	F	90	4	1	—	12	1	69	—	3	—
	T	306	19	2	—	25	3	232	—	15	9
Computer Sciences	M	30	14	—	1	2	—	12	—	1	—
	F	1	—	—	—	—	—	1	—	—	—
	T	31	14	—	1	2	—	13	—	1	—
Engineering	M	201	80	3	—	22	4	77	—	10	5
	F	9	4	—	—	1	—	3	—	—	1
	T	210	84	3	—	23	4	80	—	10	6
Psychology	M	40	3	2	—	—	1	25	—	9	—
	F	41	—	2	—	2	1	29	—	6	1
	T	81	3	4	—	2	2	54	—	15	1
Totals, All Doctorate's	M	1,093	217	18	4	55	17	651	—	104	27
	F	431	29	21	2	24	2	303	2	37	11
	T	1,524	246	39	6	79	19	954	2	141	38
C. Master's Degrees											
Totals, All Master's	M	2,913	617	44	14	165	94	1,615	1	218	145
	F	2,167	186	66	10	132	80	1,425	11	140	117
	T	5,080	803	110	24	297	174	3,040	12	358	262

Source: UC Affirmative Action Plan, April 1983.

UNIVERSITY OF CALIFORNIA—Continued

faculty linkages" and "production of outreach publications" is not a cost-effective use of state funds. Early identification of promising students should be part of the normal workload of the faculty. An individual faculty member who encourages a student to apply for graduate work is, in our view, more effective than the "development of linkages" or the "production of outreach publications." The faculty need only be made aware of the availability of research assistantship and mentorship awards. Consequently, spending \$50,000 for this purpose should not be necessary.

- **Administration and Evaluation.** The UC has devoted considerable staff effort over the past few years to developing a GPSAA program. It would seem that the staff effort previously used to develop the GPSAA can be redirected to administer and evaluate the program, and that the \$25,000 requested for this purpose can be deleted.
- **Research Assistantship and Mentorship Awards.** We believe that the availability of research assistantships and mentorship stipends would tend to increase the enrollment of minority and women students and help them persevere to degree completion. These types of awards require close contact between the student and faculty member. As a result of this association, the faculty advisor should be in a better position to monitor the student's academic progress and assist the student on a continuing basis.

c. **Recommendation.** For the reasons given above, we recommend deletion of:

- the \$50,000 requested for the early identification effort
- the \$25,000 requested for administration and evaluation

We further recommend that the Legislature defer a decision on the additional \$425,000 requested for the GPSAA, pending receipt of (1) UC's report on the consolidation of the undergraduate SAA and EOP programs and (2) data on research assistantships and mentorship grants already available for minority and women graduate students at UC.

We anticipate that the consolidation effort to merge SAA and EOP will result in not only increased efficiencies, but may also result in savings which could be redirected to the GPSAA program. The Legislature may wish to use these funds to support the GPSAA proposal in 1984-85.

In addition, we have asked the university to provide a systemwide listing of the research assistantships and mentorship grants currently available to minority and women graduate students. Several campus-based programs now provide fellowships or mentorship grants for minority and women students. This type of information, however, is not kept on a systemwide basis. Such information will be needed in any event as a basis for allocating awards if the Legislature approves the funding requested for GPSAA.

6. Faculty Affirmative Action

a. **Ethnic and Sex Distribution.** Table 33 shows the distribution of full-time faculty at the university, by ethnicity and sex. The table shows that of the 3,936 tenured professors at UC, 3,423 (87 percent) are White males, 38 (1 percent) are Black males, 64 (1.6 percent) are Hispanic males, 205 (5.2 percent) are White females, 2 are Black females and 5 are Hispanic females. Of the 1,158 assistant professors, 729 (63 percent) are White

Table 33
University of California
Full-Time Faculty by Tenure Status and Rank

	<i>Grand Total</i>	<i>Male</i>						<i>Female</i>					
		<i>Total</i>	<i>White (Non- Hispanic)</i>	<i>Black (Non- Hispanic)</i>	<i>His- panic</i>	<i>Asian or Pacific Islander</i>	<i>American Indian or Alaskan Native</i>	<i>Total</i>	<i>White (Non- Hispanic)</i>	<i>Black (Non- Hispanic)</i>	<i>His- panic</i>	<i>Asian or Pacific Islander</i>	<i>American Indian or Alaskan Native</i>
Tenured													
Professors	3,936	3,721	3,423	38	64	189	7	215	205	2	5	3	-
Associate Professors	1,504	1,270	1,124	30	53	57	6	234	200	9	9	13	3
Assistant Professors	-	-	-	-	-	-	-	-	-	-	-	-	-
Instructors	-	-	-	-	-	-	-	-	-	-	-	-	-
Lecturers	114	73	56	3	6	7	1	41	35	1	2	2	1
Other Faculty	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	5,554	5,064	4,603	71	123	253	14	490	440	12	16	18	4
Percent	100%	91.2	82.9	1.3	2.2	4.6	0.3	8.8	7.9	0.2	0.3	0.3	0.1
Non-Tenured on Track													
Professors	-	-	-	-	-	-	-	-	-	-	-	-	-
Associate Professors	-	-	-	-	-	-	-	-	-	-	-	-	-
Assistant Professors	1,158	850	729	23	36	59	3	308	269	11	6	21	1
Instructors	1	1	1	-	-	-	-	-	-	-	-	-	-
Lecturers	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Faculty	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,159	851	730	23	36	59	3	308	269	11	6	21	1
Percent	100%	73.4	63.0	2.0	3.1	5.1	0.3	26.6	23.2	0.9	0.5	1.8	0.1
Other													
Professors	1,128	876	784	15	12	64	1	252	228	5	3	13	3
Associate Professors	979	633	542	6	22	63	-	346	284	14	9	38	1
Assistant Professors	1,480	1,073	903	14	29	124	3	407	335	12	12	46	2
Instructors	93	69	59	1	3	6	-	24	20	1	2	1	-
Lecturers	548	321	292	5	10	12	2	227	201	5	4	16	1
Other Faculty	882	587	459	11	15	102	-	295	247	17	13	17	1
Total	5,110	3,559	3,039	52	91	371	6	1,551	1,315	54	43	131	8
Percent	100%	69.6	59.5	1.0	1.8	7.3	0.1	30.4	25.7	1.1	0.8	2.6	0.2
Grand Total	11,823	9,474	8,372	146	250	683	23	2,349	2,024	77	65	170	13
Percent	100%	80.1	70.8	1.2	2.1	5.8	0.2	19.9	17.1	0.7	0.5	1.4	0.1

Source: CPEC, *Women and Minorities in California Public Postsecondary Education*, January 1983, p. 167.

UNIVERSITY OF CALIFORNIA—Continued

males, 23 (2 percent) are Black males, 36 (3.1 percent) are Hispanic males, 269 (23.2 percent) are White females, 11 (0.9 percent) are Black females and 5 (0.5 percent) are Hispanic females.

We believe that the relevant statistics for measuring the long-term success of a faculty affirmative action program are those on the distribution of *tenured* faculty.

b. *UC Budget Proposal.* The UC plans to provide \$500,000 from nonstate funds for an expansion of its Faculty Affirmative Action program.

In the current year, support for faculty affirmative action totals \$464,000. Of this total, \$372,000 is from the state General Fund and \$92,000 is from the University Opportunity Fund. Current-year funding is allocated primarily to junior faculty members through programs designed to assist them in meeting tenure requirements. (For example, support is provided to allow a junior faculty member to be released from his or her teaching assignment for one quarter to use that time for preparation of research articles.)

The \$500,000 augmentation proposed for the budget year will be used to provide support for graduate students at UC and other universities throughout the United States who are (1) in the final stages of their degree programs and (2) very likely candidates for tenure-track positions with the university. For example, these funds could be used to support a minority or woman doctoral candidate to complete his or her thesis on a UC campus in anticipation that the student would be a candidate for a regular tenure-track faculty position within the UC system.

Our review indicates that this proposal has high potential to attract minority and women faculty candidates to the UC system, although it will not increase the number of minority group members and women in tenure-track positions nationwide. We have asked the university to be prepared during budget hearings to provide additional data on its estimate of the number of awards that would be made in this expansion effort.

C. STATUS OF COLLECTIVE BARGAINING

Ch 744/78 referred to as The Higher Education Employer-Employee Relations Act (HEERA) contained provisions governing employer-employee relations at the University of California (UC), Hastings College of the Law, and the California State University (CSU). The Public Employee Relations Board (PERB), which administers HEERA, has designated 26 bargaining units for UC employees, structured as follows: eight are system-wide, 10 are confined to individual campuses, 4 are lab units, 3 are health care units, and one unit consists of printing trade employees working at three printing plants in the UC system. The UC has filed a lawsuit challenging the designation of one unit consisting of "house staff" employees. The UC questions whether the hospital interns and residents that comprise this unit qualify as employees under HEERA.

Exclusive representatives for 16 of the 26 units were selected during the past year, and most units are still in the midst of negotiations with UC management regarding the terms of the initial memoranda of understand-

ing (MOUs). Eight of the 26 units have opted for no representation, and the question of representation for two units is, as yet, undecided.

Under HEERA, faculty units can be formed on either a single statewide basis or as divisional units of the academic senate. The faculty employees at UC Berkeley and UCLA each voted for no representation in elections conducted by PERB. The only UC faculty unit that has opted for representation is one consisting of 267 members at the Santa Cruz campus. UC faculty employees at other campuses, estimated to number about 3,500, have not petitioned PERB for an election.

VIII. OPERATION AND MAINTENANCE OF PLANT

Operation and maintenance of plant includes activities such as building maintenance, janitorial services, and utility purchases.

A. PROPOSED FUNDING

Table 34 shows the funding for this program in the prior, current, and budget years.

The budget requests an increase of \$15.2 million, or 10.3 percent, from the state General Fund for Operation and Maintenance of Plant in 1984-85. The components of this increase are as follows:

- **Building Maintenance.** The budget requests \$4 million as a permanent improvement in state-funded building maintenance, bringing the total to \$31 million.
- **Deferred Maintenance.** The budget requests \$6.5 million for deferred maintenance, bringing total state support for this activity to \$10.1 million. In addition, the Regents propose to continue providing \$2 million from the Regents' Opportunity Fund for deferred maintenance projects in 1984-85.
- **Workload Changes.** The budget requests \$847,000 for increased workload related to 208,000 square feet of additional state-maintained building area.
- **Shift in Source of Funds for Deferred Maintenance.** The budget proposes to shift the source of \$3.6 million for deferred maintenance from the Capital Outlay Fund for Public Higher Education (COF-PHE) fund to the General Fund.

Table 34
University of California
Operation and Maintenance of Plant
Summary of Expenditures, Funding and Personnel
(dollars in thousands)

Elements	Actual 1982-83	Estimated 1983-84	Proposed 1984-85	Change	
				Amount	Percent
Plant administration	\$4,516	\$5,343	\$5,361	\$18	0.3%
Maintenance ^a	60,303	63,116	67,445	4,329	6.9
Utilities purchase and operation	78,128	82,811	83,293	482	0.6
Refuse disposal	2,026	2,061	2,073	12	0.6
Fire protection	1,416	1,574	1,580	6	0.4
Deferred maintenance	6,357	3,584	10,084	6,500	181.4
Totals	\$152,746	\$158,489	\$169,836	\$11,347	7.2%
General funds	\$140,149	\$147,757	\$162,937	\$15,180	10.3%
Restricted funds	12,597	10,732	6,899	-3,833	-35.7
Personnel (FTE)	3,153	3,434	3,534	100	2.9%

^a Includes building maintenance, grounds maintenance, and janitorial services.

UNIVERSITY OF CALIFORNIA—Continued

- *Shift in Source of Funds for Utilities Conservation.* The budget proposes to shift the source of \$249,000 in funding for utilities conservation from the Energy and Resources Fund to the General Fund.

B. BUILDING MAINTENANCE

We withhold recommendation on (1) the proposed increase of \$4 million for building maintenance and (2) the proposed increase of \$6.5 million for deferred maintenance, pending further review of supporting information.

The budget requests \$4 million "as a first step in improving ongoing building maintenance support" and \$6.5 million "as an initial step to reduce the backlog of identified, critical deferred maintenance projects." The current-year budget for building maintenance is \$27 million, while the current-year, state-funded budget for deferred maintenance projects is \$3.6 million. The Regents have also budgeted \$2 million in the current year for deferred maintenance, and propose to continue this level of support in 1984-85.

Table 35 shows the growth in the deferred maintenance backlog, as estimated by UC. As the table indicates, UC estimates that the backlog in current year is \$85 million.

Table 35
University of California
State-Fundable Deferred Maintenance Backlog
(in thousands)

<i>Campus</i>	<i>1978-79</i>	<i>1980-81</i>	<i>1982-83</i>	<i>1983-84</i>
Berkeley	\$6,188	\$8,896	\$15,126	\$36,128
Davis	4,566	5,512	6,026	6,280
Irvine	892	1,397	1,875	3,120
Los Angeles	5,782	9,671	19,883	23,449
Riverside	470	664	1,097	1,859
San Diego	1,087	2,324	2,960	3,382
San Francisco	2,652	2,587	3,175	4,100
Santa Barbara	2,803	4,405	5,958	5,986
Santa Cruz	659	485	430	774
Agricultural Field Stations	—	131	68	74
Totals	\$25,099	\$36,072	\$56,598	\$85,152

1. Improved Planning and Tracking Needed

Our campus visits confirm the need for improvement in building maintenance. Our review also found a need for the university to improve the planning and tracking of maintenance projects. While the university can provide a yearly list of deferred projects, these lists do not build on each other. That is, they do not allow a project to be tracked from its initial listing to a post-audit after the deferred maintenance has been performed. The list also does not indicate the year in which maintenance of a particular item was deferred. Consequently, it is extremely difficult to evaluate the request for deferred maintenance funds.

We also question UC's method of determining project priorities. We note that individual project priorities have varied, in some cases significantly, from year to year. While we recognize that there are valid reasons for some yearly reordering of priorities, we believe that the reordering

should be based on explicit criteria. In fact, we found *no* systemwide criteria for prioritizing projects. Without such criteria, the Legislature has no analytical basis for determining that the funds it appropriates will address the most urgent projects in the system.

We have discussed these issues with UC and are working with the university to obtain:

- the criteria used to develop scheduled preventive maintenance for the campuses,
- the funding level needed in 1984-85 to provide sufficient staff or contract services for regularly scheduled preventive maintenance on the campuses, based on the UC's criteria for determining maintenance needs,
- the systemwide criteria that will be used to prioritize the deferred projects on the latest (December 1983) deferred projects list, and
- the development of a plan to track and monitor maintenance projects throughout the university.

We withhold recommendation on the proposed \$4 million augmentation for on-going building maintenance and \$6.5 million for deferred maintenance projects, pending review of this information.

C. CONTROL SECTION NEEDED REGARDING USE OF CAPACITY SPACE

We recommend that the Legislature amend the Budget Bill to (1) delete Provision 9 of Item 6440-001-001 and (2) add a control section which requires UC to notify the Joint Legislative Budget Committee, fiscal committees and the Department of Finance before capacity space is reclassified for other uses.

The 1984 Budget Bill contains a provision which states:

"The Regents of the University of California shall report, on a semi-annual basis, to the Department of Finance and the Chairperson of the Joint Legislative Budget Committee the use of any funds appropriated by this act to reclassify instructional, administrative, faculty office or library space to other uses. These reports shall be submitted by the 10th of February, for the period July through December, and the 10th of August, for the period January through June."

This language is proposed as a substitute for Control Section 24.30 in the 1983 Budget Act which requires UC (and CSU) to (1) obtain *approval* from the Department of Finance and (2) notify the Chairman of the Joint Legislative Budget Committee of all proposed reclassifications of capacity space before the reclassifications become effective.

We do not believe the proposed language should be adopted in the 1984 Budget Act because it would eliminate the Legislature's opportunity to review space reclassifications before they occur, thus weakening legislative control over the expenditure of state funds. In some cases, moreover, the reclassification of space can create a need for subsequent capital outlay appropriation and thereby reduce the Legislature's flexibility. Any reclassification which *reduces* the amount of space devoted to instructional programs should be justified to the Department of Finance and reported to the Legislature *before* it is implemented.

Consequently, we recommend that the language proposed in provision 9 of Item 6440-001-001 be deleted and that Control Section 24.30 from the 1983 Budget Act be continued in the 1984-85 Budget Bill as follows:

"Section 24.30. No funds appropriated by this act may be used by the Regents of the University of California or the Trustees of the California

UNIVERSITY OF CALIFORNIA—Continued

State University to reclassify instructional capacity space, administrative space, library space, or faculty offices to other uses unless and until any such proposed reclassification is first approved by the Department of Finance and 30 days' written notification is provided to the Chairperson of the Joint Legislative Budget Committee or his or her designee, or not sooner than such lesser time as the chairperson of such committee, or his or her designee, may in each instance determined."

IX. STUDENT FINANCIAL AID

The university administers its own student financial aid program to supplement aid funds available from the Student Aid Commission, the federal government and private sources.

A. PROPOSED FUNDING

Table 36 shows the expenditures and funding for UC's financial aid program in the prior, current, and budget years. The table does not reflect financial aid that UC students receive from other sources. The Student Aid Commission, however, estimates that financial aid from all sources for all UC students in 1983-84 totals \$239 million.

In the current-year, approximately 90 percent of UC's financial aid program is supported with revenue from the Educational Fee. The remaining 10 percent is financed with endowment revenue and other income.

The budget requests \$5.5 million from the state General Fund to support a portion of UC's financial aid program in lieu of using student Educational Fee revenue. Our analysis of this request appears under Program VI, Student Services. The projected decline of \$1.4 million, or 2 percent, in UC's financial aid program (shown in Table 36) is based on the budget proposal to reduce student fees in 1984-85. This issue is also discussed in Section VI.

Table 36
University of California
Student Financial Aid
(in thousands)

	<i>Actual</i> <i>1982-83</i>	<i>Budgeted</i> <i>1983-84</i>	<i>Proposed</i> <i>1984-85</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Financial Aid ^a	\$49,742	\$62,471	\$61,077	-\$1,394	-2 %
General Fund	\$697	—	\$5,500	\$5,500	NA
Restricted funds	49,045	\$62,471	55,577	-6,894	-11 %

^a UC funds only. Total financial aid from all sources for UC students in 1983-84 is estimated at \$239 million.

X. 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 4,400 apartments. The second major element is the parking program, which includes more than 6,100 spaces. The UC budget estimates that \$166.5 million will be spent by auxiliary enterprises in 1984-85.

XI. UNALLOCATED ADJUSTMENTS

A. OVERVIEW OF FUNDING REQUEST

The Unallocated Adjustments Program serves as a temporary holding account for appropriations which eventually will be allocated by the system to campuses, and from the campuses to the operating programs. This program, as shown in Table 37, includes (1) funds to be allocated to other programs, (2) routine increases to offset the effects of inflation, provide merit salaries, and the like, (3) funding for the University's retirement system (UCRS), and (4) funds for employee compensation increases for the budget year.

In signing the 1983 Budget Act, the Governor vetoed \$20.7 million in inflation adjustments for UC state-funded operating expenses provided by the Legislature for 1983-84. Consequently, the price level adjustments proposed for 1984-85 are increases above the 1982-83 base budget.

The major changes shown in Table 37 include the following:

- **UCRS Restoration and Benefit Increase.** The budget requests \$82.9 million from the General Fund for University of California Retirement System (UCRS). Of this amount, \$70.6 million is requested to restore state support for the UCRS which was reduced in 1983-84, and \$12.3 million is requested to improve retirement benefits to UCRS members.
- **General Price Increase.** The budget requests \$15.7 million to offset the effects of inflation on general operating expenses. This increase provides an 8 percent adjustment to UC's 1982-83 base state-funded operating expense budget of \$197.7 million. The largest increase is for telephone expense, which is expected to be \$2.7 million (22 percent) higher than actual expenditures in 1982-83.
- **Library Price Increase.** The budget requests \$5.2 million to offset the effects of inflation on the cost of library materials. This represents a 21 percent increase above the 1982-83 level of expenditures (\$25.1 million).
- **Purchased Utilities.** The budget requests \$6 million to offset the effects of inflation on utility purchases, for an increase of 8.4 percent.
- **Merit Salary Increases.** The budget requests \$20.1 million for merit and promotion salary increases. This amount includes: (1) \$11.6 million for academic merit and promotion increases for 1984-85, (2) \$6.5 million for staff merit increases in 1984-85, and (3) \$2 million to restore academic promotion funds that the Governor vetoed from the 1983 Budget Act.
- **Switch from UCRS to Salaries.** The budget requests \$1.6 million to provide for increased "salary-driven" benefits. These funds are needed because in the current year the Regents decided to use funds appropriated for the Retirement System (UCRS) to increase faculty salaries by 3 percent. This redirection of funds had no net effect on the UCRS because the faculty member was required to pay the full amount of the increase to the system. Nevertheless, the Regents' action had the effect of increasing the overall salary level for UC faculty by 3 percent, thereby requiring an increase for those employee benefits that are linked to salary levels.
- **Annualization of Mid-year Salary Increase.** The budget requests \$30.5 million for the full-year cost of salary and benefit increases that took effect on January 1, 1984.

UNIVERSITY OF CALIFORNIA—Continued

- **Employee Compensation.** The budget requests \$113.7 million for salary and benefit increases to be granted in 1984–85. For faculty, this amount would provide for an increase of 9 percent on July 1, 1984 and another increase of 3.8 percent on January 1, 1985, for a total state-funded increase of 12.8 percent. For staff employees, the budget provides sufficient funds for a salary and benefit increase of up to 10 percent, the same increase provided in the budget for state employees.

Table 37
University of California Unallocated Adjustments
 (in thousands)

	<i>Estimated 1983-84</i>	<i>Proposed 1984-85</i>	<i>Change</i>
A. Provisions for Allocation			
General funds:			
1983-84 salary funds	\$32,927	\$32,927	—
Employee benefits	5,570	5,570	—
Budgetary savings target	-41,566	-41,566	—
Other provisions	10,709	10,709	—
UCRS funds to replace state funds	—	-101,400	-\$101,400
Resumption of state contribution to UCRS	—	82,900	82,900
Subtotals	\$7,640	-\$10,860	-\$18,500
Restricted funds:			
Educational fee	\$917	\$1,048	\$131
Registration fee	7,803	7,880	77
Endowments	5,449	5,449	—
Contract and grant administration	4,454	4,454	—
Other provisions	1,576	1,076	-500
Subtotals	\$20,199	\$19,907	-\$292
B. Fixed Costs and Economic Factors			
General funds:			
General price increase	—	\$15,726	\$15,726
Library price increase	—	5,156	5,156
Utilities price increase	—	6,022	6,022
Merit salary increase	—	20,145	20,145
Employee benefits (UCRS to Salary Switch)	—	1,589	1,589
Social security	—	2,276	2,276
1984-85 Cost of 1983-84 changes in employee compensation	—	30,481	30,481
Subtotals	—	\$81,395	\$81,395
Restricted funds:			
General price increases	—	\$12	\$12
Merit salary increase	—	3	3
Social security	—	1	1
1984-85 Cost of 1983-84 changes in employee compensation	—	19	19
Subtotals	—	\$35	\$35
C. 1984-85 Changes in employee compensation			
General Fund	—	\$113,670	\$113,670
Totals	\$27,839	\$204,147	\$176,308
<i>General funds</i>	<i>\$7,640</i>	<i>\$184,205</i>	<i>\$176,565</i>
<i>Restricted funds</i>	<i>20,199</i>	<i>19,942</i>	<i>-257</i>

B. UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)

We recommend approval of \$70.6 million requested to restore the state contributions to the University of California Retirement System (UCRS) in 1984-85. We withhold recommendation on the \$12.3 million requested to improve the retirement benefits of UCRS members, pending review of the overall salary and benefit increases needed to reflect collective bargaining agreements or provide for comparability with other institutions.

Last year the Legislature deferred state contributions of \$79 million to the UCRS in 1983-84. The Governor vetoed an additional \$22.4 million budgeted for the UCRS before signing the 1983 Budget Act. Thus, the reduction in funds for UCRS in 1983-84, relative to the budgeted amount, was \$101.4 million. This reduction reflected in part, doubts we raised in our 1983-84 *Analysis* about the reasonableness of the assumptions on which the budgeted amount was based.

1. New Economic Assumptions.

In November 1983, the Regents adopted new actuarial assumptions for the UCRS, effective July 1, 1983. Table 38 compares the assumptions used in 1982-83 to project the 1983-84 funding need to the 1983-84 funding need based on the revised assumptions. As shown in Table 38, the Regents, based on advice from their actuary, have increased their estimate of investment earnings from 7 percent to 8 percent, increased their assumption regarding the annual rate of salary changes from 7.5 percent to 7.7 percent, and changed their method of valuing assets (a shift from book value to a five-year moving average of market value.) The combined effect of these changes in assumptions is a reduction of projected funding need from \$101.4 million to \$64.8 million. This \$64.8 million constitutes the base funding request for 1984-85 to restore the state's contribution to the UCRS.

In addition, the UC is requesting \$5.8 million to compensate for the 1983-84 deferral of the state's required \$64.8 million contribution. This is the cost of amortizing the deferral over the next 25 years. Thus, for 1984-85 the budget is requesting \$70.6 million to restore the state's contribution to UCRS.

Table 38
University of California
Comparison of the UCRS Economic Assumptions and
Funding Estimates for 1983-84

	<i>Original Assumptions and Estimates</i>	<i>Revised Assumptions and Estimates</i>
Long-term annual investment earnings	7.0 percent	8.0 percent
Long-term annual salary increase	7.5 percent	7.7 percent
Asset valuation method	Book value	5-year market average
Projected 1983-84 funding need	\$101.4 million	\$64.8 million
Cost of Amortizing 1983-84 deferral of \$64.8 million	—	5.8 million

UNIVERSITY OF CALIFORNIA—Continued

We have met with UC and its actuarial consultants to review the new assumptions. Based on our review, we believe the new assumptions are reasonable. Accordingly, we recommend approval of the \$70.6 million requested for the UCRS, consisting of \$64.8 million for current costs and \$5.8 million to amortize the amount deferred in 1983–84. (It should be noted that actual state contributions to the UCRS in 1984–85 will be based on the final salary level approved by the Governor and Legislature in 1984–85 for UC employees.)

2. Benefit Increases

In addition to the changes in the economic assumptions for UCRS, the Regents made two improvements in benefits for UCRS members, effective for the period January 1, 1984, to June 30, 1984. The university maintains that these benefit increases are needed to bring UCRS benefits closer in line with members' benefits in the Public Employees' Retirement System (PERS).

The budget proposes continuation of these enhanced benefits in 1984–85. These benefits and their associated cost include:

a. **Member contributions.** The Regents reduced the average member's contribution to the UCRS by one percent. This change is projected to cost \$5.4 million in 1984–85. (This amount includes an adjustment for the increased amortization cost associated with the 1983–84 deferral.)

b. **Cost-of-Living (COLA).** The Regents improved the cost-of-living adjustment for annuitants. Prior to this change, the automatic COLA was limited to the lesser of 2 percent or the change in the Consumer Price Index (CPI). The new formula provides an additional automatic COLA equal to one-third of the amount by which the actual increase in the CPI exceeds 4 percent, subject to a maximum of 1.5 percent. This change is projected to cost \$6.9 million in 1984–85, including the increased amortization cost of the loan.

Neither one of these changes was funded in the current year. The Regents simply granted the improvement in benefits to UCRS members, on the assumption that the Legislature would approve funds to pay for it at a later date. The General Fund cost related to the granting of these improvements for the period January 1, 1984 to June 30, 1984 is an estimated \$600,000 due to the increased cost of amortizing the current-year loan amount for these benefit increases. Our \$12.3 million estimated cost to continue these benefit increases in the budget year is inclusive of this \$600,000.

3. Recommendation

The UCRS benefit increases approved by the Regents were not part of the compensation package approved by the Legislature for UC employees in 1983–84. In effect, the Regents committed the \$49.6 million provided for employee compensation in 1983–84, *and added another \$12.3 million in benefits for which no financing exists.*

We believe that the \$12.3 million requested for increased UCRS benefits should not be considered as the amount needed to continue benefits granted in 1983–84 but rather as the amount proposed to further enhance benefits in 1984–85. Consequently, we recommend that the Legislature approve the \$70.6 million requested to restore the state's contribution to the UCRS and consider the proposal to improve UCRS benefits within the context of the overall compensation package warranted for the university in 1984–85.

C. REVISED DATA AND MOUs NEEDED

We withhold recommendation on the \$126 million proposed for employee compensation increases at the University of California, pending receipt of (1) revised data on compensation levels for faculty at comparison institutions, (2) memoranda of understandings (MOUs) covering union represented employees and (3) compensation proposals for nonrepresented employees.

1. The Budget Request

The Governor's Budget for 1984-85 proposes for the first time that funds needed to provide salary increases for UC employees be budgeted within the UC support item. In prior years, these funds were budgeted within the state employee compensation item. We believe this change makes sense because it more accurately reflects the total cost of UC programs in the budget year.

The budget proposes \$113.7 million specifically for UC employee compensation increases in 1984-85. In addition, as we noted above, the budget includes \$12.3 million to enhance benefits for members of the UCRS. Therefore, the budget proposes a total compensation package of \$126 million for the university. This \$126 million consists of four parts:

a. *Faculty salaries.* The budget includes \$62.8 million for faculty salary increases. This amount would allow an increase of 9 percent on July 1, 1984, and another increase of 3.8 percent on January 1, 1985, for a total state-funded increase of 12.8 percent. (Each one percent increase in UC faculty salaries will cost \$5.7 million in 1984-85.)

b. *Staff salaries.* The budget includes \$42.3 million for staff (non-faculty) salary increases. This amount would provide for an increase of 9 percent on July 1, 1984. (Each one percent increase in UC staff salaries will cost \$4.7 million in 1984-85.)

c. *Health and Dental Benefits.* The budget includes \$8.6 million for the increased cost of health and dental benefits. This amount would accommodate (1) a 15 percent increase over the current base budget of \$44.3 million for health benefits and (2) a 20 percent increase over the current base budget of \$7.7 million for dental benefits.

d. *UCRS Benefits.* The budget includes \$12.3 million for benefit enhancements for members of UCRS. As discussed earlier in this section, these benefit increases include: (1) a reduction in the average member's contribution equal to one percent of salary, at a cost of \$5.4 million and (2) an improved COLA for annuitants, at a cost of \$6.9 million.

2. Recommendation Withheld

We withhold recommendation on these proposed compensation increases, pending receipt of the following information:

a. *Revised Faculty Compensation Data.* We continue to believe that the appropriate basis for evaluating compensation proposals covering UC faculty (as well as other higher education faculty) is the compensation package provided at comparison institutions. Each year, the California Postsecondary Education Commission (CPEC) prepares a report on faculty compensation. In CPEC's preliminary report for 1984-85 (issued in December 1983), UC faculty were projected to be 12.8 percent behind their comparison institutions in salary and 13.2 percent behind in fringe benefits. A second report, reflecting *actual* current-year salaries at comparison institutions, will be published in April 1984.

In addition, in our analysis of the budget request for CPEC (Item 6420),

UNIVERSITY OF CALIFORNIA—Continued

we state that the data on fringe benefits currently reported by CPEC are meaningless. We recommend that the Legislature consider directing CPEC to undertake a more in-depth review of the current benefits offered to California faculty in 1984-85. In lieu of this study, we have asked the university to provide information that it believes supports the need for the proposed increase in UCRS benefits for faculty.

b. *Memoranda of Understanding (MOUs)*. Approximately one-half of the \$126 million is requested for compensation increases for employees who are in collective bargaining units at UC. Until the new or amended MOUs, together with the increases proposed by UC for employees not covered by collective bargaining, are submitted for the Legislature's consideration, we have no basis for evaluating the nature of the proposed increases or the amount of funds required to implement them.

We have also requested that UC provide information that it believes supports the need for the proposed increase in UCRS benefits for staff employees.

Pending review of this information, we withhold recommendation on the \$126 million requested for salary and benefit increases.

D. REAPPROPRIATION OF SAVINGS NOT WARRANTED (Item 6440-490)

We recommend that the Legislature amend the Budget Bill to delete the provision which provides for reappropriation of savings because conventional budgeting practices require that expenditures be budgeted for the fiscal year in which they are expected to occur. (Delete Item 6440-490).

The Budget Bill contains Item 6440-490 which reappropriates any savings from UC's 1983-84 budget for (1) replacement of instructional equipment, (2) deferred maintenance, and (3) special repairs.

We recommend that this provision be deleted because:

- conventional budgeting practices call for expenditures to be budgeted for the fiscal year in which they are expected to occur,
- expenditures should be based on the merits of specific proposals, not on expenditure shortfalls in unrelated programs, and
- an open-ended reappropriation of funds reduces the Legislature's flexibility in allocating available funds based on its priorities.

Table 39
University of California
Special Regents' Programs
(in thousands)

Programs	Actual 1982-83	Estimated 1983-84	Proposed 1984-85	Change
1. Instruction	\$8,335	\$9,227	\$9,227	—
2. Research	10,715	17,150	17,150	—
3. Institutional support	9,465	8,269	8,269	—
4. Deferred maintenance	3,024	2,000	2,000	—
5. Health science tuition offset	848	848	848	—
6. Provision for cost increases	—	1,533	1,533	—
Totals	\$32,387	\$39,027	\$39,027	—

XII. 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 39 shows the use of Special Regents' Program funds, by broad category, in the prior, current, and budget years. In 1984-85, \$39 million will be available to the Regents for these programs.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY

Item 6440-301 from the Capital
Outlay Fund for Public High-
er Education, and High Tech-
nology Education Bond
Proceeds

Budget p. E 144

Requested 1984-85	\$113,405,000
Recommended approval	51,194,000
Recommended reduction	9,336,000
Recommendation pending	52,875,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

- 1. Transfer of Savings to the General Fund. We recommend that savings resulting from our recommendation on projects to be funded from tidelands oil revenues (\$9,336,000) be transferred to the General Fund in order to increase the Legislature's flexibility in meeting high priority needs statewide. 1753
- 2. Project Programming and Preliminary Plans. Recommend the adoption of budget language limiting expenditure of funds to only those projects that are expected to be included in the Governor's Budget for 1985-86. 1755
- 3. *Engineering Unit 1—San Diego. Reduce by \$575,000.* Recommend funds for preliminary plans for a new engineering building be deleted because the university should evaluate less costly alternatives for meeting engineering and computer science enrollment needs before funds for new construction are approved. 1757
- 4. *Engineering Laboratory Facility—Irvine. Reduce by \$223,000.* Recommend that funds for preliminary planning and working drawing funds for additional engineering be deleted because the university should evaluate less-costly alternatives for accommodating increased engineering enrollment before funds for new construction are approved. 1757
- 5. *School of Engineering and Applied Sciences Expansion—Los Angeles. Reduce by \$220,000.* Recommend that funds for initial planning study for School of Engineering be deleted because university should evaluate less-costly alternatives for meeting engineering and computer science enrollment needs before funds for new construction are approved. 1757

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

6. ***Alterations to Schoenberg Hall—Los Angeles. Reduce by \$1,126,000.*** Recommend that construction funds to alter the Schoenberg Hall be deleted because the university has demonstrated that it can meet program needs without substantially altering this building. 1761
7. ***Animal Care Facility Improvements—San Francisco.*** Withhold recommendation on \$1,560,000 for working drawings and construction to improve animal care facilities on the San Francisco campus, pending receipt of additional information. 1761
8. ***Animal Facility Corrections, Step 2—Berkeley.*** Withhold recommendation on \$619,000 for working drawings and construction for animal facility corrections on the Berkeley campus, pending receipt of additional information. 1762
9. ***Law School Addition and Alterations—Los Angeles. Reduce by \$300,000.*** Recommend that funds for preliminary plans, law school addition and alterations, be deleted because the current supply of lawyers in California does not justify a major commitment of funds to maintain current enrollment of law students. (Future Savings: \$8,178,000) 1763
10. ***Life Science Building Renovation—Berkeley.*** Withhold recommendation on \$550,000 for initial planning studies for renovation of the life science building on the Berkeley campus, pending reevaluation of the planned renovations by the university in order to reduce overall costs. 1764
11. ***Diagnostic Service Module, Medical Center—Irvine. Reduce by \$3,367,000.*** Recommend that construction funds for a diagnostic service module at the Orange County Medical Center be deleted, because the project should be funded from the university's hospital reserve funds. 1765
12. ***Library Alterations—Irvine. Reduce by \$465,000.*** Recommend that working drawings and construction funds to alter the main library on the Irvine campus be deleted because the university can achieve the objectives of the project by reassigning existing space with minor alterations. 1766
13. ***Multi-Media Learning Laboratory—Los Angeles. Reduce by \$150,000.*** Recommend that preliminary planning and working drawing funds for a multi-media learning laboratory on the Los Angeles campus be deleted, because the university has already established a facility of this type using nonstate funds, and no utilization standards have been developed to ensure that user departments assume the cost of providing these services. (Future Savings: \$1,350,000) 1767
14. ***Elevator, Muir College Building—San Diego. Reduce by \$505,000.*** Recommend that working drawings and construction funds to install an additional elevator in the Muir College building on the San Diego campus be deleted, because the university should apply maintenance funds on a priority basis to improve the reliability of the existing elevator in this building. 1769

15. **High-Rise Fire Protection—San Francisco.** Withhold recommendation on \$2,440,000 for construction to correct high-rise fire code deficiencies, pending receipt of additional information. 1771
16. **Correct Elevators, Step 3—Berkeley.** Withhold recommendation on \$436,000 for working drawings and construction to upgrade existing elevators to meet code requirements, pending receipt of additional information. 1771
17. **High-Rise Fire Protection—Los Angeles.** Withhold recommendation on \$660,000 for working drawings and construction to provide high-rise fire protection, pending receipt of additional information. 1771
18. **Structural Deficiencies for Seismic Safety, Medical Center—San Diego. Reduce by \$75,000.** Recommend that \$5,250,000 requested for construction to correct structural deficiencies in the U.C. Medical Center at San Diego be reduced to eliminate overbudgeting. Further, withhold recommendation on the balance of the requested funds (\$5,175,000), pending receipt of additional information and updated cost estimates. 1772
19. **Asbestos Hazard, Step 1—Berkeley. Reduce by \$1,200,000.** Recommend that working drawings and construction funds to remove asbestos from state buildings be deleted, because this constitutes maintenance work which should be funded on a priority basis from the support budget. 1773
20. **Correct Elevators—Los Angeles.** Withhold recommendation on \$218,000 for preliminary plans and working drawings to upgrade existing elevators to meet code requirements, pending receipt of additional information. 1774
21. **Central Control System—Berkeley. Reduce by \$418,000.** Recommend working drawings and construction funds to expand the central energy conservation control system at the Berkeley campus be deleted, because the university has not provided adequate justification for the project and it is not known if the anticipated energy savings will be competitive with the saving to the state that would result from alternative energy conservation projects. 1776
22. **Energy Conservation, Step 1—Davis. Reduce by \$257,000.** Recommend that working drawings and construction funds for energy conservation measure on the Davis campus be deleted, because the proposed improvements are not justified on a cost-savings basis. 1776
23. **Economizer Units, Central Plant—Irvine. Reduce by \$224,000.** Recommend that construction funds to install economizer units at the central plant on the Irvine campus be deleted, because the proposed improvements are not justified on a cost-savings basis. 1777
24. **Energy Conservation Building Retrofit, Phase 1—Riverside. Reduce by \$203,000.** Recommend that funds for working drawings and construction of energy conservation improvements at Riverside be reduced by \$203,000 to eliminate one aspect of the project which is not justified on 1777

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

- a cost-savings basis given other energy conservation opportunities available to the state.
25. *Energy Conservation Improvements, Step 3—Santa Barbara. Reduce by \$28,000.* Recommend that working drawings and construction funds for an energy conservation project on the Santa Barbara campus be deleted because the proposed project should be funded from the minor capital outlay program. 1778
 26. Handicapped Access, Step 3—Berkeley. Withhold recommendation on \$479,000 for working drawings and construction to provide handicapped access in five buildings on the Berkeley campus, pending receipt of additional information. 1780
 27. Handicapped Access, Step 2—Santa Barbara. Withhold recommendation on \$392,000 for working drawings and construction to modify elevators to meet handicapped code requirements, pending receipt of additional information. 1780
 28. Handicapped Access, Step 3—Santa Cruz. Withhold recommendation on \$427,000 for working drawings and construction to provide handicapped access at various locations on the Santa Cruz campus, pending receipt of additional information. 1780
 29. Lease-Purchase Financing Appropriations. Recommend that the Legislature adopt Budget Bill language directing that any funds needed to meet obligations incurred by the university through lease-purchase agreements with the State Public Works Board under the high technology education revenue bond program be appropriated in the annual Budget Act from the Capital Outlay Fund for Public Higher Education. 1781
 30. Life Science Building Addition—Berkeley. Withhold recommendation on \$39,919,000 for working drawings and construction of the life science building addition on the Berkeley campus, pending receipt of additional information. 1782
 31. Issuance of Revenue Bonds. Recommend that the Legislature ask the Department of Finance and the university to report on status of plan for financing new facilities through revenue bonds, and indicate the anticipated costs under this financing plan. 1784
 32. State Public Works Board Augmentation. Recommend that the Legislature modify Budget Bill language specifying that the funds appropriated for the Santa Barbara Engineering Building may be augmented, but the funds appropriated for the Berkeley Life Science Building are sufficient to complete the project irrespective of construction cost indices. 1785
 33. Transfer of Funds Based on Receipt of Competitive Bids. Recommend that legislation be enacted specifying that funds for construction transferred to the university shall be based on funding requirements as shown in competitive bids, and any remaining funds shall revert to the fund from which the appropriation was made. 1785

ANALYSIS AND RECOMMENDATIONS

The budget includes \$113,405,000 for capital outlay for the University of California in 1984-85. The proposed amount includes \$55,260,000 from the Capital Outlay Fund for Public Higher Education (COFPHE), and \$58,145,000 to be funded from High Technology Education Revenue Bonds. The revenue bond program, available for all segments of higher education, is authorized by Chapter 1268, Statutes of 1983.

For discussion purposes, we have divided the university's program into two parts, based on the proposed funding source for the projects. In addition, projects proposed for funding from the COFPHE are divided into the following four descriptive categories (a) general improvements, (b) code corrections, (c) energy conservation, and (d) access for the physically handicapped.

The request is summarized in Table 1.

Table 1
University of California
Capital Outlay Program—1984-85
Summary
(in thousands)

	<i>Budget Bill Amount</i>
I. Item 6440-301-146—Capital Outlay Fund for Public Higher Education	\$55,260
A. General Campus Improvements Projects	\$35,424
B. Projects to Correct Code Deficiencies	13,787
C. Energy Conservation Projects.....	3,344
D. Projects to Provide Access for the Handicapped	2,705
II. Item 6440-301-525—High Technology Education Revenue Bonds.....	58,145
Total.....	\$113,405

I. PROJECTS FROM THE CAPITAL OUTLAY FUND FOR PUBLIC HIGHER EDUCATION

Transfer to General Fund

We recommend that the savings resulting from our recommendations on Items 6440-301-146 (\$9,336,000) be transferred from the Capital Outlay Fund for Public Higher Education to the General Fund, in order to increase the Legislature's flexibility in meeting high-priority needs statewide.

We recommend reductions amounting to \$9,336,000 in the University of California's capital outlay program funded from the Capital Outlay Fund for Public Higher Education. Approval of these reductions, which are discussed individually below, would leave unappropriated balances of tideland oils revenues in this special fund which would be available only to finance programs and projects of a specific nature.

Leaving unappropriated funds in special purpose accounts limits the Legislature's options in allocating funds to meet high-priority needs. So that the Legislature may have additional flexibility in meeting these needs, we recommend that any savings resulting from approval of our recommendation on Item 6440-301-146 be transferred to the General Fund.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**A. GENERAL CAMPUS IMPROVEMENT PROJECTS**

The budget proposes \$35,424,000 for projects related to general campus improvements. Table 2 summarizes the projects and our recommendations on each.

Table 2
University of California
General Campus Improvements—1984-85
Item 6440-301-146
(in thousands)

<i>Project Title</i>	<i>Location</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>	<i>Estimated^b Future Cost</i>
(1) Minor Capital Outlay	Systemwide	pwc	\$8,000	\$8,000	—
(2) Project programming and preliminary plans ..	Systemwide	p	200	200	—
(3) Annual payment toward the purchase of Sacramento Medical Center.....	Davis	a	200	200	—
(4) Contribution toward sewage treatment plant improvement	Santa Barbara	c	570	570	—
(5) Southern Regional Library Compact Shelving Facility	Systemwide	wc	13,997	13,997	814
(6) Engineering Building, Unit I	San Diego	p	575	—	34,825
(7) Alterations to Schoenberg Hall	Los Angeles	c	1,126	—	—
(8) Animal Care Facility Improvements	San Francisco	wc	1,560	pending	—
(9) Animal Facility Corrections, Step 2	Berkeley	wc	619	pending	—
(10) Engineering Laboratory Facility	Irvine	pw	223	—	4,029
(11) Charles R. Drew Postgraduate Medical School, Clinical Sciences Building, 3rd Floor Addition	Los Angeles	e	1,470	1,470	—
(16) Law School Addition and Alterations	Los Angeles	p	300	—	8,178
(17) Initial Planning Study for Life Science Building Renovations.....	Berkeley	s	550	pending	50,796
(18) Initial Planning Study for School of Engineering and Applied Science Expansion	Los Angeles	s	220	—	unknown
(20) Diagnostic Service Module, UCIMC	Irvine	c	3,367	—	207
(22) Nematode Isolation and Quarantine	Riverside	ce	743	743	—
(23) Main Library Alterations	Irvine	wc	465	—	176
(24) Multi-media Learning Laboratory	Los Angeles	pw	150	—	1,350
(25) Seawater Supply system and Pier Replacement, Scripps Institute.....	San Diego	pw	185	185	2,945
(46) Elevator, Muir College Building	San Diego	wc	505	—	—
(47) Seawall Extension, Step 2, Scripps Institute.....	San Diego	c	399	399	—
Totals			\$35,424	pending	\$103,320

^a Phase symbols indicate: s = studies, p = preliminary planning, w = working drawings, c = construction, and e = equipment.

^b UC estimates.

Minor Capital Outlay

We recommend approval of Item 6440-301-146(1), minor capital outlay university-wide.

The budget proposes \$8,000,000 for minor capital outlay (\$200,000 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 represents a significant increase over the amount appropriated for minor capital outlay in the prior two fiscal years. The university requested \$7,500,000 for this purpose in 1982-83, and 1983-84. Because of the revenue shortfall in the General Fund, however, the Legislature reduced COFPHE expenditures significantly and the minor capital outlay program for these years totaled \$1,300,000 and \$1,900,000, respectively. Consequently, the increased amount proposed in the budget will provide funds for a significant number of projects which were deferred during the past two years because of lack of funding.

Our analysis indicates that the proposed funds for minor capital outlay will provide funds needed to alter existing space in order to meet changing program needs, use existing space more efficiently, and meet fire and life safety requirements. Our review of the university's request indicates that the proposed projects and associated costs are reasonable, and we therefore recommend approval of the proposed funds.

Control Section Should be Reinstated. In prior budget acts, the Legislature included a control section requiring UC to secure the Department of Finance's approval before campuses reassigned capacity space (classrooms, laboratories, offices etc.) to non-capacity use. Currently, the Department of Finance is required to advise the Joint Legislative Budget Committee of approved changes at least 30 days prior to implementation. Generally, these changes are funded from the minor capital outlay program.

The 1984 Budget Bill does not include this control section, and the bill instead includes language under the university's support/operations budget (Item 6440-001-001) which requires a *post audit* report to the Legislature of such space changes.

Our analysis indicates that the proposed language would eliminate the Legislature's opportunity to review proposed reclassifications of space before they occur, thus weakening control over the expenditure of state funds. Consequently, we have recommended in our analysis of Item 6440-001-001 that the previous budget act control section be reinstated and that the post-audit report language be deleted. Approval of this recommendation will ensure that any proposal to reduce the inventory of capacity space will be justified and reported to the Legislature in advance.

Project Programming and Preliminary Plans—Universitywide

We recommend approval of Item 6440-301-146(2), project programming and preliminary plans. Further, we recommend that the Legislature adopt Budget Bill language specifying that these funds may be used only for planning those projects which are expected to be included in the 1985-86 Governor's Budget.

In prior budget acts, funds for project programming and preliminary plans have been appropriated so that the segments of higher education can develop information on projects expected to be included in the next Governor's Budget for either working drawings or working drawings and construction. This funding mechanism has been used in order to expedite project implementation and ensure that adequate information on proposed projects is available for legislative review.

Because of funding limitations and because of a large backlog of planned but unfunded projects, funds for this purpose were not included in the budget acts for the past two years. The budget includes \$200,000 for plan-

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

ning of future projects during 1984-85. Our analysis indicates that the proposed amount should be adequate to fund project programming and preliminary plans of future projects, and we therefore recommend approval of the requested funds.

Budget Act Language Should be Adopted. Prior budget acts specified that the statewide planning funds could be used only for projects expected to be included in the next Governor's Budget. Our analysis indicates that this control is necessary in order to ensure that these funds are allocated on the most cost-efficient basis. Accordingly, we recommend that the Legislature adopt the following Budget Bill language which has been included in prior budget acts for appropriations of this type:

"Provided that the funds appropriated in Item 6440-301-146(2), shall be available only for those major capital outlay projects for which working drawing funds or working drawings and construction are expected to be included in the 1985-86 Governor's Budget."

Medical Center Purchase—Davis

We recommend approval of Item 6440-301-146(3), \$200,000 for purchase of the Sacramento Medical Center.

The budget proposes \$200,000 to provide the seventh installment required to purchase the county's interest in the Sacramento Medical Center (SMC), land and buildings. The amount is based on an agreement between the County of Sacramento and the university to provide for the university's continued operation, ownership and control of the SMC. After 10 annual payments totaling \$2,000,000 have been made, the university may purchase the county's remaining interest for \$6,687,942.23.

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 funds for the seventh \$200,000 payment.

Sewage Treatment Plants Improvements—Santa Barbara

We recommend approval of Item 6440-301-146(4), \$570,000 for the university's share of sewage treatment plant improvements at Santa Barbara.

Sewage treatment for the Santa Barbara campus is provided through an agreement with the Goleta Sanitary District. Ownership of the district's sewage treatment plant is shared by four governmental agencies, with the university owning a 7.09 percent share. According to the California Regional Water Quality Control Board, Central Coast Region, the existing plant does not meet waste water discharge requirements. Upgrading of the existing plant has been under study for more than ten years. Funds (\$225,000) were appropriated in the 1974 Budget Act for the university's share of the costs for improvements. Due to extended delays in accomplishing the needed work, \$163,000 of this appropriation was not spent, and the funds reverted.

The district has now developed a new plan to upgrade the treatment plant to meet minimum waste discharge requirements. The budget proposes \$570,000 for the university's share of the proposed improvements.

The proposed funds are needed in order for the university to participate in the sewage treatment plant upgrading which has been mandated by state and federal control agencies. On this basis, we recommend approval of the \$570,000 proposed in Item 6440-301-146(4) for the university's share of the project.

Southern Regional Library, Compact Shelving Facility

We recommend approval of Item 6440-301-146(5), \$13,997,000 for working drawings and construction of the Southern Regional Library Compact Shelving Facility.

The budget proposes \$13,997,000 for working drawings and construction for a library compact shelving facility to be located on the Los Angeles campus.

A 1977 master plan developed by the University of California considered a number of alternatives for housing the university's growing library collection. 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. The budget request includes working drawing and construction funds for the first phase. This phase would provide storage for approximately 3,700,000 volumes of library materials, as well as administrative and processing area in a 125,000 gross square foot single story facility. Future phases of the project will increase total capacity of the facility to 11,000,000 volumes. The estimated future cost for equipment for Phase I is \$814,000. Preliminary plans for the Phase I project were completed in April 1982.

Working drawing and construction funds originally were proposed for this project in the 1982-83 budget. The Department of Finance, however, submitted an amendment letter in May 1982 requesting deletion of the construction portion of the project. The university concurred in the deletion of these funds. The deletion of the construction funds resulted in a two-year delay of the project because of the university's commitment to the Los Angeles Olympic Organizing Committee that no construction will be underway during the Olympics in the summer of 1984.

Based on the university's current schedule, which calls for construction to begin in February 1985, the proposed facility will be completed in June of 1986.

Our review of the proposed project and associated costs indicates that the request is reasonable and we recommend approval of the \$13,997,000 proposed in Item 6440-301-146(5).

Additional Space for Engineering—San Diego, Irvine and Los Angeles

We recommend deletion of Item 6440-301-146(6), planning funds for new engineering building on the San Diego campus, Item 6440-301-146(10), preliminary planning and working drawings for additional engineering facilities on the Irvine campus, and Item 6440-301-146(18), initial planning funds for renovation or addition of engineering applied science space on the Los Angeles campus because the university needs to evaluate less-costly alternatives to new construction for meeting space needs in engineering at the graduate level.

The budget includes funds for three projects to provide additional space for engineering.

Engineering Building, San Diego (Item 6440-301-146(6)). This \$575,000 request is for preliminary plans for 120,000 assignable square feet including laboratory facilities in computer science, applied mechanics, engineering science, and electrical engineering. The proposal is based on

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

projected enrollment growth in these disciplines through 1990–91. According to the university, completion of the building will provide adequate capacity at the graduate level for 450 students in these disciplines, an increase of 200 students, or 80 percent, over existing capacity. Moreover, capacity for undergraduate instruction would be 3,000 FTE students, an increase of 200 FTE. The estimated future costs for working drawings, construction and equipment related to the new facility is \$34.8 million.

Engineering Laboratory Facility, Irvine (Item 6440-301-146(10)). The budget includes \$223,000 for preliminary planning and working drawing funds for 22,200 assignable square feet, including specialized laboratory facilities for civil and mechanical engineering and conventional laboratory space for electrical engineering. The estimated future cost for construction and equipment is \$4,029,000.

School of Engineering and Applied Science Expansion, Los Angeles (Item 6440-301-146(18)). The budget proposes \$220,000 for an initial planning study for altering and expanding the school of engineering and applied sciences. The university indicates that the proposed studies would evaluate specific space needs and the adequacy of existing space in meeting academic needs. This work usually is funded from support budget resources or statewide planning funds. The university has not provided any information on the future costs of preliminary planning, working drawings, construction and equipment for the proposed remodeling or expansion.

Graduate student enrollment drives engineering space requirements. According to data provided by the university, a substantial portion of the justification for the additional engineering space requested on these three campuses is based on recent and projected increases in graduate enrollment in engineering and computer science. In 1982–83, the systemwide actual graduate student enrollment in engineering and computer science was 3,738 students (headcount). The university's capital improvement plan indicates that graduate student enrollment in these disciplines would be 4,122 students in 1987–88, which is 362 graduate students, or 9 percent, more than the actual number of students in 1982–83. Table 3 shows the distribution of the graduate student enrollment in engineering and computer sciences, by campus, and the planned changes through 1987–88 for each campus. Systemwide enrollment projections beyond 1987–88 are not available. The university indicates, however, that graduate enrollment at the San Diego campus would increase by an additional 135 students between 1987–88 and 1990–91. Therefore, the university's capital improvement program anticipates a systemwide enrollment growth of approximately 500 graduate students in engineering/computer sciences by the year 1990.

To accommodate the planned enrollment growth in engineering and computer science, the university has proposed projects at San Diego and Irvine totaling \$39.8 million. In addition, the university intends to request sometime in the future \$1 million for alterations on the Santa Cruz campus to accommodate engineering.

Foreign Student Enrollment Is a Major Factor Stretching Capacity at the Graduate Level. The UC indicates that planned expansion of graduate enrollment in Engineering and Computer Science will be *exclusively domestic students*. The enrollment plan also assumes that the number of foreign students enrolled in engineering/computer sciences will remain at the current level.

Table 3
University of California
Five-Year Capital Improvement Plan
Engineering and Computer Science
Graduate Student (Headcount) Enrollment

	<i>Actual 1982-83</i>	<i>Projected 1987-88</i>	<i>Headcount Change</i>	<i>Percent Change</i>
Berkeley.....	1,549	1,593	+44	+3%
Davis.....	414	402	-12	-3%
Irvine.....	260	355	+95	+37%
Los Angeles.....	967	1,050	+83	+9%
Riverside ^a	22	38	16	+73%
San Diego.....	243	315	+72	+30%
Santa Barbara.....	305	334	+29	+10%
Santa Cruz ^b	—	35	+35	—
Total.....	3,760	4,122	+362	+9%

^a Computer Science program is within Mathematics Department.

^b Engineering program to be established Fall 1984.

As we pointed out in last year's *Analysis*, graduate programs in engineering and computer science at the UC are characterized by a disproportionately large enrollment of foreign students. The UC reports that over the past several years *over 30 percent of its graduate students in engineering and computer science have been foreign students*. Actual data for Fall 1982 indicates that foreign student enrollment in Engineering and Computer Science on the six largest campuses (excluding Riverside and Santa Cruz) totaled 1,314 students, or 34 percent of the total graduate enrollment in these disciplines.

In acting on the Governor's Budget for 1983-84, the Legislature expressed concern over the disproportionate enrollment of foreign students in these disciplines, and directed UC to develop a policy statement on this issue. This policy was to address (1) means for increasing domestic students' enrollment in engineering and computer science, (2) the appropriate balance between foreign and domestic students in these disciplines, and (3) the potential for reducing the size of these graduate programs if sufficient domestic enrollment is not forthcoming.

Increased Enrollment of Domestic Students Can Be Accommodated Without New Construction. In making its request for additional space needed to expand graduate enrollment in engineering and computer science, the university, in effect, looks upon domestic students as the marginal students. We believe this is inappropriate. In fact, our analysis of information supplied last year by the UC in response to the Legislature's directive indicates that enrollment of domestic students in graduate engineering and computer science programs could be increased without an increase in space if foreign students are viewed as the marginal students to be served. The data supplied by UC indicated that the disproportionate enrollment for foreign students in these programs is more the result of individual campus policies and priorities than a lack of interest on the part of domestic students. Consequently, it appears that a substantial number of domestic graduate students could be accommodated in these programs now if the UC were to reassess its admission policy at the campuses offering engineering and computer science graduate programs.

The university's desire to maintain the current level of foreign students—1,314 headcount—is an important aspect of its enrollment plan and,

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

therefore, of its request for new facilities. The university is proposing that the state spend \$40 million to permit an increase of 500 domestic graduate students. This increase includes 330 students enrolled at three campuses—San Diego (200 students), Irvine (95 students) and Santa Cruz (35 students). The remaining 170 students are to be accommodated in existing facilities at other campuses. A reduction of 500 foreign students, however, would allow the university to increase the number of domestic students by 500 without any capital construction and with *no* additional support/operations cost. Thus, a reevaluation of the policy regarding foreign students is particularly important at this time.

Enrollment Growth Is at Smaller Campuses. Table 3 shows that the proposed allocation of graduate students concentrates on increases at the smaller campuses such as Irvine, Riverside, San Diego, and Santa Cruz. The proposed enrollment allocation does not take advantage of the established excellence of existing programs within the UC system.

The graduate programs at Berkeley, Los Angeles and Davis are well developed programs, and programs at Santa Barbara should benefit from construction of a new engineering building proposed for funding in the Budget Bill under Item 6440-301-525(2). Thus, four campuses will have substantial programs in engineering and computer science at the graduate level. In our judgment, the university should reevaluate its graduate enrollment plan for engineering and computer science in light of these well established programs and the investment made by the state in physical facilities at Berkeley, Los Angeles, Davis and Santa Barbara. In doing so, it should reevaluate the implicit premise underlying its request for space: that every campus should be able to sustain a major program in these areas.

The need for reevaluation of the university's enrollment plan is particularly evident when one looks at the proposal for San Diego. The university indicates that the proposed new facility at San Diego would increase graduate enrollment capacity from 250 students to 450 students. This 200-student increase represents about *5 percent* of the total graduate students enrolled in engineering and computer science in the UC system. The cost of the new building needed to accommodate the increase will be *over \$35 million*. The Legislature should compare the substantial cost of this project with the marginal gain in the number of graduate students to be accommodated in the UC system, and in doing so should consider the large amount of resources currently devoted to foreign students enrolled in engineering and computer science.

In sum, we recommend deletion of the funds proposed for the three projects at San Diego, Irvine, and Los Angeles because the UC needs to reevaluate its graduate student enrollment plan and consider less-costly alternatives to meeting program needs. Once this plan has been reevaluated, a clearer picture of the need for any additional facilities will emerge.

Finally, we note that any initial planning activities, such as proposed for the Los Angeles campus, should be funded from funds available to the university in its support budget or statewide planning appropriations, rather than from a capital outlay appropriation.

Alterations to Schoenberg Hall—Los Angeles

We recommend deletion of Item 6440-301-146(7), \$1,126,000 for construction funds for alterations to Schoenberg Hall, because the academic program has been conducted successfully without these alterations.

The budget proposes \$1,126,000 to alter the music building—Schoenberg Hall—at Los Angeles. The alteration request stems from a previous project involving the construction of 43,200 square foot addition to the building. This project would alter portions of the first floor and basement to make the older building and addition more compatible. Construction funds for this work were proposed in the 1981 Budget Bill, but the Department of Finance and the university subsequently requested deletion of the funds in order to make them available for other higher priority projects.

The Schoenberg Hall addition was completed in early 1982, and the university has conducted the program successfully by using the two buildings without these alterations. In view of this it would seem that the university should be able to continue using the facilities with little or no changes. The majority of the proposed alteration work involves demolition of partitions and creation of storage areas and larger music practice rooms. The existing spaces may not be of optimum size or configuration but we question that this constitutes a \$1.1 million problem. Any individual high priority improvement could be accomplished using minor capital outlay funds.

Under the circumstances, our analysis indicates that the \$1,126,000 proposed to alter the existing building would result in only marginal benefits. Consequently, we recommend the deletion of funds proposed for altering the building under Item 6440-301-146(7), for a saving of \$1,126,000.

Animal Care Facility Improvements—San Francisco

We withhold recommendation on Item 6440-301-146(8), \$1,560,000 for working drawings and construction of animal care facility improvements at San Francisco, pending receipt of preliminary plans and cost estimates.

The San Francisco campus utilizes a significant number of animals in its health science research programs. To support this research a substantial amount of space (61,000 assignable square feet) is devoted to animal care facilities. The federal Government relies upon standards of accreditation adopted by the American Association for Accreditation of Laboratory Animal Care (AAALAC) to ensure that institutions receiving federal funds maintain adequate animal care facilities.

In 1972, accreditation of the San Francisco animal care facilities was withheld by the AAALAC. Since that time, the university has undertaken various improvements to correct noted deficiencies through the use of minor capital outlay funds, Regents' funds, and health science bond funds. Despite these improvements, animal care facilities on the San Francisco campus still fail to meet all AAALAC standards.

The budget proposes \$1,560,000 to make various improvements which will satisfy all current accreditation requirements. The project includes:

- Construction of a quarantine animal zone
- Alterations to provide three new animal rooms and upgrade existing animal rooms
- Modifications to the heating, ventilation and air conditioning systems
- Installation of new outdoor dog pens

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

- Installation of an emergency power system to operate air conditioning and lighting in the event of power failure.

According to the university, completion of these improvements will satisfy all accreditation standards. Accreditation will ensure continued availability of federal research funds, totaling nearly \$30 million annually for 350 research projects.

The university has identified funds which can be used to finance preparation of preliminary plans and cost estimates for the proposed improvement to animal care facilities. The university indicates that plans and estimates will be available prior to legislative hearings on the budget. We withhold recommendation on the requested amount, pending receipt of this information.

Animal Facility Corrections, Step 2—Berkeley

We withhold recommendation on Item 6440-301-146(9), \$619,000 for working drawings and construction of animal facility corrections at Berkeley, pending receipt of additional information.

The Berkeley campus has several animal care facilities located on the campus. A portion of these facilities is obsolete and is to be replaced by construction of the new life science building addition proposed for funding under Item 6440-301-525. In addition, the university has spent \$475,000 in non-state funds and applied maintenance funds on a priority basis to meet most animal care accreditation requirements.

The university indicates that animal quarters in seven campus buildings require installation of emergency generators so that lighting, ventilation, and temperature controls can be maintained in the event of a power outage. This emergency system is required by animal facility accreditation standards. The budget proposes \$619,000 for working drawings and construction to install emergency power in the seven animal quarter facilities.

Our analysis indicates that the proposed generators are needed if this campus is to meet the requirements of the American Association for Accreditation of Laboratory Animal Care.

The university is utilizing statewide planning funds to prepare preliminary plans and cost estimates for this project. We withhold recommendation on the requested amount, pending receipt of this information.

**Charles R. Drew Postgraduate Medical School,
Clinical Sciences Building—Los Angeles**

We recommend approval of Item 6440-301-146(11), equipment funds for the clinical sciences building for the Drew/UCLA medical program.

The budget includes \$1,470,000 for equipment related to the clinical sciences center in support of the Drew/UCLA undergraduate medical school program. This project was funded for construction (\$2,247,000) in the 1983 Budget Act and includes 21,362 assignable square feet of research laboratories and related service rooms. This request would fund moveable equipment needed in the laboratory and support spaces.

Based on the most recent schedule, construction of this project will be completed in December 1984. Upon completion of the new facilities, adequate space will be available for the clinical training phase of the Drew/UCLA program for third and fourth year medical students.

Our review of the detailed list submitted by the university indicates that the equipment items and proposed costs are reasonable. We therefore recommend approval of the requested funds.

Law School Addition—Los Angeles

We recommend that Item 6440-301-146(16), preliminary plans for an addition and alterations to the Law School building at Los Angeles, be deleted, because the current supply of lawyers in California does not justify a major commitment of funds to maintain the level of enrollment in UC's law schools, for a savings of \$300,000. (Future Savings of \$8,178,000).

The budget proposes \$300,000 for preparation of preliminary plans to alter the existing space and provide an additional 19,420 assignable square feet (asf) for the law school on the Los Angeles campus. The new space includes 9,800 asf in clinical program instructional space and clinical practice space in support of this specialized aspect of the UCLA law program. The project also includes 4,800 asf for faculty research space, 1,580 asf for faculty offices and 3,240 asf for classrooms. The project also proposes replacement or upgrading of existing mechanical/electrical and ventilation systems in the law building, and the necessary remodeling or refurbishment of existing space to accommodate the new construction. The estimated future cost for working drawings, construction, and equipment is \$8,178,000.

Enrollment in Law Should Be Reduced. In our analysis of the UC support budget, we indicate that UC has not made sufficient efforts to reallocate graduate positions in response to societal demands. This is illustrated by the university's current enrollment in law.

In 1970, there was one lawyer for every 572 persons at the national level, while the California ratio was slightly higher—one per 583. During the 1970's, the number of lawyers increased nationally but it increased at an even faster pace in California. As a result, in 1983 there was one lawyer for every 375 people in the nation, and one for every 299 people in California. While we have no analytical basis to determine society's need for lawyers, we believe that the trend in the lawyer-population ratio argues persuasively against continuing to train the same number of lawyers as the university has trained in the recent past.

Accordingly, we believe the UC should reevaluate the number of students to be enrolled in the UCLA law program. The current request assumes an enrollment of 950 full time equivalents (FTE). Our analysis indicates that a reduction of any significance in the number of law students would have an impact on the building requirements outlined in the UC program. Thus, the existing amount of space could prove to be adequate for a reduced enrollment. This would result in significant cost savings to the state as well as a better alignment of resources with societal needs within the university.

Project Needs to Be Revised in Scope. Our analysis indicates that if the Legislature determines that the Los Angeles law school should continue at 950 FTE, the amount of proposed additional space needed to support the program should be reduced. The Los Angeles campus has sufficient faculty office space and lecture classroom space to meet the law school requirements. Consequently, elimination of these two aspects of the project would reduce the space needs to 14,680 asf, a reduction of 4,820 asf to the program requested by the university. In turn, this change should reduce the need to alter existing space.

Finally, our review of the project cost estimate indicates that the proposed amount of funds for this project is significantly overbudgeted.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

The university originally submitted a cost estimate which indicated that the new addition could be constructed at a cost of \$157 per assignable square foot. The UC has revised the project cost estimate to indicate that the addition will cost \$280 per assignable square foot, or 78 percent more than the original proposal submitted for review. Based on the previous cost per square foot, an appropriation of \$100,000 would be sufficient to develop preliminary plans for a project with a total estimated project cost of \$2,800,000 (rather than \$8,178,000) to provide the additional facilities. Consequently, if the Legislature determines that the existing enrollment in the UCLA Law School should be sustained, we would recommend that the budget be reduced by \$200,000 to reflect the level of preliminary planning funds needed to fund the revised scope of work at the reduced project cost.

Life Sciences Building Renovation—Berkeley

We withhold recommendation on Item 6440-301-146 (17), \$550,000 for an initial planning study for renovation of the Life Science Building on the Berkeley campus, pending the university's reevaluation of the proposed cost for renovation of this facility.

The budget includes \$550,000 for initial planning to renovate the existing life science building (LSB) on the Berkeley campus. The amount represents approximately 50 percent of the UC request for preliminary planning funds of \$1,092,000. The project is one in a series of projects aimed at providing additional space and upgraded facilities for the biological sciences. The initial phase of this program is an addition to the life science building proposed for construction funding from revenue bonds under Item 6440-301-525 in the amount of \$39,919,000. This addition provides research space, teaching laboratories, support facilities and offices for 46 faculty in organismal biology. Another phase—financed with non-state funds—includes construction of a biochemistry annex to provide research space, animal facilities and other support space for 38 faculty related to genetics and plant biology. The final phase of the project involves renovation of the life science building, once the two new buildings have been occupied.

According to the university's overall plan, the new buildings would provide those areas needed for the most sophisticated "high technology" activities, while the existing life science building would house those functions which can be accommodated in less intensively developed space. The funds proposed in the budget would provide initial planning for the LSB alteration portion of the plan. Upon completion of the renovated LSB, various departments will vacate over 63,000 assignable square feet in other buildings on the Berkeley campus. We have not received adequate information on how this space will be used, and what costs would be involved in renovating this space.

Proposed Renovation Costs Are Excessive. The university indicates that the proposed renovations of the LSB will cost approximately \$194 per assignable square foot (asf). Based on the existing building, which contains 254,787 asf, the renovation costs would be \$49,332,000 exclusive of new equipment. This amount represents a renovation cost equivalent to 65 percent of the cost of the new space proposed in the life science building addition. Our analysis indicates that this cost is excessive for the following reasons:

First, if the existing LSB is to be renovated for activities which are less demanding on building systems—as the university maintains—then renovation costs should be substantially less than 65 percent of the cost of a new building which contains high technology activities.

Second, several activities currently in the LSB will remain in the building. The existing space assigned to the activities would require little, if any, renovation. For example, the museum of vertebrate zoology, the biological sciences library and herbaria occupy over 67,000 asf in the existing building. The proposed renovation should address only the additional space reassigned to meet the programmatic requirements of those activities. The university's cost estimate, however, includes an amount equal to \$194 per asf for the space *currently occupied* by these activities.

Third, the university has not provided adequate justification for consolidation or expansion of various activities to be included in LSB. For example, the department proposes to relocate the paleontology museum from the earth science building to the renovated LSB. The university should provide additional justification for locating or expanding these various programs in the renovated facilities.

Fourth, the proposed renovation indicates that approximately 34,000 assignable square feet (approximately 13 percent of total asf in the building) will be lost due to inefficiencies resulting from the renovation. We would expect the alteration to maintain or improve the efficiencies of the building space, rather than decrease it. If, however, the alteration does decrease efficiency, the amount of "lost" space identified in the program is certainly excessive.

Finally, the project proposes construction of over 9,725 assignable square feet in classrooms, even though the campus has a *surplus* of 25,000 asf in classroom space based on state space guidelines.

Given the fact that a substantial amount of new space is being constructed to support the biological sciences, the space to be vacated in the existing LSB should be modified to provide appropriate space to meet the academic program. The proposal submitted by the university, however, is too costly and should be reduced. We recommend that prior to legislative hearings on the budget, the university prepare a revised project justification which identifies the minimum amount of renovation needed, taking into account space which will not need renovation. The university should also address the secondary effects of the LSB alteration project. Pending receipt of this information, we withhold recommendation on the \$550,000 proposed for initial planning under Item 6440-301-146(17).

Diagnostic Service Module, Medical Center—Irvine

We recommend deletion of Item 6440-301-146(20), \$3,367,000 for construction of the diagnostic service module at the Orange County Medical Center, because the proposed project should be funded from hospital reserve funds.

The budget proposes \$3,367,000 to construct a diagnostic services module at the Orange County Medical Center. The diagnostic service module includes 7,290 assignable square feet for diagnostic laboratories presently located in functionally inadequate space in buildings 1, 10, and 52 at the center. The five diagnostic services to be housed in the new module include non-invasive cardiology, pulmonary function, gastroenterology, dermal pathology, and electrodiagnostic services. The diagnostic laboratories will provide services to inpatients and outpatients referred from general medical and surgical services and specialty clinics. Accord-

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

ing to the university, the majority of these patients would be outpatients, especially as referrals from community physicians increase.

The university indicates that the proposed construction of the module would:

- De-intensify the utilization of building 1 by relocating outpatient functions currently located in crowded central core areas
- Separate inpatient and outpatient service functions
- Consolidate diagnostic services for outpatients in a centrally located, accessible facility
- Maximize efficient use of space through the sharing of common functional areas among different services.

The purpose of this project is to improve the efficiency of the university's *hospital* services. We see no basis for requesting funding of the diagnostic laboratory space from state capital outlay funds. The university has available funds derived from operation of its hospitals which can be used to improve hospital efficiency. In fact, the university has already utilized \$180,000 of non-state funds for preparation of preliminary plans and working drawings for this project. In our judgment, the university should apply additional funds for the construction portion of the project. We therefore recommend deletion of the funds proposed in Item 6440-301-146(20), for a savings of \$3,367,000.

Nematode Isolation and Quarantine Facility—Riverside

We recommend approval of Item 6440-301-146(22), \$743,000 for construction funds for a nematode isolation and quarantine facility on the Riverside campus.

The budget requests construction funds (\$743,000) for a 47,000 assignable square foot greenhouse facility for nematology research. The proposed facility will be utilized for research on (1) quarantine nematode pests, (2) biological control of nematodes and other invertebrate pests, and (3) development of germ plasm tolerant or resistant to soil borne pathogens. This project originally was funded for construction in the 1981-82 budget; however, because of a revenue shortfall in the General Fund, funds for the construction portion of the project were reverted. The requested funds would allow the project to proceed into construction in 1984-85.

In view of the Legislature's previous action to approve construction funds for this project, we recommend approval of Item 6440-301-146(22) for construction of the nematode isolation and quarantine facility.

Main Library Alterations—Irvine

We recommend deletion of Item 6440-301-146(23), \$465,000 for working drawings and construction of alterations to the main library on the Irvine campus, because only minor alterations to the existing building are needed to improve operational efficiency.

The budget proposes \$465,000 for working drawings and construction to make various alterations to the main library on the Irvine campus. The alterations would:

1. Relocate the media viewing room from the basement to the 5th floor, thereby providing 14 new reader stations in the vacated space.
2. Install compact shelving in 3,174 assignable square feet (asf) and additional stack space in 357 asf, providing a net increase in stack capacity of 50,500 volumes.

3. Renovate 14,200 asf of primary service space on the first floor to meet departmental needs for the library media center, the reserved book room, microfilm services, and government publications. Government publications will be relocated from the 5th floor to the 1st floor to improve staff utilization.
4. Renovate the 5th level to administrative use and for special collections. This floor would be secured after 5:00 p.m. and on weekends.

Our analysis of this proposal indicates that the cost of this project could be reduced significantly if the university would reevaluate the building modifications needed to improve operational efficiency in the library. This could be accomplished by using most of the existing space as currently configured, without substantial remodeling. For example, existing walls in the media center and reserve bookroom are being demolished to accommodate government publications and microfilm services. Retaining the walls, with some minor modifications for doors, would adequately accommodate the new functions. Other modifications such as this would eliminate a substantial portion of the capital outlay expenditures proposed under this request.

Moreover, this proposal includes installation of compact shelving units which, according to a system-wide study of library needs, was determined to be a very costly means of increasing library capacity. The report indicated that installation of high density shelving, rather than expensive compact storage units, is more cost-efficient. This system should be funded in priority from the support budget equipment funds, rather than through use of capital outlay funds.

In summary, our analysis indicates that the proposed working drawing and construction funds of \$465,000 for library alterations are not justified and that support budget equipment funds and minor capital outlay funds should be sufficient to fund additional shelving and essential modifications to improve library operations. On this basis, we recommend deletion of the proposed funds.

Multimedia Learning Laboratory—Los Angeles

We recommend deletion of Item 6440-301-146(24), \$150,000 for preliminary planning and working drawings for a multimedia learning laboratory on the Los Angeles campus, because the project provides for additional space which cannot be justified on an instructional capacity basis. (Future Savings: \$1,350,000.)

The budget includes \$150,000 for preliminary plans and working drawings to make improvements to the Powell Library on the Los Angeles campus to establish a multimedia learning laboratory. The estimated future cost for construction and equipment is \$1,350,000.

The university has relocated various instructional support units from Royce Hall to the Powell Library. These units include the instructional media library, audiovisual services and audiovisual design/maintenance functions. The move also included construction of a state-of-the-art language laboratory. The relocation and expansion of these units was accomplished *without* legislative review or approval, and was financed solely with nonstate funds. The university now is requesting state funds to (1) upgrade existing building utilities and building systems to accommodate the facilities installed with nonstate funds and (2) install computer flooring, new partitions, ceiling and lighting systems and equipment to expand the multimedia center.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

The multimedia center provides non-capacity instructional space and state standards have not been adopted to evaluate the amount of space to be devoted to this activity. Consequently, we have no basis on which to judge whether or not expansion of the existing facility, *initially constructed with nonstate funds*, is warranted. If, however, the university believes that the improvements, such as expansion of the facilities and electrical service, installation of additional heating, ventilation and air conditioning capabilities, and computer raised flooring are needed, then these can and should also be funded from nonstate sources. Accordingly, we recommend deletion of the funds proposed in Item 6440-301-146(24), for a reduction of \$150,000.

Universitywide Evaluation Needed. The university indicates that the instructional media center is designed to lead the campus instructional community in the effective use of state-of-the-art technologies. If the university has determined that such a facility is required on the UCLA campus and the Legislature approves the request, the need for similar capabilities on the other university campuses should be addressed. Such an evaluation would include (1) a determination of space needs based on enrollment, (2) establishment of utilization factors for proposed computer/media installations, and (3) an appropriate charge-back system for departments using this resource. As presently proposed, the demand for this service is unlimited because it is viewed by the instructional community as a "free good." This is not unlike the use of self-instructional computer laboratories, where, as we have indicated in previous *Analyses*, the use of the resource is not subject to any limiting factors. Thus, the use of these facilities increases continuously, but no controls exist to insure the resources are allocated properly. Establishment of utilization standards and appropriate program cost allocations would also provide information identifying those campus programs which would benefit most by constructing this type of specialized facility.

Seawater Supply System and Pier Replacement—San Diego

We recommend approval of Item 6440-301-146(25), \$185,000 for preliminary planning and working drawings for a new seawater supply system and pier at the Scripps Institute of Oceanography.

The budget proposes \$185,000 for preliminary planning and working drawings to provide a new seawater supply system and pier in support of the programs at Scripps Institute of Oceanography on the San Diego campus. The estimated future cost for construction is \$2,945,000.

The existing pier was built in 1915 as a platform for the seawater supply system and to provide a means of gathering ocean data for scientific work. Pumps and a flume system located on the pier deliver seawater continuously at the rate of 1,200 gallons per minute to the institute. This water is distributed to many buildings to provide seawater needed for laboratories and aquaria. In total, approximately 1.8 million gallons of fresh seawater is required daily.

Since 1925, the pier has undergone numerous costly repairs and rehabilitations. The major storms that struck California during the winter of 1982/83 caused severe damage to the pier, requiring emergency repairs. The engineering evaluation of the repairs indicated that the only means of assuring continuous operation of the pumps and seawater supply system is to completely replace the existing pier.

Based on the engineer's evaluation, the proposed project is needed in order to ensure that adequate services continue in support of the academic program at Scripps Institute. The university has evaluated alternative means of providing the needed seawater and the only feasible means is to construct a new pier. Accordingly, we recommend approval of the proposed preliminary plans and working drawing funds of \$185,000 proposed in Item 6440-301-146(25).

Elevator, Muir College Building—San Diego

We recommend deletion of Item 6440-301-146(46), \$505,000 for working drawings and construction of an additional elevator at the Muir College on the San Diego campus because the problem can be corrected through proper maintenance and a new elevator is not needed.

The budget includes \$505,000 for working drawings and construction to install an additional elevator at the Muir College building on the San Diego campus. The university indicates that the single elevator serving this six-story building frequently breaks down, inconveniencing passengers and disrupting delivery of supplies to building occupants. The university indicates that 32 repair calls on this elevator have been received in a single month.

Our analysis indicates that the university's problem emanates from lack of adequate maintenance of the existing elevator. The university should repair the existing elevator and maintain it properly so that building occupants are not inconvenienced. This should be done using existing maintenance and operation funds. The need to have two functioning elevators in this building has not been justified. Consequently, if the present elevator is repaired and maintained properly, there should be adequate elevator service in the building. On this basis, we recommend deletion of the funds proposed under Item 6440-301-146(46), for a savings of \$505,000.

Extension to Seawall, Step 2—San Diego

We recommend approval of Item 6440-301-146(47), construction funds to extend the seawall at the Scripps Institute of Oceanography.

The budget includes \$399,000 for construction of a seawall at the Scripps Institute of Oceanography on the San Diego campus. Extension of the seawall to protect the coastline north of the institute was completed in 1980 under the Step 1 proposal. Step 2 includes extension of the seawall, south of the institute. This portion of the project was funded in the 1981-82 budget. The funds, however, were reverted in order to avoid a deficit in the General Fund. This request would replace the reverted funds in an increased amount to compensate for inflation.

Based on the Legislature's previous action to approve construction funds for this project, we recommend approval of the \$399,000 requested for the project in Item 6440-301-146(47).

B. PROJECTS TO CORRECT CODE DEFICIENCIES

The budget proposes \$13,787,000 for ten projects to upgrade existing buildings to meet California Administrative Code requirements. The proposed projects and our recommendations on each are summarized in Table 4.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

Table 4
 University of California
 Projects to Correct Code Deficiencies—1984-85
 Item 6440-301-146
 (in thousands)

<i>Project Title</i>	<i>Location</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>	<i>Estimated^b Future Cost</i>
(12) Correct California Administrative Code Deficiencies, Elevators, Step 2.....	Berkeley	c	\$785	\$785	—
(13) Correct California Administrative Code Deficiencies, School of Law Building ..	Berkeley	c	489	489	—
(14) Correct California Administrative Code Deficiencies, High Rise Fire Protection	San Francisco	c	2,440	pending	—
(15) Correct California Administrative Code Deficiencies, Elevators.....	San Francisco	c	1,250	1,250	—
(19) Correct Structural Deficiencies for Seismic Safety, UCMC	San Diego	c	5,250	pending	—
(21) Correct Deficiencies in Cory Hall Utilities Systems.....	Berkeley	c	1,059	1,059	—
(26) Correct California Administrative Code Deficiencies, Asbestos Hazard in Buildings, Step 1	Berkeley	wc	1,200	—	—
(27) Correct California Administrative Code Deficiencies, Elevators, Step 3.....	Berkeley	wc	436	pending	—
(28) Correct California Administrative Code Deficiencies, High Rise Fire Safety	Los Angeles	wc	660	pending	—
(29) Correction of California Administrative Code Deficiencies, Elevators	Los Angeles	pw	218	218	2,837
Totals			\$13,787	pending	\$2,837

^a Phase symbols indicate: p = preliminary plans, w = working drawings and c = construction.

^b UC estimate

Correct Elevators, Step 1—Berkeley
Correct Deficiencies, School of Law Building—Berkeley

We recommend approval of Items 6440-301-146(12) (\$785,000) and (13) (\$489,000), to correct California Administrative Code deficiencies on the Berkeley campus.

The budget includes construction funds for two projects on the Berkeley campus to correct code deficiencies which previously have been funded for construction. One project would modify 42 elevators in 26 state-funded buildings to meet firemen's service, seismic, and handicapped access requirements. Construction funds for the proposed work were appropriated in the 1981 Budget Act; however, the funds were reverted because of a revenue shortfall in the General Fund. The other project proposes upgrading of the School of Law building, including Fire Marshal's requirements, handicapped access, and elevator safety modifications. This project previously was funded in the 1980-81 budget, but the funds were reverted due to scheduling problems.

The request for these two projects would restore funds which previously were approved by the Legislature for improvements of existing buildings on the Berkeley campus to meet California Administrative Code requirements. The proposed work and associated costs are reasonable, and we recommend approval of the requested funds.

Code Deficiencies, High-Rise Fire Protection—San Francisco**Code Deficiencies, Elevators, Step 3—Berkeley****Code Deficiencies, High-Rise Fire Protection—Los Angeles**

We withhold recommendation on Items 6440-301-146(14), (27), and (28), \$3,536,000 for corrections to meet California Administrative Code deficiencies at three campuses, pending receipt of preliminary plans and cost estimates.

The university has funds available to develop preliminary planning for three projects that would correct existing facilities to meet California Administrative Code requirements. The preliminary plans are in process and are scheduled to be completed prior to legislative hearings on the budget. The three projects are discussed below:

High-Rise Fire Protection—San Francisco (\$2,440,000) Item 6440-301-146(14). This project would alter four high-rise buildings to correct fire and life safety deficiencies. The work includes improvement of building exiting systems, smoke and fire control systems, installation of communication systems, and a fire warning detection system.

Elevators, Step 3—Berkeley (\$436,000) Item 6440-301-146(27). This project proposes modification of the elevator to meet high-rise fire safety requirements. These four buildings were omitted from previous projects because the elevator in Kroeber Hall was thought to rise less than fifty feet and therefore would not be subject to the high-rise code requirements. The other three buildings (Doe Library Annex, Hearst Mining and LSB) were omitted because they were being considered for extensive remodeling which might have affected the elevators. The remodeling projects for Doe Library Annex and Hearst Mining are now in abeyance and remodeling of the LSB, which should not impact the elevator system, will not begin for several years.

High-Rise Fire Protection—Los Angeles (\$660,000) Item 6440-301-146(28). This proposal includes modification of elevators in five buildings to meet fire safety requirements by providing modifications for improved fire safety, including sprinklers, heating, ventilation and air conditioning system controls and fire notification systems.

Until the preliminary plans and cost estimates for these projects have been received, we cannot substantiate the amount requested in the budget. Consequently, we withhold recommendation on the request for working drawings and construction of these projects.

Our analysis indicates that aside from the construction amount, the amount proposed for contingency and architectural/engineering fees for the Los Angeles high-rise fire corrections is overbudgeted. These costs normally should not exceed 20 percent of construction contract costs. This is a relatively simple project and the cost should be in line with the normal cost supported by the state. Any revised request based on completed preliminary plans and cost estimates should reflect the state-supported guidelines for these services.

Code Deficiencies, Elevators—San Francisco

We recommend approval of Item 6440-301-146(15), \$1,250,000 for construction to correct elevator code deficiencies on the San Francisco campus.

The budget includes \$1,250,000 for construction of improvements to elevators on the San Francisco campus. The project includes modifying 35 elevators in nine buildings to meet seismic safety, fire protection, and

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

handicapped access requirements. Funds for working drawings for this project were appropriated in the 1982 Budget Act.

The working drawings for the proposed modifications were completed in December 1982. Our review of the working drawings and associated cost estimates indicate that the proposed work is needed to meet code requirements and the costs are reasonable. We therefore recommend approval of the funds proposed in Item 6440-301-146(15).

Correct Structural Deficiencies, Medical Center—San Diego

We recommend that Item 6440-301-146(19), \$5,250,000 for construction to correct structural deficiencies at the UC Medical Center San Diego, be reduced by \$75,000 to eliminate overbudgeting. Further, we withhold recommendation on the balance of the funds requested, pending receipt of completed working drawings and updated cost estimates for this project.

The budget proposes \$5,250,000 for construction to correct structural deficiencies at the University of California Medical Center in San Diego. Based on a study of the structural system of the medical center, it has been determined that structural failure and collapse could occur in some areas of the building in the event of a major earthquake. The university has evaluated various alternatives for strengthening the building. The proposed solution involves augmenting of the concrete walls on the east and west ends of the 11-story building and attaching a structural steel frame on the north and south walls of the building. These improvements will not upgrade the hospital building to meet code requirements related to maintaining hospital services after a major earthquake. According to the Department of Health, the structural improvements proposed by the University are appropriate for life safety requirements and additional structural improvements will not be required.

Chapter 1016, Statutes of 1980, appropriated \$250,000 for preliminary plans and working drawings for the proposed project. The preliminary plans have been completed, and working drawings are scheduled to be completed in February 1984.

Construction Estimate Overbudgeted. The most recent cost estimate for this project is based on the architect's estimate of December 31, 1981. This estimate totals \$4,048,000, at an *Engineering News Record* (ENR) construction cost index of 3725. Based on the index established by the Department of Finance for 1984-85 projects (ENR 4400), the construction portion of this project should be budgeted at \$4,780,000. The university's estimate, however, proposes \$4,830,000, or \$50,000 more than the architect's estimate adjusted for inflation. This amount represents an increase over the project cost as approved by the Public Works Board when preliminary plans were approved in November of 1982. Consequently, we recommend that the project cost estimate be reduced by \$50,000 to eliminate overbudgeting.

The most recent estimate prepared by the university proposes increases in the architectural and engineering fees of \$25,000. In view of the fact that working drawings for the project have nearly been completed, there is no justification for increasing the budget for these services. Consequently, this \$25,000 should also be deleted to eliminate overbudgeting.

Estimate Does Not Consider Current Market Condition. Finally, our analysis of the information provided by the university indicates that the architect's original estimate included several factors based on the

architect's assessment of market conditions existing in the construction industry in San Diego. For example, the architect's estimate includes \$930,000 as a premium cost because the project involved renovating a hospital building. In addition, general conditions and contractor's markup are estimated at 23 percent of the estimated contract cost. This estimate exceeds substantially recent bidding experience at San Diego State University, where the actual cost of this component was 10.25 percent.

The estimate prepared upon completion of the working drawings should reveal the anticipated project cost estimate, taking into account more-recent information on market conditions in the San Diego area. This should result in some reduction in the project cost. Accordingly, we withhold recommendation on the balance of the proposed construction funds, pending receipt of the working drawings and updated cost estimates.

Cory Hall Utility Systems—Berkeley

We recommend approval of Item 6440-301-146(21), construction funds for Cory Hall utility systems and handicapped improvements.

This \$1,059,000 proposal will improve the utility systems and correct code deficiencies with respect to fire and life safety and for access by the physically handicapped. The project has been coordinated with the recently completed alterations for the microelectronics fabrication laboratory. The project was funded for construction in the 1981 Budget Act, but the funds were reverted because of a revenue shortfall in the General Fund. The work includes the installation of fire sprinklers in areas required by code, improved exiting, smoke/heat detectors and other corrective measures required to meet fire and life safety code requirements. Corrections for access by the physically handicapped include toilet facility remodeling, ramps, and handrails. Preliminary plans and working drawings previously have been approved for this project. The proposed work is appropriate and we recommend approval.

Code Deficiencies, Asbestos Hazards, Step 1

We recommend deletion of Item 6440-301-146(26), \$1,200,000 for working drawings and construction to correct asbestos hazards, because the work to be performed under this project is maintenance work and should be funded from in the support budget.

The budget proposes \$1,200,000 for removal of asbestos materials from five Berkeley campus buildings. The university indicates that a continuous program extending for eight to ten years, will be needed to completely remove exposed asbestos from state-funded buildings. Consequently, the total cost for the work anticipated under this program could be in excess of \$10 million.

The university has been evaluating the issue of asbestos exposure for some time. Generally, asbestos exposure results from (1) asbestos which has been installed as insulation on thermal equipment such as steam pipes and (2) asbestos which has been installed as part of a surface treatment, such as acoustical ceiling.

Asbestos hazards have been defined in Title 8 of the California Administrative Code, regulations of the Department of Industrial Relations, Division of Occupational Safety and Health (CAL/OSHA). Asbestos standards include provisions for handling asbestos spills, disposing of asbestos waste, monitoring programs and adopting general requirements to prevent exposure of asbestos hazards to workers (and building users). The code specifies that the 8-hour time-weighted average concentration of airborne

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

asbestos fibers to which any employee may be exposed shall not exceed 2 fibers per cubic centimeter.

The university has already reduced asbestos hazards in many areas by funding asbestos removal in the maintenance and deferred maintenance budgets, and as indicated aspects of capital improvements. The campus now has a *permanent* staff to undertake asbestos work, and about \$250,000 per year is being spent to reduce asbestos hazards.

Our analysis indicates that there is no basis for undertaking the proposed corrective measures through the capital outlay portion of the budget. The particular instances of asbestos exposure can best be handled through the existing maintenance program which has been established specifically to deal with the problem. Moreover, we question the advisability of complete removal of some of this material. Some asbestos material is located in inaccessible areas of buildings and it would be more hazardous to remove the material from the buildings, thus exposing it to the surrounding environment, than to let it remain and encapsule it in the building. In addition, none of the data provided by the university indicated that the airborne concentrations in *any* area exceeded the CAL/OSHA standard of 2 fibers per cubic centimeter.

In any event, capital outlay funding of the proposed work is not appropriate, and we therefore recommend deletion of the funds proposed under Item 6440-301-146(26), for a reduction of \$1,200,000.

Code Deficiencies, Elevators—Los Angeles

We withhold recommendation of Item 6440-301-146(29), \$218,000 for preliminary plans and working drawings to correct code deficiencies for elevators on the Los Angeles campus, pending receipt of additional information.

The budget proposes \$218,000 for preliminary planning and working drawing funds for upgrading 111 elevators in 50 state-funded buildings to comply with safety requirements of the California Administrative Code. The work includes upgrading to meet seismic code requirements, fire emergency operations, and accessibility standards for the physically handicapped. The estimated future cost for construction of the proposed improvements to the elevators is \$2,837,000.

Our analysis indicates that the proposed modifications are needed in order for the elevators to meet fire safety, earthquake, and handicapped regulation requirements. The university's request, however, is based on application of handicapped access regulations applicable to *new* buildings. Consequently, the work associated with the upgrading is costly, amounting to over \$1,100,000 of the total project cost. The university needs to develop additional information which details the specific modifications which will *provide access*, but may not necessarily be precisely in compliance with new building codes adopted in 1982. Pending receipt of this additional information, we withhold recommendation on the requested funds.

C. ENERGY CONSERVATION PROJECTS

The budget proposes \$3,344,000 for eight energy conservation projects at various UC campuses. Generally, we have recommended funding of energy conservation projects which have a payback period of five years or less. Consequently, our analysis of these projects is based on the eco-

nomic advantages they offer in relation to other energy conservation opportunities available to the state. The proposed projects and our recommendations on each are summarized in Table 5.

Table 5
University of California
Energy Conservation Projects
Item 6440-301-146
(in thousands)

<i>Project Title</i>	<i>Location</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Estimated^b Recom- mendation</i>	<i>Future Cost</i>
(30) Campus Energy Conservation, Air Recirculation	Berkeley	c	\$279	\$279	—
(31) Install Variable Speed Fans, Step 1 Campus Energy Conservation	Berkeley	c	801	801	—
(32) Expand Central Control System for Energy Conserva- tion, Step 2	Berkeley	wc	418	—	—
(33) Energy Conservation, Step 1	Davis	wc	257	—	—
(34) Economizer Units, Central Plant	Irvine	c	224	—	—
(35) Energy Conservation, Building Retrofit, Phase I	Riverside	wc	634	431	—
(36) Energy Conservation, Step 1	San Francisco	wc	703	703	—
(37) Energy Conservation Improvements, Step 3	Santa Barbara	wc	28	—	—
Totals			\$3,344	\$2,214	—

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

^b University estimate.

Energy Conservation, Air Recirculation—Berkeley **Variable Speed Fans, Step 1—Berkeley**

We recommend approval of Item 6440-301-146(30), \$239,000 for an air recirculation system, and Item 6440-301-146(31), \$831,000 for variable speed fans, two energy conservation projects on the Berkeley campus.

The budget includes two projects to modify the heating, ventilation, and air conditioning systems in several buildings to reduce energy consumption on the Berkeley campus. The Legislature has appropriated preliminary planning and/or working drawing funds for these projects.

Item 6440-301-146(30) requests funds for an air recirculation project which would alter the existing air ducts in six campus buildings to recirculate the air that presently is being exhausted. Recirculation of the conditioned air will reduce steam requirements, for a savings of \$115,000 at current energy costs. Based on the estimated total project cost of \$315,000, the payback period for the project is under three years.

Item 6440-301-146(31) proposes funds for installing variable speed fans in five buildings. Installation of these fans would allow the campus to adjust the ventilation rate in these buildings and thereby reduce overall energy consumption related to heating, ventilation, and air conditioning. Based on the current estimated total project cost of \$876,000, and the estimated annual savings of \$303,000, the project has a payback period of under four years.

In appropriating preliminary plans and working drawing funds for these projects, the Legislature adopted budget bill language specifying that the University of California submit to the Department of Finance and the Joint Legislative Budget Committee a certification by the design engineer that the projects will provide appropriate air quality in building space, in

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

accordance with all applicable codes and standards. The design of the proposed improvements have been completed and the design engineer for each project has certified that these building modifications will provide an appropriate environment.

Based on the anticipated savings, the projects are economical and we recommend approval of the funds proposed in Item 6440-301-146(30) and (31).

Central Control System—Berkeley

We recommend deletion of Item 6440-301-146(32), \$418,000 to expand the central control system on the Berkeley campus, because the proposed project is not justified on an energy conservation basis.

The budget includes \$418,000 for working drawings and construction to expand the central energy management control system on the Berkeley campus. This system was funded in 1976-77 and became operational in September 1979. The purpose of the system is to reduce the amount of operating time for major equipment items in the heating, ventilation, and air conditioning system, thereby reducing energy consumption. The initial project included control of all motors with a rating of more than five horsepower.

This project proposes installation of approximately 370 "control points" to expand the system to monitor/control motors as small as one-half horsepower in 30 buildings. The project also includes

- The addition of two buildings currently not under supervision of the central control system
- Additional software to provide "direct digital control" of equipment
- Electronic "soft start" apparatus to enable motors in five buildings to cycle on and off for energy savings.

We asked the university to provide additional information which addresses the economic advantages of the individual components to be added to the central control system. The university has been unable to provide the specific details of the cost/benefit of these project components. Under the circumstances, we have no basis on which to evaluate the economic viability of the project, and we therefore recommend deletion of the funds proposed in Item 6440-301-146(32), for a reduction of \$418,000.

Energy Conservation, Step 1—Davis

We recommend deletion of Item 6440-301-146(33), for working drawings and construction of energy conservation improvements, step 1, on the Davis campus, because the proposed improvements are not justified on a cost-savings basis, for a savings of \$257,000.

The budget proposes \$257,000 for an energy conservation project on the Davis campus. The proposal includes replacement of existing 5 horsepower (hp) to 150 hp electric motors with high efficiency motors. The university indicates that the estimated savings will vary from a payback of two years to four years, depending on the size of the motor replaced. This is based on the assumption that these motors operate 5,256 hours per year, or approximately 60 percent of the time. This assumption, however, appears excessive, since it would mean that all motors operate over 14 hours every day of the year—even when students are not in attendance.

Moreover, the university's information identifying the anticipated savings for the motors to be replaced assumes electricity costs 9.3 cents per

kilowatt hour (kwh). According to other information recently provided by the university, the cost of electricity on the Davis campus for the period January through March 1983 averaged 2 cents per kwh. Assuming that this rate has increased at approximately 10 percent per year, the anticipated rate in 1984-85 would be 2.3 cents per kwh. In using this rate for the savings anticipated to be achieved through the installation of energy-efficient motors, the payback period becomes 8 to 12 years, rather than the 2 to 4 years identified by the university.

Our calculation of the energy savings anticipated from this project indicates that the payback period is not competitive with other energy conservation opportunities available to the state. Accordingly, we recommend deletion of the funds proposed under Item 6440-301-146(33), for a reduction of \$257,000.

Economizer Units, Central Plant—Irvine

We recommend deletion of Item 6440-301-146(34), \$224,000 for construction of economizer units in the Irvine Central Plant, because the project payback is not competitive with paybacks from other energy conservation opportunities.

The budget proposes \$224,000 for construction funds to modify the central plant at the Irvine campus to improve efficiencies of the existing boilers. This project was funded initially in the 1978 Budget Act, in the amount of \$208,000. At that time, the project included installation of three economizer units to improve the efficiency of the existing boilers by approximately 4.6 percent. The bids received on the proposed project exceeded the funds available and the university subsequently rejected bids and readvertised the project. The second set of bids also exceeded the available funds and all bids were rejected and the project was abandoned. The budget now proposes appropriation of funds to install economizer units on two of the three boilers on the campus central plant. The university indicates that the project has an estimated payback period of 5.4 years.

Our analysis indicates that the anticipated savings from installation of economizer units at this campus will not result in energy cost-savings that are competitive with other energy conservation opportunities available to the state.

The university indicates that installation of a cogeneration system is contemplated for the Irvine campus. Consequently, the utilization of the existing boilers will be reduced significantly because the cogeneration system will provide steam needed to operate campus systems. Taking into account the reduced boiler operating time, our calculation of the estimated annual savings to be achieved from this project is approximately \$35,000, which represents a payback period of approximately seven years. This payback period does not compare with other energy conservation investment opportunities available to the state.

Based on our calculation of the energy savings anticipated from this project, the proposed modifications are not economically advantageous to the state and we therefore recommend that the funds proposed in Item 6440-301-146(34) be deleted, for a reduction of \$224,000.

Energy Conservation, Building Retrofit, Phase I—Riverside

We recommend Item 6440-301-146(35), working drawings and construction funds for energy conservation phase I at the Riverside campus, be reduced by \$203,000, because a portion of the project is not competitive with other energy conservation opportunities available to the state.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

The budget proposes \$634,000 for working drawings and construction to modify the existing heating, ventilation and air conditioning systems in 14 buildings on the Riverside campus. The project includes (1) revising air handling equipment to reduce energy consumption, and (2) installing "dead band" room thermostats which would control equipment to ensure that no heating or cooling takes place when outside air temperatures are between 65° F and 78° F, the comfort range identified for design purposes of this project.

The university has provided information which details the anticipated cost to be achieved in implementing this system in fourteen state-funded buildings. The information indicates that in one building, the Humanities Building, the payback period is nearly six years. The anticipated savings in the other buildings will result in payback periods averaging 2.5 years. Based on this data, the proposed modifications to the Humanities Building are not competitive with other energy conservation opportunities available to the state. Consequently, we recommend that Item 6440-301-146(35) be reduced to \$431,000, for a savings of \$203,000.

Energy Conservation Step 1—San Francisco

We recommend approval of Item 6440-301-146(36), working drawings and construction fund for energy conservation, step 1, on the San Francisco campus.

This project would modify the heating, ventilation, and air conditioning systems to reduce energy consumption in three buildings on the San Francisco campus. The project consists of (1) installing dampers to vary the air volume in the buildings, and (2) providing other modifications to properly distribute the reduced air volume. The university states that installation of the proposed system would reduce utility costs by approximately \$234,000 (1983 prices)—a payback period of approximately three years. Preliminary plans for the proposed modifications were completed in March 1983.

Based on our review of the proposed project, the revisions to the ventilation system at the San Francisco campus will result in significant energy and cost-savings to the state. Moreover, the university staff indicate that the project engineer has verified that the proposed reduced ventilation rates, which will be 50 percent of the existing ventilation rate, will not result in any hazardous conditions to building occupants. On this basis, we recommend approval of the project.

Energy Conservation Improvements, Step 3—Santa Barbara

We recommend deletion of Item 6440-301-146(37), \$28,000 for working drawings and construction of energy conservation improvements on the Santa Barbara campus, because the project should be funded from minor capital outlay funds available to the university.

The budget proposes \$28,000 to make modifications to the psychology building on the Santa Barbara campus to reduce energy consumption. The project involves modifying the heating, ventilation, and air conditioning (HVAC) systems serving live animal rooms which must operate 24 hours per day. Consolidation and isolation of this portion of the building HVAC system from the main ventilation system will result in savings of approximately \$10,000 per year, for a payback period of 2.8 years.

Projects costing under \$200,000 should be funded, on a priority basis, in

the minor capital outlay program for which funds are appropriated in Item 6440-301-146(1). Accordingly, without prejudice to the project, we recommend deletion of the funds proposed in Item 6440-301-146(37), for a reduction of \$28,000.

D. Projects to Provide Access for the Physically Handicapped

The budget includes \$2,705,000 for eight projects to alter existing facilities to provide access to the physically handicapped. The proposed projects and our recommendations on each are summarized in Table 6.

Table 6
University of California
Handicapped Access Projects—1984-85
Item 6440-301-146
(in thousands)

<i>Project Title</i>	<i>Location</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendations</i>	<i>Estimated^b Future Cost</i>
(38) Correct California Administrative Code Deficiencies (Handicapped), Step 2	Berkeley	c	\$130	\$130	—
(39) Correct California Administrative Code Deficiencies (Handicapped Access), Step 2	Davis	c	490	490	—
(40) Improve Handicapped Access, Step 1	Riverside	c	302	302	—
(41) Correct California Administrative Code Deficiencies, Handicapped Access, Step 1	San Diego	c	200	200	—
(42) Correct California Administrative Code Deficiencies, Handicapped Access, Step 2	Santa Cruz	c	285	285	—
(43) Correct California Administrative Code Deficiencies, Handicapped Access, Step 3	Berkeley	c	479	pending	—
(44) Correct California Administrative Code Deficiencies, Elevators, Handicapped, Step 2	Santa Barbara	wc	392	pending	—
(45) Correct California Administrative Code Deficiencies, Handicapped Access, Step 3	Santa Cruz	wc	427	pending	—
Totals			\$2,705	pending	—

^a Phase symbols indicate: w = working drawings and c = construction.

^b UC estimate.

Projects Funded for Construction in Prior Budget Acts

We recommend approval of construction funds totaling \$1,737,000 to provide access for the physically handicapped in various buildings on five UC campuses.

The budget request funds for projects which were initially funded in the Budget Act of 1981, but did not proceed as originally scheduled. The funds were reverted in order to avoid a deficit in the General Fund. The proposed modifications to buildings on the Berkeley, Davis, Riverside, San Diego, and Santa Cruz campuses would provide needed improvements to eliminate architectural barriers to the physically handicapped. Working drawings for these projects have been completed, and the requested amount represents the architect's current estimate for completion of the needed improvements.

Given the fact that the Legislature has previously appropriated construction funds for these projects, we recommend that the funds proposed for Item 6440-301-146(38) through (42) be approved.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**Projects for Which Additional Cost Information Is Required**

We withhold recommendation on Item 6440-301-146(43), through 6440-301-146(45), pending receipt of additional information.

We withhold recommendation on three handicapped access projects because the information needed to substantiate the requested amounts is being developed.

The university is utilizing available planning funds to prepare planning documents and develop adequate cost information for the projects at Berkeley, Santa Barbara, and Santa Cruz. This is the normal budget process for new projects contained in the Governor's Budget, and the necessary information should be available prior to budget hearings. The scope of work to be completed should be in accordance with the regulations adopted by the Office of State Architect for access to the physically handicapped.

The Berkeley project (Item 6440-301-146(43)) includes \$479,000 to modify eight campus buildings to provide wheelchair access to at least one entrance and modifications of men's and women's restrooms.

The Santa Barbara project (Item 6440-301-146(44)) includes \$392,000 to convert elevators from freight operation to passenger use so as to provide handicapped access. The project also includes installation of two elevators in the east and west wings of Girretz Hall. The university, however, should evaluate deletion of one elevator from this project, in view of the fact that the west wing of this building houses faculty offices and an organized research unit. Thus, the accessibility of the academic program is not hampered by the physical facilities, in that faculty members can schedule consultations at other areas than their office. In our judgement, the expenditure of funds for two elevators in the building is not justified, and a single elevator to serve both the east and west wings should be included in the project.

The Santa Cruz project (Item 6440-301-146(45)) proposes \$427,000 to alter thirteen campus facilities to provide handicapped access to the primary level, modifications to restrooms and specialized facilities, such as swimming pools, theaters, and so forth. Our analysis of this request indicates that the UC should develop additional information to justify modifications at the motor pool (\$11,000) and the arboretum (\$26,000).

Pending receipt of completed preliminary plans, and additional information on the aspects of the individual projects noted above, we withhold recommendation on the funds proposed in Items 6440-301-146(43) through (45).

II. PROJECTS TO BE FUNDED FROM THE SALE OF HIGH TECHNOLOGY REVENUE BONDS

The budget proposes \$58,145,000 for two projects to be funded from the sale of High Technology Education Revenue Bonds authorized by Chapter 1268, Statutes of 1983. The proposed projects and our recommendations on each are summarized in Table 7.

Table 7
Projects from the High Technology Bond Program
Item 6440-301-525
(in thousands)

<i>Project Title</i>	<i>Location</i>	<i>Phase</i>	<i>Budget Bill Amount</i>	<i>Analyst's Proposal</i>	<i>Estimated Future Cost</i>
Berkeley Campus:					
(1) Life Science Building Addition.....	Berkeley	wc	\$39,919	pending	\$2,402
Santa Barbara Campus:					
(2) Engineering Building Unit 2.....	Santa Barbara	c	18,226	18,226	4,364
Totals.....			\$58,145	pending	\$6,766

Debt Service Should Be Appropriated From the COFHE Fund

We recommend that the Legislature adopt Budget Bill language specifying that the funds needed to service any debt associated with the High Technology Education Revenue Bonds for construction of facilities authorized under this item, or by any other measure, shall be paid from the Capital Outlay Fund for Public Higher Education, subject to the annual appropriation of such funds in the Budget Act.

The budget proposes appropriation of \$58,145,000 from the proceeds of High Technology Education Revenue Bonds authorized by Chapter 1268, Statutes of 1983. This statute specifies that the State Public Works Board may finance the construction, renovation, and equipment of public buildings on the site or sites of the University of California, the California State University, the California Maritime Academy, and the California Community College districts. The board shall lease-purchase to the Regents, the Trustees, or the Board of Governors of the respective segments, any public building or facility constructed or renovated or equipped pursuant to this authority. The terms and the amount to be paid on the lease-purchase are to be determined by mutual agreement of the parties. Finally, Ch 1268/83 stipulates that the board should not issue certificates or revenue bonds unless the Legislature, by statute, authorizes the total amount of certificates for revenue bonds that may be issued to finance the building.

The Legislature has enacted Ch 1095/83, which authorized the use of these revenue bonds in the amount of \$42,397,000 to finance construction of the Food and Agricultural Sciences Building on the Davis campus. If the total amount requested in this item is approved, the authorized amount for financing through revenue bonds would total \$100,542,000. Assuming 10 percent interest, the annual payment on this debt would be approximately \$11.6 million for 20 years—a total of \$232 million.

Annual Payments Should Be Financed Through the COFHE. The construction of new capital facilities utilizing the revenue bonds authorized by Ch 1268/83 will result in a long-term agreement between the State Public Works Board and the Regents for service of the debt issued to construct the building. Funds to pay debt-service on these bonds should be appropriated annually from the Capital Outlay Fund for Public Higher Education—the fund established by the Legislature for capital improvements in higher education. The state currently is financing a similar purchase agreement this way. The Legislature has appropriated \$200,000 annually over the past six years for payments toward the purchase of the Sacramento Medical Center. The amount of funds needed to finance lease agreements between the board and Regents should likewise be funded in

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

this manner, so that the Legislature may review annually the debt service funds. On this basis, we recommend that the Legislature adopt the following budget bill language under Item 6440-301-525:

“Provided that any funds needed to pay the annual cost of individual agreements entered into between the State Public Works Board and the Regents of the University of California for any buildings or facilities constructed or renovated pursuant to this item and/or Chapter 1268, Statutes of 1983, shall be included in the annual Budget Act and be funded from the Capital Outlay Fund for Public Higher Education.”

Life Science Building Addition—Berkeley

We withhold recommendation on Item 6440-301-525(1), \$39,918,000 for working drawings and construction of the life science addition on the Berkeley campus, pending receipt of additional information.

The budget requests \$39,919,000 for working drawings (\$1,449,000) and construction (\$38,470,000) for the life science building addition on the Berkeley campus. This project is the first in a series of projects to provide new and remodeled space on the Berkeley campus. A biochemistry annex is proposed for funding from over \$30 million in nonstate funds, while renovation and rehabilitation of the existing 254,000 assignable square foot life science building is proposed for initial planning (\$550,000) under Item 6440-301-146(17). If the total program anticipated by the university is completed, expenditures for new and remodeled facilities will exceed \$110,000,000, including \$30,000,000 from nonstate 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 developmental biology. Instructional research and support space for 46 faculty would be located in the building. The 1982 Budget Act included \$550,000 for partial preliminary plans for this project. The 1983 Budget Act, as approved by the Legislature, included \$893,000 for completion of the preliminary planning. The Governor reduced this amount to \$200,000. To keep this project on schedule, however, the university has allocated \$693,000 from funds available to the university pursuant to Section 92102 of the Education Code. This section allows the university to allocate capital outlay funds received from the state which remain after the purpose for which the funds were appropriated has been accomplished. These funds can be reallocated by the university in furthering its building and improvement program. The estimated future cost for equipment related to the new facility is \$2,402,000.

Early Delivery System Will Accelerate Building Occupancy. The university has undertaken design and construction of the life science building addition utilizing an accelerated process known as the “Early Delivery System” (EDS). This system has the advantage of reducing overall capital outlay cost through acceleration of design and construction over the traditional method where working drawings for an entire project are prepared and these documents are used to advertise for a lump-sum bid. Under the EDS process, construction activities are accelerated and take place prior to completion of all working drawings. This is made possible by dividing the project into several logical subdivisions which can proceed independent of each other. Application of this system to the life science

building addition project is expected to save \$3.3 million relative to conventional project implementation systems and allow occupancy of the building approximately 11 months sooner.

In order to achieve this savings, substantial planning and evaluation of preliminary design phase work is accomplished under EDS through "value engineering workshops". Under this aspect of the planning process, university staff, the university project manager and the contract architect review the proposed plans with construction specialists to determine the most cost-effective building systems to be used in the design of the facility. The most recent value engineering workshop was scheduled for mid-January 1984. Consequently, the amount proposed in the Governor's Budget does not take into account the cost-savings achieved in the most recent workshop. The university is preparing a revised project cost estimate which should be available prior to legislative hearings on the budget. We withhold recommendation on the proposed construction funds, pending receipt of this additional information.

Construction Funds Should Be Budgeted Based on Project Bid Package Schedules. In order for the budget to provide adequate funds to allow the individual bid packages to proceed at various dates, the budget must take into account the inflationary cost adjustments necessary from the time the preliminary cost estimate is prepared to the anticipated date of bid for the various components.

Our analysis indicates that the proposed amount in the budget bill is based on an *Engineering News Record* Index of 4400 estimated to represent the lump sum construction costs as of July 1984. Thus, for the early delivery system benefits to be fully realized, the budget bill amount must be revised to reflect the phased bidding activities. The cost information being developed by the university will reflect this process. In order to clearly identify these funds as being based on the early delivery system, rather than the traditional lump sum bid, we recommend that the Legislature adopt the following budget bill language:

"The funds appropriated for the Berkeley Campus, Life Science Building Addition in this item shall be allocated by the Department of Finance in accordance with the schedule and expenditure plan developed by the university using the "Early Delivery System" design and construction technique. The proposed procedures shall provide adequate information at the completion of the preliminary planning to justify all construction funding requirements for this project. The construction amount approved for this project is based on the costs and schedules developed through the Early Delivery System procedures without regard to the base construction cost index established for projects budgeted in the 1984-85 Governor's Budget.

The Early Delivery System implementation phase shall be developed with sufficient cost control procedures so that any funds appropriated for this project shall not require augmentation by administrative action pursuant to Section 16352 of the Government Code. The University shall submit a report on a quarterly basis to the Department of Finance and the Joint Legislative Budget Committee on the progress of the Early Delivery System. The report shall include the most-recent information on the anticipated project cost and implementation schedule."

This language is the same as that adopted in the 1982 Budget Act when preliminary plan and working drawing funds were appropriated for early delivery system implementation of the Food and Agricultural Services Building on the Davis campus.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**Engineering Unit 2—Santa Barbara**

We recommend approval of Item 6440-301-525(2), \$18,226,000 for construction of Engineering Unit 2 on the Santa Barbara campus.

The budget requests \$18,226,000 for construction of the Santa Barbara Engineering Unit 2 project. The 1982 Budget Act included \$426,000 for preliminary plans. The 1983 Budget Act, as approved by the Legislature, included \$559,000 for working drawings. The Governor, however, reduced this amount to \$250,000. To maintain the project schedule, the university has allocated \$309,000 from funds available under Section 92102 of the Education Code in order to fund fully the working drawing portion of the project. The project would provide 84,000 assignable square feet for the College of Engineering. The building will house the departments of mechanical and environmental engineering, chemical and nuclear engineering, and various support services and offices for the college. 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 intensive utilization of the specialized engineering laboratories provided in this project and that additional space will *not* be needed. The estimated future costs for equipment is \$4,364,000.

The preliminary plans for the Engineering Unit 2 building were approved by the State Public Works Board at its September 1983 meeting. Based on our review of the preliminary plans, the project was reduced in cost by approximately \$210,000. The amount proposed for construction, however, is unchanged because the university has identified a new cost not considered originally in the project budget. This cost relates to installation of the telecommunication system for the new building. Previously, these costs were absorbed in the support budget through lease costs for telephone equipment. Because of the recent deregulation of the telecommunications industry, the cost of installing telephone equipment and wiring will now be the responsibility of the building owners. Accordingly, the university estimates that the cost of telecommunications equipment will be approximately \$210,000 for the Engineering Unit 2 building. The university, however, currently is evaluating alternative means of providing telecommunication services for the entire Santa Barbara campus, and this may have an impact on the system proposed for this building. Accordingly, the need for the \$210,000 is still unclear. We recommend that prior to legislative hearings on the budget, the university report on its current progress in determining the need for the \$210,000 for telecommunications equipment.

Financing Costs Under Bond Program Should Be Identified

We recommend that prior to legislative hearings on the budget, the Department of Finance and the university identify the costs associated with financing buildings through the sale of High Technology Education Revenue Bonds.

This item includes a provision which states that the state Public Works Board may authorize any additional amounts necessary to pay the cost of financing, including interest, during construction of the project and the

cost of issuing of permanent financing after completion of the project. Consequently, the state Public Works Board could authorize sale of additional bonds beyond the \$58,145,000 if the Legislature were to approve the budget bill as introduced. Chapter 1268, Statutes of 1983, however, added Section 15820.10 to the Government Code requiring that "no certificates, revenue bonds, notes, or anticipation notes shall be issued, and no construction renovation and equipping of any public building or facility authorized by this chapter shall be commenced or purchased, unless the Legislature, by statute, authorizes the total amount of certificates, revenue bonds, notes, or anticipation notes that may be used to finance that public building or facility and expressly approves the construction thereof."

Our analysis indicates that the Legislature should be apprised of the total costs associated with buildings financed through bonds so that this mechanism can be thoroughly evaluated in comparison to other financing options. Accordingly, the interim financing costs and administrative costs associated with the bond program should be identified. We recommend that prior to budget hearings, the Department of Finance and the university identify these costs, and report to the Legislature on the overall financing plan.

Public Works Board Augmentation Authority Should Be Limited

We recommend that budget bill language under Item 6440-301-525 be modified to prohibit Public Works Board augmentation of the Berkeley life science building addition, because the amount appropriated for construction of this project will be sufficient to fund the entire project.

This item includes a provision which authorizes the state Public Works Board to augment the cost of the project as authorized under the Government Code. The Government Code allows the Public Works Board to authorize augmentations up to 20 percent of the amount appropriated for construction contract costs. Any augmentation in excess of 10 percent of the construction contract cost must be reported to the Joint Legislative Budget Committee at least 20 days prior to board approval.

As discussed earlier in this *Analysis*, the amount proposed for construction of the life science building addition on the Berkeley campus is based on an early delivery system which assumes construction through a series of bid packages, rather than through a lump sum bid. Consequently, the amount of funds appropriated for construction already takes into account any inflation and any cost increases that may occur between the time the funds are appropriated and the time the project bid packages are advertised for construction bids. Therefore, any augmentations made by the Public Works Board for this project would remove one of the major advantages of using the early delivery system. Thus, we recommend that the language be modified to exclude the Berkeley project from the board's authority to augment the funds appropriated under this item.

Transfer of Capital Outlay Appropriations

We recommend that legislation be enacted to modify Section 92102 of the Education Code to specify that the amounts of funds transferred for the purpose of funding the construction of major capital outlay projects shall be based on receipt of competitive bids, and any surplus funds shall be reverted to the unappropriated surplus of the fund from which the appropriation was made.

In 1982, the Legislature adopted revisions to the Government Code

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

which specified that the State Public Works Board was to expedite its review of construction projects. Under the provisions of Chapter 808, Statutes of 1982, the board's review of preliminary plans would ensure that the projects proceed into working drawings and construction phase consistent with legislatively approved scope and cost. In addition, Chapter 808 specifies that the amount of funds transferred to the Department of General Services, Office of State Architect, shall be based on the amount of funds necessary to complete the project based on receipt of competitive bids. Any additional funds remaining in the appropriation are to be transferred to the credit of the fund from which the appropriation was made. Previously, these residual funds were available to fund other work, upon approval of the Department of Finance.

The revision requiring transfer of funds to the Department of General Services based on competitive bids was approved so that any surplus of capital outlay funds appropriated by the Legislature will be returned to the fund and be available for appropriation for other purposes as determined by the Legislature. In the case of the University of California, however, funds appropriated for construction are transferred to the university *regardless of the project cost as determined by competitive bids*. Consequently, if the university receives favorable bids on a project, the savings achieved on the project is available under the provisions of Section 92102 of the Education Code for allocation by the university in furtherance of the building and improvement program of the university. The university has used funds made available in this manner for a variety of purposes. In two instances, the funds were used to prepare preliminary plans/working drawings after the Governor vetoed funds for this purpose from the 1983 Budget Act.

Because of the recent favorable bidding climate in the state, a substantial amount of funds has accrued in this account. Our analysis indicates that the allocation of savings achieved on projects should be done by the Legislature, not by the university, and there is no basis for allowing the University of California to have the ability to reallocate state funds for whatever purposes it deems appropriate.

On this basis, we recommend that legislation be enacted to modify the Education Code so that the University of California is subject to the same fiscal controls as are in effect for the Department of General Services. Specifically, we recommend that Section 92102 of the Education Code be deleted, and that the following section be added:

"Money from state sources appropriated for the construction portion of major capital outlay projects for the University of California shall be transferred based on receipt of competitive bids. Money transferred for this purpose shall be upon approval of the Department of Finance. Any amount available in the state appropriation which is in excess of the amount necessary, based on receipt of competitive bids, shall be immediately transferred to the credit of the fund from which the appropriation was made."

Supplemental Report Language

For purposes of project definition and control, we recommend that supplemental report language be adopted by the fiscal subcommittees which describes the scope of each of the capital outlay projects approved under this item.

Projects by Descriptive Category

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 and are identified in Table 8. These assignments do not reflect the priority that individual projects should be given by the Legislature.

Table 8
University of California
Projects by Descriptive Category

<i>Category</i>	<i>Project Title, Campus</i>	<i>Analyst's Recommendation</i>	<i>Future Cost</i>
1. Purchase of Sacramento Medical Center, Davis.....		\$200	\$600
Sewage Treatment Plant Improvements, Santa Barbara.....		570	—
2. None			
3. Library Compact Shelving Facility, Universitywide		13,997	814
Seawater Supply and Pier Replacement, San Diego.....		185	2,945
Extension of Seawall, San Diego		399	—
Engineering Unit 2, San Diego.....		18,226	4,364
4. Clinical Sciences Building, Drew/UCLA		1,470	—
Nematode Isolation Facility, Riverside		743	—
5. Air Recirculation System, Berkeley		279	—
Variable Speed Fans, Berkeley		801	—
Building Retrofits, Riverside		431	—
Energy Conservation, Step 1, San Francisco.....		703	—
6. None			
7. Project Programming/Preliminary Planning, Universitywide		200	—
CAC Deficiencies, Elevators, Step 2, Berkeley		785	—
CAC Deficiencies, School of Law, Berkeley		489	—
CAC Deficiencies, Elevators, San Francisco		1,250	—
Cory Hall Deficiencies, Berkeley		1,059	—
CAC Deficiencies, Handicapped, Step 2, Berkeley.....		130	—
CAC Deficiencies, Handicapped, Step 2, Davis		490	—
CAC Deficiencies, Handicapped, Step 1, Riverside		302	—
CAC Deficiencies, Handicapped, Step 1, San Diego		200	—
CAC Deficiencies, Handicapped, Step 2, Santa Cruz		285	—
Minor Capital Outlay.....		8,000	—
Totals		\$51,194	\$8,723

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

UNIVERSITY OF CALIFORNIA—HOSPITAL RESERVE
FUNDS—CAPITAL OUTLAY

Item 6440-401 from the Health
Sciences Hospital Reserve
Fund

Budget p. E 144

ANALYSIS AND RECOMMENDATIONS

We recommend this item be revised to increase the funding level of projects to be included in a report to the Legislature from \$175,000 or less to \$200,000 or less.

This item requires approval by the Director of Finance and legislative review of University of California capital outlay projects costing over \$175,000 and funded from Health Sciences Hospital Reserve Funds. Projects costing less than \$175,000 are identified in an annual report submitted to the Chairman of the Joint Legislative Budget Committee. Equipment projects are exempt from this section, and urgent projects related to patient life or safety do not require prior approval but are included in the annual report.

The \$175,000 limit is higher than the \$150,000 level specified in last year's budget. The amount usually is consistent with the minor capital outlay cost limit in force for the budget year. For 1984-85, the minor capital outlay limit is \$200,000 or less per project. We therefore recommend that this item be revised to increase the cost limit on projects which can be identified in the annual report from \$175,000 to \$200,000 or less.

HASTINGS COLLEGE OF THE LAW

Item 6600 from the General
Fund and Federal Trust Fund

Budget p. E 153

Requested 1984-85	\$9,669,000
Estimated 1983-84.....	6,836,000
Actual 1982-83	7,039,000
Requested increase (including amount for salary increases) \$2,833,000 (+41.4 percent)	
Total recommended reduction	792,000
Recommendation pending	896,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
6600-001-001—Hastings College of the Law, support		General	\$8,859,000
6600-001-890—Hastings College of the Law		Federal	(795,000)
6600-011-001—Hastings College of the Law, employee compensation		General	810,000
Total			\$9,669,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. **Student Faculty Ratio.** *Reduce Item 6600-001-001 by \$211,000 and 4.6 personnel-years.* Recommend that the proposed increase of \$211,000 to lower the student-faculty ratio at Hastings be deleted because (1) the same qualitative objective can be achieved with a 10 percent reduction in Hastings' enrollment and (2) such a reduction would not have an adverse affect on either the Hastings' instruction program or the supply of lawyers in California. 1792
2. **Faculty Salary.** Recommend that Hastings report during budget hearings on its policies regarding faculty salaries and compare these policies to those followed by UC's law schools. 1795
3. **Current-Year Fees.** *Reduce Item 6600-001-001 by \$285,000.* Recommend that Hastings use current-year excess fee revenue to offset the state General Fund for a 1984-85 savings of \$285,000. 1795
4. **Fee level for 1984-85.** Recommend that the Legislature adopt a long-term policy on student fees as a means of assisting students and their parents in planning to meet the costs of higher education. 1796
5. **LEOP Buyout.** *Reduce Item 6600-001-001 by \$277,000.* Recommend deletion of \$277,000 in General Fund support because fee revenue should be budgeted as offsets to the General Fund appropriation rather than for specific student service expenditures. 1798
6. **Position Reductions.** *Reduce Item 6600-001-001 by \$19,000 and Reimbursements by \$43,000.* Recommend deletion of \$19,000 in General Fund support and \$43,000 in reimbursement support because there is no expenditure plan for these funds. 1799
7. **University of California Retirement System (UCRS).** Withhold recommendation on \$86,000 of the \$580,000 requested to restore the state's contribution to the UCRS, pending receipt of additional information on compensation levels at Hastings' comparison institutions. 1799
8. **Compensation Increase for 1984-85.** Withhold recommendation on \$810,000 requested for employee compensation increases in 1984-85, pending receipt of revised data on compensation levels at Hastings' comparison institutions. 1799

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 in 1983-84. The college has 213.4 full-time equivalent positions in the current year.

HASTINGS COLLEGE OF THE LAW—Continued**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes a total of \$13 million for support of Hastings College of the Law in 1984-85. Of this amount, \$9.7 million is requested from the General Fund. This is \$2.8 million, or 41 percent, more than the estimated expenditures from the General Fund for the college in 1983-84. The proposed increase *includes* funds for a 9 percent salary increase for faculty on July 1, 1984 and another increase of 3.8 percent for faculty on January 1, 1985 and an increase of up to 10 percent in salary and benefits for staff employees.

Funds received from the federal government (\$0.8 million) help support the college's student services program, primarily student financial aid. The balance of funding for the college in 1984-85 (\$2.5 million) is anticipated from reimbursements, primarily in the form of student fees and nonresident tuition. These funds are used to finance student service programs and to offset part of the General Fund cost of supporting the college.

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

Table 1
Hastings College of the Law
Expenditures and Funding
1982-83 through 1984-85
(dollars in thousands)

Programs	Actual	Estimated	Proposed	Change	
	1982-83	1983-84	1984-85	Amount	Percent
1. Instruction	\$3,900	\$4,066	\$4,592	\$526	12.9%
2. Public and Professional Programs	180	227	237	10	4.4
3. Academic Support	999	985	1,265	280	28.4
4. Student Services	2,220	2,177	2,198	21	1.0
5. Institutional Support	1,813	1,669	1,724	55	3.3
6. Operation and Maintenance of Plant	1,160	1,161	1,275	114	9.8
7. Provisions for Allocation (Salary Increase, Price Change, etc.)	—	—	1,714	1,714	n/a
Totals	\$10,272	\$10,285	\$13,005	\$2,720	26.4%
General Fund	\$7,039	\$6,836	\$9,669	\$2,833	41.4%
Federal funds	724	795	795	—	—
Reimbursements	2,509	2,654	2,541	-113	-4.3
Personnel-years	204.3	213.4	207.1	-6.3	-3.0

Table 1 shows a proposed reduction of 6.3 positions in 1984-85, of which 1.5 positions are supported by the General Fund and 4.8 are supported by fees. None of these positions were filled in 1983-84. The proposed budget continues General Fund and fee support for these abolished positions in 1984-85 but does not identify how the funds will be used.

Table 2 shows the components of the net \$2.8 million increase in General Fund support proposed for the budget year. The significant changes that are intended to maintain the current level of services in the budget year include:

- **Merit Salaries.** \$200,000 for merit salary adjustments.
- **Inflation adjustments.** \$178,000 to offset the effects of price changes on operating expenses. This increase provides a 6 percent adjust-

ment for the overall operating budget plus an additional \$18,000 (5 percent) for the purchase of library materials.

- **Annualization.** \$357,000 for the full-year cost of salary and benefit increases that took effect on January 1, 1984.

- **UCRS.** \$580,000 to restore state support for the University of California Retirement System (UCRS) from the reduced 1983-84 level.

- **Reimbursements.** \$164,000 in increased reimbursements, primarily related to student fees.

The budget change proposals for Hastings are as follows:

- **Lower Student-Faculty Ratio.** A \$211,000 increase is requested to lower the student-faculty ratio. The budget proposes a two-year plan of enrichment of the current faculty-student ratio. The projected 1985-86 cost of the enrichment is \$294,000.

- **Shift in Source of Funds for LEOP.** The budget requests \$277,000 from the General Fund to support the Legal Education Opportunity Program (LEOP), in lieu of using student fees. The budget proposes a reduction in student fees of an equivalent amount, \$277,000, or \$185 per student in 1984-85.

- **General Word Processing.** The budget requests \$31,000 to purchase three word processing consoles and two high speed printers, in order to shift existing secretarial staff to word processing.

- **Publications Word Processing.** A \$15,000 net increase is requested to purchase word processing equipment for use in publication of Hastings' four scholarly publications. Purchase of this equipment will reduce publication costs. As a result, the 1985-86 budget will show a reduction of \$19,000 to the baseline budget.

Table 2
Hastings College of the Law
Proposed 1984-85 General Fund Budget Changes
(in thousands)

		<i>Expenditures</i>
1983-84 Adjusted Base Budget		\$6,836
A. Changes To Maintain Existing Budget:		1,151
1. Merit and promotions	\$200	
2. Price increase	178	
3. Employee compensation annualization	357	
4. Retirement (UCRS) restoration	580	
5. Reimbursement income adjustment ^a	-164	
B. Budget Change Proposals:		872
1. Lower student faculty ratio	211	
2. Legal Education Opportunity Program fund shift ^a	277	
3. Faculty support—word processing equipment	31	
4. Scholarly publications—word processing	15	
5. Library processing automation	80	
6. Library collections and automated services	168	
7. Physical plant—special repairs	90	
C. Employee Compensation		810
Total, 1984-85 Support		\$9,669
Total Change		
Amount		\$2,833
Percent		41.4%

^a The net change in reimbursements is a reduction of \$113,000, which results from a projected increase in reimbursements of \$164,000, offset by the proposed switch in support for the LEOP (\$277,000) from fees to the General Fund.

HASTINGS COLLEGE OF THE LAW—Continued

- **Library Automation.** The budget requests \$80,000 to purchase an automated library acquisition and serials control system. This system would increase efficiency at the college by allowing a shift from manual to automated processing.

- **Library Service Expansion.** The budget requests \$168,000 for the library consisting of (a) \$114,000 for book and serial acquisitions and (b) \$54,000 for bibliographic services. Planned book acquisitions include a Congressional serial set and additional subject matter reporters. Bibliographic services include purchases of subscriptions to LEXIS and WESTLAW, in order to aid in research.

- **Special Repairs.** The budget requests \$90,000 for special repairs, including \$55,000 for reroofing and \$13,500 to seal the exterior of the library building.

- **Employee Compensation.** The budget includes \$810,000 for salary and benefit increases in 1984-85. For faculty, this allows an increase of 9 percent on July 1, 1984 and another increase of 3.8 percent on January 1, 1985 for a total state-funded increase of 12.8 percent. For staff employees, the budget provides a salary and benefit increase of up to 10 percent, the same increase that state employees are allocated.

ANALYSIS AND RECOMMENDATIONS**A. HASTINGS OPERATING SUPPORT (Item 6600-001-001)**

Based on our analysis of the proposed budget for Hastings in 1984-85, we believe that the following eight matters warrant the Legislature's attention: (1) the proposed increase in the student-faculty ratio, (2) the need to review faculty salary policies at Hastings, (3) the current student fee level, (4) the need for a long-term fee policy at Hastings, (5) the proposed funding shift for the LEOP, (6) the proposed continuation of funding for abolished positions, (7) the restoration of state support for the UCRS, and (8) the proposed increase in faculty compensation. We recommend approval for all the other proposed changes to the Hastings' budget shown in Table 2.

1. A Less-Costly Means of Lowering the Student-Faculty Ratio Exists

We recommend deletion of the \$211,000 proposed to lower the student-faculty ratio at Hastings because (1) the same qualitative objective can be achieved in a less-costly manner by reducing Hastings' enrollment 10 percent and (2) a reduction in Hastings' enrollment would not have an adverse effect on either the Hastings' instructional program, the supply of lawyers in California, or educational opportunities generally. (Reduce Item 6600-001-001 by \$211,000 and 4.6 personnel years.)

The budget proposes an augmentation of \$211,000 for the purpose of lowering the student-faculty ratio at Hastings. Specifically, the request would bring the *actual* ratio down to the level authorized by the Legislature in the current year.

The budget proposal states that "attempts by the college to maintain comparable compensation levels with the University of California law school faculty, while inadvertently not requesting additional state support, has led to an erosion of available funds for authorized faculty." What this means is that for several years, Hastings has used funds budgeted by the

Legislature for faculty positions that became vacant to increase salaries of the remaining filled positions.

The budget proposes a two-year plan (1) to fully fund the number of currently authorized instruction positions and (2) to shift the composition of the positions. These positions consist of regular faculty, "65 club" faculty, and adjunct faculty. The plan would cost \$211,000 in the first year and \$294,000 in 1985-86. When fully implemented, the actual student-to-full-time faculty ratio at the college will be equal to the national median for law schools of Hastings' size (30.9:1).

In effect, the budget request would ratify *Hastings'* actions in prior years to (1) attempt to reach UC law school salary scales for all faculty members, including "65 club" faculty, and (2) provide normal merit and promotion pay increases to the faculty without requesting the full amount of additional funding from the state needed for this purpose. In order to provide funds for these two purposes, Hastings held positions vacant which resulted in an increase in the student-faculty ratio.

We recommend that this augmentation be deleted because:

- the same qualitative objective can be achieved in a less costly manner through a phased reduction in Hastings' enrollment, and
- a reduction in Hastings' enrollment would not have an adverse effect on either Hastings' instruction program, the supply of lawyers in California, or educational opportunities within the state.

In lieu of the proposed augmentation, we recommend that Hastings' enrollment be reduced by 10 percent (150 students) over a three-year period.

Less-Costly Alternative For Reducing Student-Faculty Ratio. Table 3 displays for the current year (1983-84) the authorized and actual faculty distribution at Hastings. It also compares these distributions to the budget proposal and to our recommended distribution of faculty. Table 4 compares enrollment and selected faculty ratios for the current year with those implicit in the budget proposal and our proposal.

Table 3
Staffing at Hastings College of the Law
Authorized, Actual, Proposed,
and Recommended Level

	1983-1984		Proposed in the Budget (1985-86)	Recommended by Legislative Analyst (1987-88)
	Authorized	Actual		
Regular faculty	33.7	30.2	37.4	33.6
"65 club" faculty	18.0	10.1	11.1	10.1
Adjunct faculty	6.5	13.3	9.7	8.6
Substitute provisions4	.4	.4	.4
Sabbatical provision5	.5	.5	.5
Totals	59.1	54.5	59.1	53.2

Table 4 shows that a phased reduction of 150 students over a three-year period (1985-86 to 1987-88) would result in the same student-faculty ratio sought by the budget. In addition, it would save \$443,000 annually by 1987-88.

HASTINGS COLLEGE OF THE LAW—Continued**Table 4**

**Hastings College of the Law
Enrollment, Selected Faculty Ratios and Costs
as Proposed in the Budget and as
Recommended by the Legislative Analyst**

	1987-1988			
	<i>Actual 1983-84</i>	<i>Proposed in the Budget</i>	<i>Recommended by the Legislative Analyst</i>	<i>Difference</i>
Enrollment	1,500	1,500	1,350	-150
Enrollment per regular and "65 club" faculty	37.2	30.9	30.9	None
Enrollment per all faculty	27.5	25.4	25.4	None
Cost of proposal	—	\$294,000	-\$149,000	-\$443,000

Part of the savings (\$294,000) results from deletion of the proposed augmentation. The balance (\$149,000) results from (1) a different staffing mix, relative to that called for by the budget proposal and (2) a reduction of 1.3 faculty positions from the actual current-year level. As shown in Table 3, approval of our recommendation would allow Hastings to have (1) 33.6 regular faculty positions, which is 3.4 more than the actual current-year level, (2) the same number of "65 club" faculty as currently employed, and (3) only 1.3 less overall total positions than the actual current-year level.

No Adverse Program Impact. Our analysis indicates that a 10 percent reduction in Hastings' enrollment would not have an adverse impact on the college's education program. The total enrollment at Hastings in the current year is 1,500 students. Adoption of our recommendation would result in Hastings having a total enrollment of 1,350—the largest enrollment of any law school in the state. For example, in the current year UCLA's enrollment is 965 students, UC Berkeley's is 964 students, and UC Davis' is 500 students.

Supply of Lawyers. The difference in enrollment between our recommendation and the budget request would be 150 students by 1987-88. Based on the available data we do not believe this reduction would adversely affect the supply of lawyers in California. Table 5 shows data on lawyer/population ratios for the United States and California in selected years. In 1970, there was one lawyer for every 572 persons at the national level, while the California ratio was slightly higher—one per 583. During the 1970s, the number of lawyers increased nationally, but it increased at an even faster pace in California. As a result, there was one lawyer for every 418 people nationally, and one for every 365 people in California.

Table 5

**Lawyer-to-Population Ratio for the United States
and California, for Selected Years**

	<i>Actual 1970</i>	<i>Actual 1980</i>	<i>Estimated 1983</i>
United States	1:572	1:418	1:375
California	1:583	1:365	1:299
California's rank among the states.....	11	8	—

Source: For 1970 and 1980, the American Bar Foundation. United States estimate for 1983, the American Bar Foundation. California estimate for 1983 is based on number of lawyers reported by California State Bar (84,000) and July 1, 1983 state population estimate of the State Department of Finance.

In 1983, it is estimated that there was one lawyer for every 375 people nationally and *one lawyer for every 299 people in California*. While we have no analytical basis to determine society's need for lawyers, we find it difficult to believe that graduating 50 fewer lawyers a year from Hastings will have any adverse effect in California.

Educational Opportunities. We do not believe that the reduction in 50 first-year law school enrollment slots at Hastings will have an adverse effect on educational opportunities for California residents. The UC admits approximately 810 students annually to its three law schools so that the reduction in public law school slots would be only 4 percent, overall. In addition, independent law schools in California admit an additional 3,600 students annually.

Implementation Policy. Because the same qualitative objective sought by the budget can be achieved at less cost through a 10 percent reduction in Hastings' enrollment, and because such a reduction would not have an adverse effect on either the Hastings instruction program or the supply of lawyers in California, we recommend that the Legislature:

- delete 4.6 faculty positions and the \$211,000 augmentation proposed for the budget year.
- adopt the following supplemental report language: "Enrollment level at Hastings College of the Law. It is the intent of the Legislature that Hastings College of the Law target its entering class enrollment at 450 students, starting with the class entering in 1985-86 and in all subsequent years. This will provide for a total enrollment of 1,350 students in 1987-88. It is the intent of the Legislature that Hastings maintain the 1,350 enrollment level in all subsequent years."

Since students are already being admitted for the class of 1984-85, we recommend that the reduction in enrollment not begin until the 1985-86 academic year.

The recommended reduction of 4.6 faculty positions would lower the authorized level of positions in 1984-85 to the *actual* 1983-84 level of 54.5.

Approval of this recommendation would result in a General Fund savings of \$211,000 in 1984-85, a cost avoidance of \$294,000 in 1985-86, and an on-going savings of \$443,000 beginning in 1987-88.

2. Report on Faculty Salary Procedures Needed

We recommend that Hastings report during budget hearings on their faculty salary setting and adjustment procedures.

As mentioned in our discussion of the faculty-student ratio budget proposal, Hastings, in prior years, has taken actions that resulted in under funding of currently authorized faculty positions. We recommend that Hastings report during budget hearings on its current practice for salary setting and adjustments for faculty. We recommend that this report include (1) a detailed description of the policies and procedures used at Hastings to set and adjust faculty salaries and (2) a comparison of these policies to those used at UC's three law schools.

3. Hastings' Student Fees in the Current Year

We recommend that the Legislature direct Hastings College of the Law to use current-year excess fee revenue to offset the state General Fund for a 1984-85 savings of \$285,000. (Reduce Item 6600-001-001 by \$285,000.)

The Hastings' Board of Directors increased student fees for the 1983-84 academic year by \$191 from \$1,239 to \$1,430 per year. This fee increase is

HASTINGS COLLEGE OF THE LAW—Continued

equal to the 1983–84 increase adopted for graduate students by the Regents of the University of California (UC). The reasons for the fee increase, however, were different in the two cases.

Of the fee increase adopted by the Regents, \$150 was intended to replace funds vetoed by the Governor from the UC item in the 1983 Budget Act. (The Governor vetoed the funds—\$14.6 million—in anticipation that the Regents would replace them by a \$150 fee increase.) The balance of the \$191 fee increase (\$41) was intended to provide funds for salary and price increases for fee supported programs in 1983–84. In Hastings case, no funds were vetoed for this purpose from the 1983 Budget, and consequently there was no need to replace state funds with student fee revenue. The total revenue raised by the \$191 per student increase is \$285,000.

The revenue from the increased fees is not reflected in the current-year column of the 1984–85 budget document. Nor has Hastings requested authority under the provisions of Section 28 of the 1983 Budget Act to expend any portion of the revenue from this fee change.

There are three options available with regard to the disposition of this fee revenue:

- Hastings could prepare an expenditure plan for all or part of the funds and submit it as a revision to the college's current-year budget.
- The Legislature could reduce the state General Fund appropriation for Hastings in 1984–85 by \$285,000 and allow the college to make up the loss of funds by using the fee revenue.
- The Legislature could direct that all or part of the fee revenue be returned to the students who paid it.

Because we have no evidence that the fee charged students at Hastings in the current year is excessive relative to the benefits students gain by attending law school, we recommend that the Legislature direct Hastings to use the revenue from the \$191 fee increase to offset the 1984–85 General Fund appropriation to Hastings for a one-time budget year savings of \$285,000.

4. Fee Level for 1984–85

We recommend that the Legislature adopt a long-term policy on student fee levels to aid students and their parents in planning to meet the costs of higher education by adding stability and predictability to the fee-setting process.

The Budgeted Fee Level. The proposed budget for Hastings in 1984–85 is based on a fee level of \$1,131 per student in 1984–85. This is \$299 less than the current-year fee of \$1,430. The proposed reduction reflects (1) a planned general reduction of \$114 from the current-year fee level and (2) a further reduction of \$185 intended to shift support for the Legal Educational Opportunity Program (LEOP) from student fees to state General Fund support.

Reduction of \$114. The budget assumes that only \$77 of the \$191 fee increase imposed during the current year will continue in 1984–85. The revenue from the \$77 fee is budgeted for 1983–84 salary increases and 1984–85 inflation adjustments in connection with student service programs. The budget includes no funds to pay salary increases in student services programs in 1984–85.

• **LEOP Buyout.** The budget also proposes an augmentation of \$277,000 from the General Fund to permit a shift in support for the LEOP

from student fees to the state. The budget proposes a reduction in student fees of an equivalent amount, \$277,000, or \$185 per student in 1984-85.

Need for Long-term Policy. We believe that the Legislature's actions on the Hastings budget for 1984-85 should be based on a new long-term policy for setting student fees in the higher education segments. In the postsecondary education overview, we recommend that the Legislature adopt a policy on student fees based on the following principles:

- student fee levels should recognize the private, as well as the societal, benefits from higher education,
- fee levels should be calculated based on each segment's (or college's) level of expenditures, (that is, the "cost of education"),
- the revenues from fees should be budgeted as offsets to state appropriations, rather than to support specific programs, and
- adequate financial aid should be made available to needy students so as to preserve access to higher education for state residents.

The proposed changes in Hastings' fee levels highlights the need for a state policy on fees. Because the budget proposes a change in fee levels, students and parents will not know what the fee levels for 1984-85 will be until the Budget Bill is enacted. We believe a long-term fee policy would aid students and their parents in planning to meet the costs of higher education by adding stability and predictability to the fee-setting process.

In the postsecondary education overview, we make several recommendations regarding student fees. Specifically, we recommend that:

- *Student charges be set equal to a specific percentage of the "cost of education," with the "cost of education" defined as the sum of the state General Fund appropriation and student fee revenues used to operate the institutions, expressed on a per student basis.*
- *The average be calculated separately for each segment, rather than for the segments combined.*
- *Student charges for students in comparable degree programs be set at the same percentage of education costs at each segment.*
- *Student charges vary by level or degree program, in order to reflect differences in the private benefits accruing to students at different levels.*
- *The percentage of support that students have to pay be set at a specific level, rather than be allowed to vary within a range of levels.*
- *Student charges be budgeted as offsets to state appropriations, rather than to support specific programs.*
- *Fee levels for each academic year be set in the preceding October, based on the average change in state appropriations and fees during the three preceding years.*

Implementation of the Recommended Policy: An Example. Table 6 shows (1) the 1983-84 fee charged to Hastings and the University of California (UC) graduate students, (2) the 1984-85 fee for Hastings and UC graduate students assumed in the budget, and (3) what the fee would be if it were set to cover various percentages of the cost of education at Hastings and UC. The table also shows what the fee would be if the LEOP funding shift proposed in the budget is rejected by the Legislature and the \$277,000 General Fund augmentation is replaced with \$277,000 in student fee revenue.

We have no analytical basis on which to recommend a specific fee level for students at the various segments.

HASTINGS COLLEGE OF THE LAW—Continued**Table 6**

**Range of Fees Based on Percentage of Segmental or College Cost in 1984-85
Compared to Current and Governor's
Budget Proposed Levels**

	<i>Hastings</i>	<i>University of California</i>
<i>Fee Levels:</i>		
1983-84 actual.....	\$1,430	\$1,434
1984-85		
As proposed in budget.....	1,131	1,364
Without LEOP funding shift ^a	1,316	—
<i>Percentage of Segmental or College Cost^b:</i>		
23 percent.....	\$1,316	\$2,283
13 percent.....	822	1,385
14 percent.....	880	1,487
15 percent.....	938	1,588

^a Assumes student fee revenue in place of LEOP/General Fund funding switch.

^b Segmental costs in 1983-84 are \$5,631 for Hastings and \$9,926 for UC.

At the 14 percent level, Hastings' fees would be equal to 59 percent of the UC graduate fee level, \$880 compared to \$1,487. The reason for this difference is due to the higher cost of education at UC compared to Hastings—\$9,926 versus \$5,631.

Implementation of a Long-Term Fee Policy. In order to implement a long-term fee policy at Hastings, we recommend that the Legislature adopt the following Budget Bill Language.

"Student fees at Hastings for 1984-85 will be set at a rate equal to — percent of the 1983-84 cost of education per student (state appropriations plus student fee revenue.) These fees shall be budgeted as offsets to state appropriations and shall be adjusted annually to reflect the average change in support for the prior three years."

We note that if the fee levels at Hastings were reduced below the \$1,316 level as a result of this policy, either (1) expenditures would need to be reduced by a commensurate amount or (2) an offsetting General Fund augmentation would be needed in order to balance the budget.

5. Reject the LEOP Funding Shift.

We recommend that the proposal to shift the source of support for the Legal Education Opportunity Program (LEOP) from student fees to the state General Fund support be rejected because it would continue the current policy of restricted use of student fee revenue. (Reduce Item 6600-001-001 by \$277,000.)

If the Legislature adopts a long-term policy for setting fees along the lines we recommend, the use of student fees would no longer be tied to specific programs.

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, and

- reduces the flexibility of the Legislature and the segments to the point where it can produce unintended and undesirable results.

To address these problems, we recommend that student fee revenue be budgeted as an offset to the General Fund appropriation, rather than be restricted to specific student service expenditures. If this recommendation is approved, the basis for the proposed shift in funding source for the LEOP (from student fee to the state General Fund) would disappear. Accordingly, we recommend deletion of the \$277,000 General Fund augmentation.

6. No Plan on Position Reductions

We recommend that the funds associated with the budget's proposed position reduction of 6.3 positions at Hastings be deleted because there is no expenditure plan for these funds for a General Fund savings of \$19,000 and a savings in reimbursements of \$43,000. (Reduce Item 6600-001-001 by \$19,000 and Reduce Reimbursements by \$43,000.)

The budget proposes a reduction of 6.3 positions in 1984-85, of which 1.5 positions are supported by the General Fund and 4.8 are supported by fees. None of these positions were filled in 1983-84. The proposed budget continues General Fund and fee support for these abolished positions in 1984-85 but does not identify how these funds will be used. The total amount of funds associated with these positions is \$62,000 of which \$19,000 is from the General Fund and \$43,000 from reimbursements.

Because there is no expenditure plan for these amounts, we recommend that these funds be deleted from the proposed budget for a General Fund savings of \$19,000 and a reimbursement reduction of \$43,000 in 1984-85.

7. Contribution Level to the University of California Retirement System

We recommend approval of the \$494,000 augmentation to restore the state's contribution to the University of California Retirement System (UCRS). We withhold recommendation on the additional \$86,000 requested for improved retirement benefits, pending receipt of additional information on compensation levels provided at Hastings' academic and nonacademic comparison group.

In our analysis of the University of California's budget (Item 6400), we recommend approval of the augmentation proposed for the purpose of restoring the state's contribution to the UCRS. This recommendation reflects the conclusions from our review of the revised actuarial assumptions adopted for the system. At the same time, we withhold recommendation on the requested augmentation to improve retirement benefits to UCRS members, pending receipt of additional information on compensation levels provided at UC's academic and nonacademic comparison groups.

The comparison group used to assess compensation levels at Hastings is the same as that used for UC.

Consistent with our recommendation on UC's budget, we recommend approval of the augmentation proposed in the Hastings budget to restore the state's contribution to the UCRS, and withhold recommendation on the funds requested to enhance benefits, pending receipt of compensation data covering the comparison group.

B. COMPENSATION INCREASE FOR 1984-85 (Item 6600-011-001)

We withhold recommendation on the proposed \$810,000 increase for employee compensation increases at Hastings, pending receipt of revised data on the compensation levels at comparison institutions.

HASTINGS COLLEGE OF THE LAW—Continued

The budget proposes an augmentation of \$810,000 for employee compensation in 1984-85, consisting of (1) \$724,000 to provide for salary and benefits increases for all state General Fund-supported employees at Hastings effective July 1, 1984, and (2) \$86,000 to provide for an additional 3.8 percent salary increase for Hastings' faculty on January 1, 1985.

Unlike past years, the Budget Bill for 1984-85 includes funds for employee compensation increases at the University of California, Hastings, and the California State University in the support budget items, rather than in the overall state compensation items.

We continue to believe that the appropriate basis for evaluating compensation proposals covering Hastings' faculty (as well as other higher education faculty) is the compensation package provided at comparison institutions. The comparison group used to evaluate compensation levels at Hastings is the same as that used for the University of California.

Each year, the California Postsecondary Education Commission (CPEC) prepares a report on faculty compensation. In CPEC's preliminary report for 1984-85 (issued in December 1983), UC faculty (and therefore Hastings' faculty) were projected to be 12.8 percent behind their comparison institutions in salary and 13.2 percent behind in fringe benefits. A second report, reflecting *actual* current-year salaries at comparison institutions will be published in April 1984. We withhold recommendation on the amount requested for employee compensation increases, pending the receipt of this report.

C. FEDERAL TRUST FUND (Item 6600-001-890)*We recommend approval.*

The budget requests \$795,000 from the Federal Trust Fund to be used primarily for student financial aid. Our review indicates that this proposal is reasonable, and we recommend that the request be approved.

HASTINGS COLLEGE OF THE LAW—MINOR CAPITAL OUTLAY

Item 6600-301 from the Capital
Outlay Fund for Public High-
er Education

Budget p. E 163

Requested 1984-85	\$311,000
Recommended reduction	211,000
Recommendation pending	100,000

ANALYSIS AND RECOMMENDATIONS**Minor Capital Outlay**

We withhold recommendation on funds for the installation of the emergency electrical life safety system at the 198 McAllister building, pending receipt of adequate cost information.

We recommend that funds for the remaining five projects be deleted because (1) one project lacks justification and detail and (2) four projects were part of the building's original construction completed just three years ago for a savings of \$211,000, (Future Savings: \$135,000).

Item 6600-301-146 contains \$311,000 for six minor capital outlay projects for the Hastings College of the Law. All six projects involve modifications to the electrical or ventilation systems at the college's two buildings on McAllister Street in San Francisco. Funding would be provided from the Capital Outlay Fund for Public Higher Education (COFPHE).

The first project proposes installation of an emergency electrical life safety system at the 198 McAllister Street building and is budgeted for \$100,000. The project involves installation of a diesel driven generator with an emergency power distribution system for lighting and elevators.

Our analysis indicates that this project is needed to meet code requirements. The college, however, has not presented adequate cost estimates of the project, and consequently, we are unable to determine the appropriate funding level for it. We withhold recommendation on this project, pending receipt of additional cost information.

The remaining five projects to be funded from this item are:

- Upgrade of ventilation system for third floor at 200 McAllister building (\$40,000).
- Modify air handling system at 198 McAllister building (\$78,000)
- Increase electrical capacity at 200 McAllister building (\$5,000)
- Engineering and design services for computerized control for heating and ventilation system at 200 McAllister building (\$10,000). Future cost estimated to be \$135,000.
- Install alternating current adjustable frequency drives for air handling motors at 200 McAllister building (\$78,000).

Four of the proposed projects call for modifications to the 200 McAllister Street building. This building was completed less than three years ago, in 1981. Our analysis indicates that all required electrical and ventilation requirements for this building were part of the original construction project. Since the building is being used in a manner that is consistent with the original design, additional work should not be needed. In addition, information provided by the college to substantiate the requests is not sufficient to justify the projects. Each project request contains minimal detail, with no breakdown of or justification for the amount requested. Consequently, we recommend that the projects requested for the 200 McAllister building be deleted, for a savings of \$133,000.

The remaining project for the 198 McAllister building, modification of the air handling system, has not been adequately justified. No information has been presented to indicate that the present air handling and flow systems are inadequate. Information provided by the college does not give any indication of the scope or size of the requested modification, nor is there a breakdown of or justification for the requested appropriation. Given the lack of justification for this project, we recommend that it be deleted, for a savings of \$78,000.

CALIFORNIA STATE UNIVERSITY

Item 6610 from the General
Fund and various funds

Budget p. E 164

Requested 1984-85	\$1,149,014,000
Estimated 1983-84	955,345,000
Actual 1982-83	916,628,000
Requested increase (including amount for salary increase) \$193,669,000 (+20.3 percent)	
Total recommended reduction	14,315,000
Recommendation pending	105,201,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
6610-001-001—CSU, support		General	\$1,013,072,000
6610-011-001—CSU, support		General	13,441,000
6610-021-001—CSU, support		General	22,540,000
6610-031-001—CSU, support		General	99,961,000
6610-001-890—CSU, student services		Federal Trust	(52,821,000)
6610-490—CSU, reappropriation of savings		General	—
Total			\$1,149,014,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. State-Funded Summer Quarter. Recommend that the state-funded summer quarter at Hayward, Los Angeles, Pomona, and San Luis Obispo be continued on a permanent basis. Further recommend that displays of enrollment in the Governor's Budget be modified to combine academic year and summer quarter enrollment for these campuses. 1816
2. *Technical Adjustment—San Francisco Campus. Reduce Item 6610-001-001 by \$40,000.* Recommend a reduction of \$40,000 associated with the year-round operations coordinator and related clerical support at San Francisco State University because there are no plans to convert this campus to year-round operations. 1817
3. *Faculty Recruitment and Retention. Reduce Item 6610-001-001 by \$1,046,000.* Recommend that funding related to faculty recruitment and retention be deleted because adequate funding is already available for this purpose. 1822
4. Instructional Equipment. Recommend adoption of supplemental report language requiring CSU to (1) base future funding requests for instructional equipment on the UC model, (2) maintain current funding allocations for instructional equipment from base expenditure and external sources, and (3) submit an annual report on instructional equipment replacement. 1823
5. Computing Support. Withhold recommendation on the proposals to increase the computing budget by \$5.0 million, pending receipt of additional information. 1827

6. Administrative Computing Support. Withhold recommendation on proposed augmentation of \$250,000 for administrative computing systems, pending receipt of the Legislatively-mandated report on systemwide computing. 1829
7. Student Fees. Recommend enactment of legislation requiring CSU to (1) annually adjust student fees to maintain the students' contribution toward the cost of education at a specified percentage, (2) budget all student fee revenue as an offset to the General Fund, and (3) assess the fee on a differential basis, so that part-time students pay less than full-time students. 1832
8. *Student Fees. Reduce Item 6610-001-001 by \$11,908,000.* Recommend a reduction of \$11,908,000 because proposed shift in funding source for financial aid from student fees to General Fund is based on a faulty premise and would further restrict the use of fee revenues. 1834
9. *Financial Aid Administration. Reduce Item 6610-001-001 by \$716,000.* Recommend deletion of funding requested to cover a shortfall in federal financial aid overhead reimbursements because CSU was directed by the Legislature and agreed to offset this shortfall by (1) reducing other student services programs or (2) increasing the student services fee. 1835
10. *Student Affirmative Action. Reduce Item 6610-001-001 by \$30,000.* Recommend that \$30,000 requested for a new information system be deleted because (1) a separate reporting system for this program is not warranted given the pending consolidation with the Educational Opportunity Program and (2) all administrative computing systems in CSU currently are under review and it would be premature to establish a new system before this review is completed. 1838
11. Legislatively-Mandated Reports. Recommend that CSU explain why it has been unable to comply with legislative directives to submit information. 1841
12. State-Owned Housing. Recommend that CSU report during budget hearings on the status of its plan to annually adjust utility assessments on state-owned residences. 1843
13. Public Safety. Recommend adoption of supplemental report language relating to public safety activities which accurately reflects the workload associated with the parking program. 1843
14. *Deferred Maintenance. Reduce Item 6610-001-001 by \$575,000.* Recommend that \$575,000 requested for emergency reserve and development of a work order control system be deleted because (1) the budget already contains a reserve for emergencies statewide and (2) central development of a work order control system should await the results of the review of centrally developed administrative computing systems that is now underway. 1845
15. Reappropriation of Savings. Delete Item 6610-490. Recommend that the Budget Bill be amended to delete the provision which provides for reappropriation of savings because conventional budgeting practices require that ex- 1846

CALIFORNIA STATE UNIVERSITY—Continued

- penditures be budgeted for the fiscal year in which they are expected to occur.
16. Reclassification of Capacity Space. Recommend that the Budget Bill be amended to (1) delete Provision 4 of Item 6610-001-001 and (2) add a control section which requires CSU to notify the Joint Legislative Budget Committee, the fiscal committees, and the Department of Finance prior to reclassifying instructional capacity space to other uses. 1846
 17. *Independent Operations. Reduce Item 6610-001-001 by \$17,851,000. Reduce reimbursements by same amount.* Recommend reduction to correct for overbudgeting of expenditures, due to budget's failure to account for the proposed 35 percent reduction in positions on level of activities. 1847
 18. Independent Operations. Recommend that during budget hearings, CSU report on the status of its new policy of charging self-supported operations for services provided by the General Fund. 1848
 19. Salary Increase. Withhold recommendation on the \$99,961,000 requested for CSU employee compensation increases, pending submission to the Legislature of memoranda of understanding (MOUs) and compensation proposals for nonrepresented employees. 1850
 20. Current-Year Employee Compensation Allocation. Recommend that the Department of Finance explain the basis on which the employee compensation allocation was calculated. 1852
 21. Budget Year Compensation Deficit. Recommend that CSU submit to the Legislature by April 1, 1984, a plan which specifies how the employee compensation deficit of \$4.5 million will be funded. 1853
 22. Collective Bargaining Costs. Recommend that CSU explain why there are no absorbable costs associated with various provisions of 1983 MOUs. 1853

Overview of Legislative Analyst's Recommendations

We recommend reductions to the CSU budget totaling \$14.3 million. Of this amount, however, \$12.6 million can be achieved without cutting programs or reducing services by using student fee revenues to continue the existing program levels. The remaining \$1.7 million represents reduction to the program levels in (1) year-round operations administration, (2) faculty recruitment, (3) student affirmative action, and (4) deferred maintenance. In addition, we have identified an overbudgeting error of \$17.8 million in the Independent Operations program. This reduction would be accompanied by a reduction in reimbursements, thereby resulting in no net General Fund impact.

Our recommendations are summarized in the following table:

**Summary of Legislative Analyst's
Recommended Fiscal Changes to the
1984-85 CSU Budget**

<i>Program</i>	<i>Program Changes</i>	<i>Impact on General Fund</i>
YRO Coordinator—SFSU	—\$40,000	—\$40,000
Faculty Recruitment and Retention	—1,046,000	—1,046,000
Student Fees	—	—11,908,000 ^a
Federal Reimbursements	—	—716,000 ^a
Student Affirmative Action	—30,000	—30,000
Deferred Maintenance	—575,000	—575,000
Independent Operations	—17,851,000	— ^b
Totals	—\$19,542,000	—\$14,315,000

^a Funding shift.

^b This expenditure reduction is accompanied by a reduction in reimbursements; therefore, there is no *net* impact on the General Fund.

GENERAL PROGRAM STATEMENT

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

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

The system includes 19 campuses with an estimated 1983-84 full-time equivalent (FTE) enrollment of 242,984. In the current year, the system has 33,336 authorized personnel-years.

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

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

OVERVIEW OF THE BUDGET REQUEST

The budget proposes General Fund expenditures of \$1,149,014,000 for support of the CSU system in 1984-85. This is an increase of \$201,019,000, or 21 percent, from estimated current-year General Fund expenditures. This increase includes \$99,961,000 associated with the cost of salary and staff benefit increases in 1984-85. The amount proposed is equivalent to a 10 percent salary increase, although the actual allocation of these funds will be determined through the collective bargaining process, subject to approval by the Legislature. (This issue is discussed in greater detail later in this analysis.)

CALIFORNIA STATE UNIVERSITY—Continued

Table 1 provides a budget summary for the CSU system, by program, for the prior, current, and budget years. This table indicates that, while General Fund support will amount to \$1,149,014,000 in 1984-85, total funds available to CSU will be \$1.8 billion, which is \$205.3 million, or 12.9 percent, more than estimated total expenditures in the current year.

Table 2 shows total expenditures proposed in the budget for the CSU system in 1984-85, by program and source of funds.

1984-85 Budget Changes

As detailed in Table 3, the proposed budget for CSU in 1984-85 contains several offsetting increases and decreases. The table shows that:

- **Baseline adjustments** total \$48.7 million, including \$11.6 million for increases to offset the effects of inflation on the prices that CSU must pay, and \$8.9 million for merit salary increases and faculty promotions. In addition, \$30.9 million is proposed to fund the annualized cost of compensation increases granted in 1983-84.

Table 1
The California State University
Budget Summary
1982-83 through 1984-85
(dollars in thousands)

Program	Actual 1982-83	Estimated 1983-84	Proposed 1984-85	Change	
				Amount	Percent
Instruction	\$651,683	\$709,866	\$752,933	\$43,067	6.1%
Public Service	781	810	875	65	8.0
Academic Support	116,855	124,712	139,681	14,969	12.0
Student Service	145,931	156,599	165,271	8,672	5.5
Institutional Support	294,032	303,737	326,839	23,102	7.6
Independent Operations	48,213	50,691	53,709	3,018	6.0
Auxiliary Organizations	229,300	240,700	253,100	12,400	5.2
Unallocated Salary Increase	—	—	99,961	99,961	100.0
Totals, Expenditures	\$1,486,795	\$1,587,115	\$1,792,369	\$205,254	12.9%
Reimbursements	-229,295	-291,350	-279,745	11,605	-4.0
Net Expenditure Totals	\$1,257,500	\$1,295,765	\$1,512,624	\$216,859	16.7%
Funding Source					
General Fund	\$907,338	\$947,995	\$1,149,014	\$201,019	21.2%
Federal Trust Fund	58,586	48,296	52,821	4,525	9.4
Capital Outlay Fund for Public Higher Education	9,290	7,350	—	-7,350	-100.0
Dormitory Revenue Fund:					
Housing	16,956	20,055	22,908	2,853	14.2
Parking	6,770	7,457	7,768	311	4.2
Continuing Education Revenue Fund	29,260	23,912	27,013	3,101	13.0
Auxiliary Organizations:					
Federal	49,300	51,750	54,417	2,667	5.2
Other	180,000	188,950	198,683	9,733	5.2
Personnel-Years	33,875.1	33,335.5	32,615.4	-720.1	-2.2%

Table 2
California State University
Source of Funds, by Subprogram
1984-1985 Governor's Budget
(in thousands)

	<i>General Fund</i>			<i>Special Funds</i>						
	<i>Net</i>	<i>Reimburse- ments</i>	<i>Totals</i>	<i>Continuing Education</i>	<i>Dormitory</i>	<i>Parking</i>	<i>Federal Trust</i>	<i>Total Special Funds</i>	<i>Foundations and Auxiliary Organizations</i>	<i>Grand Totals</i>
1. Instruction										
Regular instruction.....	\$711,365	\$25,723	\$737,088	—	—	—	—	—	—	—
Special session instruction	—	—	—	\$9,996	—	—	—	\$9,996	—	—
Extension instruction	—	—	—	5,849	—	—	—	5,849	—	—
Totals, Instruction	\$711,365	\$25,723	\$737,088	\$15,845	—	—	—	\$15,845	—	\$752,933
2. Public Service										
Campus community service.....	—	\$875	\$875	—	—	—	—	—	—	\$875
3. Academic Support										
Libraries	\$64,125	\$3,281	\$67,406	\$36	—	—	—	\$36	—	—
Audiovisual services	13,476	483	13,959	38	—	—	—	38	—	—
Computing support	41,570	1,499	43,069	90	—	—	—	90	—	—
Ancillary support.....	14,551	532	15,083	—	—	—	—	—	—	—
Totals, Academic Support	\$133,722	\$5,795	\$139,517	\$164	—	—	—	\$164	—	\$139,681
4. Student Services										
Social and cultural development	—	\$5,132	\$5,132	—	—	—	—	—	—	—
Supplemental educational services										
—EOP	\$16,005	—	16,005	—	—	—	—	—	—	—
Counseling and career guidance	—	23,060	23,060	\$9	—	—	—	\$9	—	—
Financial aid.....	13,595	20,537	34,132	—	—	—	\$52,821	52,821	—	—
Student support.....	3,345	26,101	29,446	34	\$4,632	—	—	4,666	—	—
Totals, Student Services	\$32,945	\$74,830	\$107,775	\$43	\$4,632	—	\$52,821	\$57,496	—	\$165,271
5. Institutional Support										
Executive management.....	\$14,978	\$9,337	\$24,315	\$7,655	—	—	—	\$7,655	—	—
Financial operations.....	14,134	9,835	23,969	750	\$889	\$757	—	2,396	—	—
General administrative services	19,875	24,832	44,707	293	—	—	—	293	—	—
Logistical services.....	29,001	18,220	47,221	1,351	2,685	4,308	—	8,344	—	—
Physical plant operations	83,920	51,724	135,644	41	14,702	1,538	—	16,281	—	—
Faculty and staff services	6,805	4,189	10,994	—	—	—	—	—	—	—
Community relations	2,308	1,841	4,149	871	—	—	—	871	—	—
Totals, Institutional Support	\$171,021	\$119,978	\$290,999	\$10,961	\$18,276	\$6,603	—	\$35,840	—	\$326,839
6. Independent Operations	—	\$52,544	\$52,544	—	—	\$1,165	—	\$1,165	—	\$53,709
7. Auxiliary organizations	—	—	—	—	—	—	—	—	\$253,100	\$253,100
8. Unallocated Salary Increase	99,961	—	99,961	—	—	—	—	—	—	99,961
Totals, Support Budget Expendi- tures	\$1,149,014	\$279,745	\$1,428,759	\$27,013	\$22,908	\$7,768	\$52,821	\$110,510	\$253,100	\$1,792,369

CALIFORNIA STATE UNIVERSITY—Continued

Table 3
California State University
General Fund Budget Changes Proposed for 1984-85
(in thousands)

1983-84 Expenditures (Adjusted).....		\$948,000
I. Baseline Adjustments		
A. Increased Cost of Existing Personnel		
1. Merit Salary adjustments.....	\$7,880	
2. Annualized cost of 1983-84 compensation increases	30,905	
3. Faculty promotions	1,087	
4. OASDI	2,726	
5. Retirement	-47	
6. Workers' compensation	-200	
7. Unemployment compensation	750	
8. Industrial disability leave.....	50	
9. Nonindustrial disability leave	25	
Subtotal, Increased Cost of Existing Personnel	\$43,176	
B. Nonrecurring Items		
1. Unfunded compensation increases	-5,783	
2. Furniture	-280	
Subtotal, Nonrecurring Items	-\$6,063	
C. Price Increase	11,569	
Total, Baseline Adjustments		\$48,682
II. Program Maintenance Proposals		
A. Workload Adjustment—280 FTE	\$415	
B. Special Costs Factors—Campuses		
1. Instruction	-145	
2. Academic support	526	
3. Student services	646	
4. Institutional support	1,486	
5. Reimbursements	1,814	
6. Systemwide	594	
Total, Program Maintenance Proposals		\$5,336
III. Budget Change Proposals		
1. Technical staffing	3,425	
2. Instructional equipment	9,000	
3. Instructional supplies and services	2,000	
4. Faculty recruitment and development	1,046	
5. Library staffing	1,126	
6. Special repairs	6,720	
7. Computing support.....	4,990	
Total, Budget Change Proposals		\$28,307
IV. Special Adjustments		
1. Student fee decrease	11,908	
2. Unallocated salary increase.....	99,961	
3. Funding shift-COPPE to General Fund	6,820	
Total, Special Adjustments.....		\$118,689
1984-85 Expenditures (Proposed)		\$1,149,014
Total Change from 1983-84:		
Amount		\$201,014
Percent		21.2%

• *Program maintenance proposals* result in an increase of \$5.3 million, reflecting, in part, (1) increased enrollment of 280 FTE students and (2) campus special cost adjustments related to enrollment changes.

- **Budget change proposals** call for an increase of \$28.3 million and 201.8 positions in order to augment the instructional and academic support programs. (These augmentations are discussed in detail later in this *Analysis*.)

- **Special adjustments** proposed in the budget include (1) a \$42 decrease in fees paid by full-time students (from \$692 to \$650), thereby requiring a General Fund augmentation of \$11.9 million, (2) \$100 million for unallocated salary and benefit increases, and (3) a \$6.8 million shift in the funding source for instructional equipment and deferred maintenance from COFPHE to the General Fund.

Position Reductions Shown in CSU Budget are Meaningless

The budget for 1984-85 reflects a reduction of 720 positions, or 2.2 percent, from the current year. These reductions are subject to misinterpretation, however, because they do not reflect any decrease in state employment or in state expenditures. Of the total proposed for reduction, 579 positions are being eliminated from the Independent Operations program—a program that is fully funded by reimbursements. Positions in this program are established in anticipation of receipt of external funding. The position total in this category, therefore, is a placeholder only and does not reflect workload-driven positions. As we discuss in detail later, no corresponding reduction in expenditures is proposed in the budget for this program. The other 141 positions shown in the budget as being eliminated merely reflect a decision by the Department of Finance to graphically display for the first-time in CSU's budget personnel-year equivalents related to salary savings requirements. They do not in any way represent a cut-back in staffing or program levels. Consequently, these position reductions are meaningless.

ANALYSIS AND RECOMMENDATIONS

Budget Presentation

In the analysis which follows, the CSU budget is divided into seven program classifications. The first two—Instruction, and Public Service—encompass the primary educational functions of the system. The remaining five—Academic Support, Student Services, Institutional Support, Independent Operations, and Foundations and Auxiliary Organizations—provide support services to the two primary programs. (See Table 2 for an overall outline of the system's programs and subprograms.) In addition, the 1984-85 budget document includes an eighth category of expenditures—unallocated salary increase.

I. INSTRUCTION

The instruction program includes all major instructional activities in which students earn academic credit towards a degree. The program consists of enrollment and three instruction elements: regular, special session, and extension.

Expenditures for instruction in the prior, current, and budget years are shown in Table 4.

CALIFORNIA STATE UNIVERSITY—Continued

Table 4
Instruction Program Costs
1982-83 through 1984-85
(dollars in thousands)

Program	<i>Actual</i> 1982-83	<i>Estimated</i> 1983-84	<i>Proposed</i> 1984-85	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Regular instruction	\$634,531	\$695,822	\$737,088	\$41,266	5.9%
Special session instruction	10,579	9,052	9,996	944	10.4
Extension instruction	6,573	4,992	5,849	857	17.2
Totals	\$651,683	\$709,866	\$752,933	\$43,067	6.1%
Funding Source:					
<i>General Fund</i>	\$602,266	\$666,474	\$711,365	\$44,891	6.7%
<i>Reimbursements</i>	27,897	26,480	25,723	-757	-2.9
<i>Continuing Education Revenue Fund</i>	17,152	14,044	15,845	1,801	12.8
<i>Capital Outlay Fund for Public High-</i>					
<i>er Education</i>	4,368	2,868	—	-2,868	-100.0
Personnel:					
Regular instruction	18,641.4	17,811.3	17,758.4	-52.9	-0.3%
Extension and special session	864.1	720.4	720.4	—	—
Totals	19,505.5	18,531.7	18,478.8	-52.9	-0.3%

A. REGULAR ENROLLMENT

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

Table 5
Annual Full-Time Equivalent Students
1982-83 through 1984-85

<i>Campus</i>	<i>1982-83</i> <i>Actual</i>	<i>1983-84</i>		<i>1984-85</i> <i>Proposed</i>
		<i>Budgeted</i>	<i>Revised</i> <i>Estimate</i>	
Bakersfield	2,403	2,420	2,483	2,500
Chico	12,530	12,500	12,680	12,600
Dominguez Hills	5,761	5,800	5,765	5,850
Fresno	13,349	13,500	13,626	13,600
Fullerton	15,889	15,600	15,891	15,600
Hayward	9,457	9,710	9,743	10,000
Humboldt	6,442	6,580	5,866	6,230
Long Beach	22,237	22,000	22,070	22,000
Los Angeles	16,191	16,390	15,911	16,000
Northridge	19,743	19,100	19,698	19,100
Pomona	14,261	14,300	14,435	14,300
Sacramento	16,937	16,900	17,057	16,900
San Bernardino	3,689	3,850	4,045	4,250
San Diego	23,713	24,600	24,819	24,600
San Francisco	17,672	17,700	17,559	17,700
San Jose	18,174	18,000	18,419	18,100
San Luis Obispo	15,153	15,470	15,211	15,430
Sonoma	4,274	4,400	4,153	4,300
Stanislaus	3,118	3,220	3,133	3,200
Systemwide Totals:				
College Year	240,990	242,040	242,564	242,260
International Programs	416	420	420	480
Grand Totals	241,407	242,460	242,984	242,740

As shown in Table 5, the revised estimate of CSU enrollment in the current year (1983-84) is 242,984 FTE students. This includes summer quarter enrollment at the Hayward, Los Angeles, Pomona and San Luis Obispo campuses which operate on a year-round basis. The revised estimate is 524 FTE (0.2 percent) higher than the number budgeted for in 1983-84, and 1,578 FTE (0.7 percent) above actual 1982-83 FTE enrollment. A control section in the 1983 Budget Act permits the Director of Finance to authorize the accelerated expenditure of budgeted funds by CSU and UC when actual statewide enrollments exceed budgeted enrollments by at least 2 percent, in anticipation of a deficiency appropriation. Because CSU actual enrollment exceeds the budgeted level by only 0.2 percent, a deficiency appropriation cannot be requested for the current year and CSU will have to absorb the additional costs associated with the unanticipated enrollment.

The budget proposes FTE enrollment of 242,740 in 1984-85, an increase of 280 FTE over the budgeted 1983-84 FTE, but 244 FTE less the revised 1983-84 enrollment.

B. STATE-FUNDED OFF-CAMPUS ENROLLMENT

Table 6 shows enrollment in off-campus programs. The budget is proposing an increase of 207 FTE (18.4 percent) in off-campus enrollment. The largest increases will occur at the Contra Costa Center affiliated with the Hayward campus, and the Downtown Center of the San Francisco campus. The budget proposes an increase of \$79,000 related to increased rental charges at the Contra Costa Center.

Table 6
State-Funded CSU Off-Campus Instruction FTE*
1982-83 through 1984-85

Campus	1982-83 Actual	1983-84 Estimated	1984-85 Proposed	Change from 1983-84	
				Amount	Percent
Chico	2.8	10	15	5	50.0%
Dominguez Hills.....	17.3	20	20	—	—
Fresno	17.5	20	20	—	—
Fullerton.....	9.9	15	15	—	—
Hayward	242.7	320	440	120	37.5
(Contra Costa Center)	—	—	(440)	—	—
Los Angeles	23.9	40	40	—	—
Northridge	67.1	86	86	—	—
(Ventura Center)	—	—	(86)	—	—
Sacramento	12	40	40	—	—
San Diego	208	250	250	—	—
(North County Center)	—	—	(160)	—	—
San Francisco	17.4	25	90	65	260.0
(Downtown Center)	—	—	(90)	—	—
San Jose.....	68.4	80	90	10	12.5
Sonoma	3.8	5	7	2	40.0
Stanislaus	153.4	215	220	5	2.3
(Stockton Center)	—	—	(220)	—	—
Total, Campuses	844.2	1,126	1,333	207	18.4
Total, Centers	—	—	(996)	—	—

* State-funded off-campus instruction is not provided at the Bakersfield, Humboldt, Long Beach, Pomona, San Bernardino, or San Luis Obispo campuses.

CALIFORNIA STATE UNIVERSITY—Continued**C. SELF-SUPPORT ENROLLMENT**

Enrollment other than that referred to as "regular" occurs in special session and extension courses. This enrollment is shown in Table 7. The special session category consists of enrollment in self-supporting courses which grant credit towards a degree, including external degree programs and summer sessions. Extension courses, also self-supporting, are predominantly noncredit.

Table 7
Special Session and Extension Program Enrollment
1981-82 through 1984-85

	<i>Net Enrollment</i>			<i>Annual FTE</i>		
	<i>Special Session</i>	<i>Extension</i>	<i>Totals</i>	<i>Special Session</i>	<i>Extension</i>	<i>Totals</i>
1981-82.....	75,488	64,138	139,626	9,069.2	5,980.8	15,050.0
1982-83.....	78,160	67,302	145,462	9,390.0	6,289.0	15,679.0
1983-84 (budgeted)	72,802	60,288	133,090	8,622.0	5,508.0	14,130.0
1984-85 (projected)	76,515	68,011	144,526	9,062.0	5,905.0	14,967.0

D. BUDGET BILL PROVISION—ENROLLMENT ADJUSTMENTS

The Budget Bill permits the Director of Finance to authorize the accelerated expenditure of budgeted funds by the California State University and the University of California when actual systemwide enrollments exceed budgeted enrollments by at least 2 percent. This would be done in anticipation of a supplemental General Fund appropriation. The increased expenditure permitted by the Budget Bill under these circumstances, however, may not exceed \$6 million.

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

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

In the past, the language authorizing the accelerated expenditure of budgeted funds has been included in a control section of the Budget Act (Section 24.40 in the 1983 Budget Act). The budget for 1984-85, however, proposes that (1) the language be attached to the CSU and the UC budget items (6610-001-001 and 6440-001-001) and (2) the maximum allowable deficiency appropriation be increased from \$5 million to \$6 million.

We see no problem in moving the language from the control section to the CSU and UC items.

E. STUDENT ETHNICITY

As shown in Table 8, the proportion of CSU students that are members of minority groups has increased in recent years, while the proportion that is white has declined. Hispanics accounted for 9.2 percent of CSU enrollment in the fall of 1982—an increase of 2.7 percentage points over the fall of 1974. We note, however, that between 1974 and 1978, the proportion of

Blacks increased from 6.1 percent to 7.7 percent—an increase of 1.6 percentage points. Since 1978, however, Black student enrollment has declined from 7.7 percent in 1978 to 6.5 percent in 1982—a decrease of 1.2 percentage points. CSU has been unable to determine the specific causes for this decline.

Two factors appear to explain the increase in overall minority enrollment at CSU since 1974: (1) the increasing proportion that minority group members represent of those eligible to attend CSU and (2) the system's affirmative action efforts.

Table 8
CSU Ethnic Group Distribution^a
For Selected Years

<i>Ethnic Group</i>	<i>1974</i>	<i>1976</i>	<i>1978</i>	<i>1980</i>	<i>1981</i>	<i>1982</i>
Hispanic ^b	6.5%	7.6%	8.6%	9.2%	9.0%	9.2%
Black	6.1	6.8	7.7	7.0	6.9	6.5
Other minority	8.0	9.2	9.8	10.7	12.4	12.6
White	79.4	76.4	73.9	73.1	71.7	71.7
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

^a Percentage distribution based on students responding, fall term

^b "Hispanic" category defined as "Mexican-American" and "Other Hispanic"

F. REGULAR INSTRUCTION

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

1. Student Workload

During most of the 1970's, student workload in the CSU system declined. In 1978-79, however, this trend was reversed, and the average student workload has continued to increase since that year. Simply put, students have been taking more course units per academic year. Table 9 shows the trend in student workload.

Table 9
CSU
Average Student Workload
1978-79 through 1982-83

	<i>Annual FTE</i>	<i>Average Term Enrollment</i>	<i>Student Workload</i>	
			<i>Academic Year</i>	<i>Per Term</i>
1978-79	223,000	296,875	22.53	11.26
1979-80	226,793	299,987	22.68	11.34
1980-81	232,740	307,456	22.71	11.36
1981-82	233,888	308,545	22.74	11.37
1982-83	235,155	307,903	22.91	11.46

CALIFORNIA STATE UNIVERSITY—Continued**2. Faculty Staffing**

Most faculty positions are budgeted on the basis of a model which takes into account (1) the mode of instruction (lecture or laboratory) and (2) the level of instruction (lower division, upper division, or graduate). Resources thus generated are then distributed to campuses by the Chancellor's office, where they are, in turn, allocated to the various academic disciplines.

As Table 10 shows, the number of CSU faculty budgeted in 1977-78 was equal to one per 17.6 students. Since 1977-78, the student-faculty ratio has been adjusted to reflect shifts in student demand among academic disciplines (described below). The student-faculty ratio of 17.90:1 budgeted for 1984-85 primarily reflects the impact of a decrease in faculty positions resulting from shifts in student demand.

Table 10
CSU Student-Faculty Ratios
1977-78 through 1984-85

	<i>Faculty Positions</i>		<i>Student-Faculty Ratio</i>	
	<i>Budgeted</i>	<i>Actual</i>	<i>Budgeted</i>	<i>Actual</i>
1977-78	13,364.5	13,211.2	17.66	17.23
1978-79	13,431.0	13,090.2	17.63	17.49
1979-80	12,918.6	12,930.4	17.72	17.98
1980-81	13,034.2	13,075.5	17.67	18.25
1981-82	13,320.3	13,196.7	17.75	18.18
1982-83	13,400.8	13,265.3	17.87	18.17
1983-84	13,549.1	—	17.86	—
1984-85 (proposed) ^a	13,537.4	—	17.90	—

^a The 1984-85 budget was prepared using a method that relies on the mode and level student credit unit (SCU) distribution reported for the 1982-83 academic year. This yields a student-faculty ratio of 17.90:1.

3. Effects of Shifts in Student Demand on Faculty Staffing

The 1977 Budget Act provided \$2.1 million for 107.2 new faculty positions to augment those generated by the regular budget staffing formula (17.66:1) for 1977-78. These positions were added to meet the shift in student demand (1) from lower division to upper division courses and (2) from the lower-cost liberal arts and social sciences areas to the more-expensive technically- and occupationally-oriented disciplines. This was done because upper division and more technically oriented courses require more faculty to teach a given number of students. Consequently, a constant student-faculty ratio would have resulted in a de facto drop in faculty resources relative to need.

The Budget Acts of 1978 and 1979 continued the policy by providing additional faculty positions to reflect shifts in student demand toward the more-expensive disciplines. The 1980 Budget Act, however, reflected the impact of a shift in student demand back toward lower division courses. Because this trend is projected to continue in 1984-85, the budget provides for a reduction of 20.6 faculty positions.

Table 11 shows the effects of these adjustments on the number of faculty positions since 1982-83. The table also shows that a total of 13,537.4 faculty positions are budgeted for 1984-85. This is a net reduction of 11.7 positions from 1983-84.

4. Faculty Workload Data

Some of the basic measures of faculty workload are average class size, the number of student-faculty contact hours, the number of weighted teaching units (WTU) taught by faculty, and the number of student credit units (SCU) generated. Table 12 shows these measures which, for the most part, remained relatively constant during the 1981-82 period. As the table indicates, the number of lecture and laboratory sections taught by CSU faculty average four per semester. In the case of individual faculty members, this workload could consist of four different courses, four sections of the same course or any combination thereof.

Table 11
CSU Faculty Positions
1982-83 through 1984-85

	<i>Budgeted 1982-83</i>	<i>Budgeted 1983-84</i>	<i>Requested 1984-85</i>
Prior year base	13,320.3	13,400.8	13,549.1
Enrollment change adjustment ^a	+57.2	+149.0	+8.9
Student demand adjustment	-69.0	-0.7	-20.6
Reduction in summer quarter support level	-17.5	—	—
Totals Requested	13,291.0	13,549.1	13,537.4
Budget Changes	109.8 ^b	—	—
Total Budgeted	13,400.8	13,549.1	—

^a Includes the effects of changes in joint doctoral enrollment.

^b Enrollment increase of 1,960 FTES.

Table 12
Faculty Workload Indicators
1980 through 1982

<i>Indicator</i>	<i>Fall 1980</i>	<i>Fall 1981</i>	<i>Fall 1982</i>	<i>Change from 1981</i>
Faculty FTE ^a	12,641.6	12,963.0	12,994.3	+31.3
Percent of regular faculty with Ph.d.	71.9%	71.3%	72.3%	+1.0%
Enrollment FTE ^b	237,832	240,952	241,164	+212
Lecture and laboratory sections per faculty FTE	4.0	4.1	4.0	-0.1
Lecture and laboratory contact hours per faculty FTE per week	13.7	13.2	13.1	-0.1
Independent study contact hours per faculty FTE per week	3.9	3.8	3.8	—
Total contact hours per faculty FTE per week	17.6	17.0	16.9	-0.1
Average lecture class size	28.1	27.8	27.9	+0.1
Average laboratory class size	19.9	19.4	19.9	+0.5
Lecture and laboratory WTU ^c per faculty FTE	11.4	11.3	11.3	—
Independent study WTU per faculty FTE	1.6	1.6	1.5	-0.1
Total WTU per faculty FTE	13.0	12.9	12.8	-0.1
SCU ^d per WTU	21.74	21.61	21.70	+0.1
SCU per faculty FTE	282.2	278.8	278.4	-0.4

^a Full-Time Equivalent (FTE) faculty, the sum of instructional faculty positions reported used.

^b Full-Time Equivalent (FTE) student equals 15 student credit units.

^c Weighted Teaching Units.

^d Student Credit Units.

CALIFORNIA STATE UNIVERSITY—Continued

5. Continuation of State-Funded Summer Quarter is Warranted

We recommend that the state-funded summer quarter at Hayward, Los Angeles, Pomona, and San Luis Obispo be continued on a permanent basis. We further recommend that displays of enrollment in the Governor's Budget be modified to combine academic year and summer quarter enrollment for these campuses.

As we discuss in the postsecondary education overview, the Governor's Budget for 1983–84 proposed that funding for the state-funded summer quarter at CSU be eliminated and that this term be replaced by a fee-funded summer session. Subsequently, the administration requested that funding for the summer quarter be included in the 1983 Budget Act, and the Legislature reinstated the money. The Legislature also included language in the *Supplemental Report to the 1983 Budget Act* directing CSU to submit a report on year-round operations at the four campuses offering a summer quarter.

a. *Evaluation of the CSU Report.* The CSU report submitted in response to the Legislature's directive concludes that termination of year-round operations (YRO) would:

- Delay student graduations;
- Reduce admission rates;
- Reduce the utilization of facilities and equipment;
- Allow fewer students in degree programs that have been declared impacted—an impacted program is an academic program which, due to facility and staffing limitations, cannot accept all qualified applicants;
- Increase the number of impacted programs; and
- Result in savings only if student access to the system is reduced.

The conclusions in the report are based on (1) a comparison of YRO with the "regular" academic terms—fall, winter, and spring—in terms of costs, curriculum, faculty utilization and enrollment and (2) the results of a survey of students conducted at the four YRO campuses in the summer of 1983.

We have reviewed CSU's report and agree with its basic conclusion that state-funded summer quarters comprise integral instructional components at the Hayward, Los Angeles, Pomona, and San Luis Obispo campuses. Our review considered (1) the cost of summer quarter operations, (2) the use of facilities, (3) the curriculum and impacted programs, (4) student degree progress, and (5) the "equity" of the programs. Our findings are as follows:

• *Cost.* The *annualized* marginal cost for a full-time student attending one of the four YRO campuses during the summer quarter in 1983 was \$2,049, compared with a systemwide average of \$2,085 per FTE during the regular academic year. Thus, the state incurs no additional cost *per student* due to the operation of the summer quarter.

• *Use of Facilities.* Elimination of YRO would reduce the utilization of facilities and equipment and cause campus-specific disruptions.

• *Curriculum and Impacted Programs.* Elimination of summer quarters would diminish the campuses' ability to accommodate additional students in impacted programs, particularly in "high technology" disciplines.

- **Student Degree Progress.** If summer quarter operations were terminated, (1) currently enrolled students could have their degree programs delayed and (2) prospective *qualified* students could have their admission delayed or denied altogether.

- **Equity of State-Funded Summer Quarter.** The assertion that a fee-funded summer session could be substituted for a state-funded summer quarter and result in more-equitable treatment of students appears to be incorrect because (1) the nature of the academic programs in the two summer programs is fundamentally different and (2) the types of students enrolled in these programs are different.

b. **Long-Term YRO Policy.** We conclude, therefore, that the state-funded summer quarter is cost-beneficial because (1) it provides a greater number of students with access to these campuses, at no increase in marginal cost per student, (2) it utilizes facilities and equipment to a fuller extent, and (3) it helps to ease the overcrowding in impacted academic programs. Consequently, we recommend that the state-funded summer quarter at Hayward, Los Angeles, Pomona, and San Luis Obispo be continued on a permanent basis. No change in statute is needed to implement this recommendation.

c. **Display of Enrollment Levels.** We recommend that displays of enrollment levels in the Governor's Budget be modified to show total enrollment for the four YRO campuses. Currently, enrollment for these campuses is shown in two categories—academic year enrollment and summer quarter enrollment. We believe that combining these two categories would more appropriately reflect the fact that summer quarter enrollment is equivalent to academic year enrollment in every sense—it just happens to occur during a different time of year.

Technical Adjustment—San Francisco Campus

We recommend a reduction of \$40,000 associated with a YRO coordinator and related clerical support at San Francisco State University because there are no plans to convert this campus to year-round operations. (Reduce Item 6610-001-001 by \$40,000).

In our review of year-round operations, we found that 1.5 positions were added to the SFSU budget in the early 1970s for a YRO coordinator and related clerical support. This was done, presumably in anticipation of converting this campus to year-round operation. These positions are still authorized in CSU's budget.

Because this conversion has not occurred and there are no plans for such a conversion, we recommend that funds for this purpose be deleted, for a General Fund savings of \$40,000.

6. Increase in Technical Staffing is Proposed

The Governor's Budget proposes an increase of 170.4 technical positions at a cost of \$3.4 million in 1984-85. This is an increase of 15 percent over the current-year technical staffing level of 1,103 positions. Examples of how technical positions are used include (1) assisting faculty in laboratory classes, (2) repairing and maintaining instructional equipment, and (3) maintaining instructional supply stockrooms.

The proposal represents the first phase of a two-phase program which would (1) augment technical staffing in 1984-85, and assess the use of these positions in 1985-86 and (2) request additional positions in 1986-87.

CALIFORNIA STATE UNIVERSITY—Continued

a. *Current Staffing Formulas.* Staffing for instructional, technical and clerical positions is generated on a formula basis. The basic standard is 0.22 technical and clerical positions per full-time equivalent faculty position at semester system campuses, and 0.242 technical and clerical positions per full-time equivalent faculty position at quarter system and year-round operation campuses.

The total number of positions generated by the formula are distributed as follows: (1) technical/craft, 33 percent; (2) clerical/secretarial, 50 percent; and (3) blanket (for example, student assistant, temporary help positions), 17 percent. Therefore, the formula used to budget for technical/craft positions is the number of full-time equivalent faculty times the appropriate standard times 0.33. For example, a semester system campus with 100 faculty would generate 7.3 technical positions ($100 \times .22 \times .33 = 7.26$).

The formula now in use was developed in the early 1960s and has not been modified since that time. CSU asserts that changes in curricular programs and new technologies during this period make this staffing methodology inadequate.

b. *Proposed Augmentation.* CSU's request for 170.4 technical positions was derived by multiplying the weekly student contact hours in laboratory activity and performance courses by a factor which represents the demand for technical staffing in programs where use of equipment and laboratory space is high. If the augmentation is granted, CSU plans to allocate the positions in 1984-85 without altering the existing formula. It would then evaluate the effect of the augmentation to determine (1) the absolute need for technical positions and (2) the appropriate mix of support staff in the instructional area.

We believe the CSU's proposal is reasonable, given the significant changes in teaching methods, equipment, and facilities that have occurred since the formulas were originally developed. Continued use of the formulas has prevented CSU from keeping pace with many of the changes. We find that the proposed increase in technical positions would have the following beneficial effects:

- Students will have an improved learning environment because more technical personnel will be available to assist in the operation of highly sophisticated instructional equipment;
- Health and safety regulations will be enforced more rigorously. This will benefit the state, as well as the students, since it will reduce the CSU's potential liability from violation of health and safety requirements; and
- Students will have increased access to "hands-on" learning experiences because the additional technical positions will enable the system to maintain and repair the instructional equipment in a more timely manner, thereby reducing the time the equipment is inoperable.

7. Supplies and Services Augmentation Proposed

a. *Governor's Proposal.* The budget proposes to augment the instructional supplies and services budget by \$2.0 million in 1984-85. In the current year, \$16.2 million is available for this purpose; therefore, this proposal would increase the amount of funds for supplies and services by 12 percent. The budget document does not specify (1) the methodology

used to derive the amount of the augmentation or (2) the mechanism that will be used to allocate these funds. The budget states that CSU is developing a "multi-year plan to address this problem, as well as identifying (its) magnitude."

b. *CSU's Proposal.* The Trustees requested \$3.2 million for this purpose. They proposed that a new formula be adopted which would provide an additional \$12.50 in supplies and services per FTE student. The Trustees based their request for an augmentation on the following considerations: (1) the proportion of supplies and services funding allocated to instruction has been declining and (2) the purchasing power of current funding levels has been eroded by inflation and the need to procure more costly technologies.

Currently, funding for campuswide supplies and services is generated by a variety of formulas related to student enrollment. These funds are, in turn, allocated by the campuses among the various program areas—Instruction, Academic Support, etc. These formulas were developed several years ago and have not been adjusted to recognize changes in teaching methods or demands from programs other than instruction.

Table 13 shows that the portion of supplies and services funding allocated for instruction declined from about 58 percent in 1975-76 to less than 50 percent in 1981-82. The primary reason for this shift was the demand placed on the campuswide supplies and services budget by campus computer centers. As the demand for "high technology" computer services has increased, the campuses have been forced to shift their operating expenses from the Instruction program to the Academic Support program, in order to provide additional support to the computer centers. Because the total amount available for supplies and services per FTE has not been increased, the share of funds going to instruction has declined.

Table 13
Instructional Supplies and Services Expenditures
1975-76 through 1981-82
(in thousands)

	<i>Supplies and Services for Entire Campus</i>	<i>Allocation to Instruction Program</i>	<i>Instruction As Percent of Campuswide</i>
1975-76	\$21,699	\$12,541	57.8%
1976-77	22,823	12,449	54.6
1977-78	26,307	13,792	52.4
1978-79	26,854	13,476	50.1
1979-80	26,544	12,902	48.6
1980-81	34,050	15,989	47.0
1981-82	34,257	16,943	49.5

Table 14 shows that support per FTE, in constant dollars, has also declined, from \$54.52 per FTE in 1975-76 to \$45.71 in 1981-82—a decline of 19 percent.

In addition to this erosion in the purchasing power of allocations for instructional supplies and services, the curricular shift to high technology programs puts these allocations under even greater pressure by requiring CSU to purchase a more costly mix of goods.

CALIFORNIA STATE UNIVERSITY—Continued

Table 14
Instructional Supplies and Services Per FTE
In Constant Dollars
1975-76 through 1981-82

	<i>Instructional Supplies and Services Expenditures</i>	<i>Budgeted FTE</i>	<i>Expenditures Per FTE</i>	<i>Price Index^a 1975-76 = 100</i>	<i>Constant Dollars</i>
1975-76.....	\$12,540,658	230,005	\$54.52	100.00	\$54.52
1976-77.....	12,448,831	239,410	52.00	106.26	48.94
1977-78.....	13,791,980	236,370	58.35	113.50	51.41
1978-79.....	13,476,126	237,080	56.84	123.00	46.21
1979-80.....	12,901,505	229,350	56.25	133.14	42.25
1980-81.....	15,989,263	230,750	69.29	144.69	47.89
1981-82.....	16,944,592	236,850	71.54	156.51	45.71

^a Source: *Index of Government Purchases of Goods and Services*

To address this problem, CSU proposes to (1) develop a new formula to provide funding specifically for *instructional* supplies and services and (2) dedicate a specified percentage of the campuswide supplies and services budget to instruction. The CSU states that its goal is to allocate at least 58 percent of the campuswide supplies and services funds to instruction and to expend at least \$55 in 1975-76 dollars per full-time equivalent student for instructional supplies and services.

c. Analysis of Request. The Governor's Budget provides partial funding for CSU's request: \$2.0 million of the \$3.2 million sought. We believe that this proposal is reasonable because it will address this problem in the short-term while allowing CSU to fully identify the long-term funding requirements for instructional supplies and services.

8. Education Reforms May Affect CSU

Senate Bill 813 directs the Commission on Teacher Credentialing (CTC) to develop procedures requiring those college faculty members who teach courses related to teaching methods to participate in public elementary or secondary school classrooms at least once every three years. The CTC indicates that regulations governing faculty field work will be developed by March, 1984.

These regulations may result in a workload increase at the California State University and the University of California. Consequently, they could have an indirect fiscal impact on the state. The extent of this impact, and the degree to which any added workload can be absorbed within the two system's existing budgets, will depend on both the regulations developed by the CTC and subsequent action by the Legislature in the annual Budget Act.

9. Increase in Faculty Development Affirmative Action Programs Proposed

The budget requests \$871,000 for the Faculty Development program—an increase of \$161,000, or 23 percent from the current-year level of \$710,000.

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

The Faculty Development program includes three major components:

- **Release time.** This component provides release time of up to six units per term for selected faculty members to (a) undertake (or complete) publication of instructional studies, (b) do research, or (c) prepare to teach a greater variety of courses.
- **Mini-grants.** This component provides grants for summer stipends and helps finance the purchase of equipment and materials needed for research projects.
- **Support for presentation of papers at professional meetings.** This component provides funds for travel, per diem, clerical and registration expenses incurred in presenting papers at professional meetings.

Since the inception of the program, the eligibility criteria has been modified to expand the pool of qualified applicants. In the *Supplemental Report to the 1981 Budget Act*, CSU was directed to include lecturers in the eligibility pool under this program. No additional funding was provided, however, to cover the increased number of applicants.

Information provided by CSU indicates that the program has been successful in achieving the objectives outlined by the Legislature. Of the 471 individuals who participated in this program from 1978 to 1981, 196 (42 percent) were promoted and 202 (43 percent) were granted tenure.

The CSU reports that the number of qualified applicants seeking funds through this program exceeds the amount of money available. Table 15 shows the application pattern for the program.

Table 15
CSU Faculty Development Program
1981-82 and 1982-83

	1981-82	1982-83
Total applications received	441	444
Total individuals selected	228	240
Approved applications not funded due to funding limitations	115	126
Percent not funded	26.1%	28.4%

As the table shows, the demand for these funds in 1982-83 exceeded the amount available by 28.4 percent.

a. Positions Are Not Provided for this Proposal

The budget proposal would provide an additional \$161,000 for this program, which is equivalent to 6.0 additional positions. These positions would be used to fill-in for those participants granted release time. In view of the program's success in achieving legislative objectives and the availability of qualified persons that currently are not served by it, we believe the augmentation is warranted.

We note, however, that the budget does not include the additional positions for the replacement faculty needed to fill in for individuals who are granted release time through this program. It is not clear why this has not been done, unless it is to hold down the total number of positions for CSU, as part of the administration's effort to reduce the number of state employees. Without the new positions, CSU would have to (1) administratively establish positions on an annual basis or (2) contract out for the needed services. The subcommittees may wish to have the Department of Finance comment on its rationale for providing additional funding for this program without providing additional permanent positions.

CALIFORNIA STATE UNIVERSITY—Continued**10. Additional Funding for Faculty Recruitment and Retention Is Not Justified**

We recommend that the proposed augmentation of \$1,046,000 related to faculty recruitment and retention be deleted because adequate funding is already available for this purpose. (Reduce Item 6610-001-001 by \$1,046,000.)

The budget proposes an augmentation of \$1,046,000 in 1984-85 to (1) reimburse applicants and candidates for faculty positions at CSU for interview and relocation expenses and (2) establish a systemwide training program in computer-based education for CSU's existing faculty.

a. **Interview and Relocation Expenses (\$418,000.)** The budget requests \$418,000 to provide (1) travel and per diem reimbursement to faculty applicants and (2) relocation expenses for 200 faculty. Our analysis indicates that this proposal is not justified because (1) the number of "hard-to-hire" vacancies is declining, and (2) funding is already available for these purposes.

The CSU asserts that additional funding is needed for travel and per diem reimbursement in order to attract faculty applicants in the "hard-to-hire" disciplines. Our review indicates, however, that the number of these vacancies is declining. In 1981-82 CSU reported that 236 tenure-track faculty positions in the disciplines of Business Administration, Engineering, Computer Sciences and Health-related went unfilled because the system was unable to attract qualified candidates. In 1982-83 the number of such vacancies dropped to 200—a decline of 18%. Thus, it appears that CSU has become more successful in attracting candidates in these disciplines, casting doubt upon the system's claim that additional pre-employment incentives are needed.

In addition, several changes to faculty compensation were made in the recently-negotiated collective bargaining contract which will provide further inducements to faculty candidates. These include:

- Market condition salary supplements which allow presidents to augment faculty salaries in disciplines where "critical recruitment and retention problems" exist,
- exceptional merit service awards which provide grants of \$1,500 for "exceptional meritorious service", and
- salary schedule revisions which add salary steps to existing faculty ranks, thereby providing an individual with more opportunities for salary advancement before reaching the top pay step.

Finally, we note that \$389,000 is already available for pre-employment reimbursement in the budget for 1984-85. No evidence has been provided to indicate that this amount is not adequate.

In view of the fact that (1) the number of "hard-to-hire" vacancies is decreasing, (2) improvements in faculty compensation have recently been made, and (3) a substantial amount of pre-employment funding is already available, we recommend that these funds be deleted, for a General Fund savings of \$418,000.

b. **Systemwide Training for Computer-based Education.** The budget requests \$628,000 to develop, on a systemwide basis, computer-based education training modules for faculty members. These modules would provide five levels of instruction, ranging from a general orientation and awareness program at Level I to specialized research projects at Level V. The CSU reports that this program would extend over a three-year period, at a total cost of \$1.9 million.

We do not believe the proposed augmentation is warranted, given that CSU already has (1) educational programs which could serve this purpose and (2) computer center staff on every campus who are expected to develop programs such as the one envisioned for campus faculty.

• **Existing educational opportunities.** The collective bargaining contract covering faculty specifies that professional development activities for faculty members shall include:

- a fee waiver program;
- professional leaves without pay;
- short-term absence with pay for approved conferences, workshops, and other professional meetings;
- reduction in assigned weighted units or other work responsibilities to pursue scholarly activities, training or retraining of benefit to the CSU;
- specialized work schedules to pursue scholarly activities, training or retraining of benefit to the CSU; and
- assignment to a reduced teaching load.

Under the fee waiver program, faculty could (1) enroll in regularly-offered CSU computer science courses or (2) participate in independent study courses with individually-tailored curriculum and have the regular CSU fees waived. The remaining provisions of the contract provide incentives for faculty to pursue external learning opportunities as a means to staying abreast of current developments in their academic specializations. We believe that these programs provide sufficient alternatives and incentives to faculty seeking training in computer-based education.

We also note that each campus currently employs instructional computing consultants. These individuals are expected to (1) introduce faculty members to the capabilities of the computer center and (2) assist faculty in incorporating computer applications into the curriculum. We believe that the computing consultants are in a better position to identify and respond to local faculty needs for computer training and that a system-wide program is not warranted.

Thus, given existing professional development opportunities and computing consultants, we see no need for additional systemwide training funds, and recommend that these funds be deleted, for a General Fund savings of \$628,000.

11. An Instructional Equipment Replacement (IER) Funding Model is Needed

We recommend that the Legislature adopt supplemental report language which requires CSU to (1) base future funding requests for instructional equipment on the UC funding model, (2) maintain current funding allocations for instructional equipment from base expenditures and external sources, and (3) submit an annual report on instructional equipment.

a. **Background.** The Supplemental Report to the 1983 Budget Act directed the University of California (UC), the California State University (CSU), the Department of Finance, and the Legislative Analyst's office to jointly develop a new funding model for instructional equipment for high-technology education and submit it to the Legislature for review during hearings on the 1984-85 budget.

As discussed in the postsecondary education overview, we reviewed with UC and CSU:

- the segments' current processes for determining the need to replace instructional equipment, and

CALIFORNIA STATE UNIVERSITY—Continued

- the historical relationship between the determined need and the amount available for equipment replacement.

Based on this review, we conclude that the current model used by the UC will meet the ongoing instructional equipment replacement (IER) needs of both UC and CSU.

The UC estimates its annual need for instructional equipment replacement by calculating the estimated yearly depreciation of instructional equipment. Prior to calculating the depreciated value, the inventory of this equipment is adjusted to reflect current price levels. We found that while the UC's model understates the replacement need for some high technology equipment, it overstates the replacement need of other equipment in the inventory. On balance, we believe that it reasonably approximates the University's replacement need. Thus, we do not believe it would be cost-effective to devise a new system for estimating replacement needs.

b. **Budget Proposal for IER in 1984-85.** The budget proposes \$11.9 million for instructional equipment replacement in the CSU system during 1984-85. This is an increase of \$9.0 million over 1983-84. Because CSU does not have an analytical model that can be used to determine its replacement need, no one knows what the CSU's actual replacement need is. We can, however, estimate CSU's replacement needs by comparing the value of CSU's inventory and UC's inventory, and then applying the UC's model to CSU's inventory. This approach estimates CSU's equipment replacement need in 1984-85 to be \$15 million. This is only a rough estimate; the actual funding need could be significantly higher or lower. Nevertheless, based on this estimate, we conclude that the amount proposed for IER in the budget—\$11.9 million—is reasonable, and we recommend that it be approved as budgeted.

c. **Implementation of Funding Model.** As noted above, CSU does not have a rational basis for determining its instructional equipment replacement needs. Further complicating the picture is the fact that CSU receives other state and non-state funds for new equipment, in addition to the appropriation for IER. Together, these factors make it difficult for the Legislature to assess the CSU's need for IER funding.

To improve the basis on which funding decisions regarding IER are made, we recommend that:

- in the future, CSU's requests for instructional equipment replacement funding be based on estimates of need arrived at through the use of UC's model which measures the estimated yearly depreciated value of instructional equipment,
- current efforts by CSU to fund instructional equipment from its base budget appropriations and from extramural sources be maintained, and
- CSU submit to the Legislature an annual report on IER.

To implement these recommendations, we recommend that the Legislature adopt the following supplemental report language:

"CSU is directed to prepare an annual report on instructional equipment replacement (IER) needs that identifies (1) the yearly acquisition cost and price-adjusted value of its instructional equipment inventory, (2) the yearly cumulative percentage value of its inventories, and (3) the estimated depreciation loss that will occur during the budget year. The latter estimate will be the basis for the CSU's IER budget request

for the following budget year. The format of this report shall be the same for UC and CSU. The report format shall be developed by the UC, CSU, the Department of Finance, and the Legislative Analyst's office. These reports shall be submitted annually to the Joint Legislative Budget Committee and the legislative fiscal committees by October 1.

It is further the intent of the Legislature that CSU continue its current efforts to fund instructional equipment purchases from its base budget appropriations and extramural sources. To ensure a maintenance of the CSU's current effort, CSU shall include in its first annual IER report information showing the amount of instructional equipment purchases funded by these sources in the last three fiscal years (1981-82, 1982-83, and 1983-84).

CSU is directed to maintain in 1984-85 (1) the average level of expenditures for instructional equipment made with non-IER state funds during the past three years and (2) to the maximum extent possible, the average value of equipment added to the inventory using extramural funding sources during this period. In future years, this maintenance of effort provision shall continue at a price-adjusted level."

12. Report on Avocational, Recreational, and Personal Development Courses.

In last year's *Analysis*, we pointed out that the state follows an inconsistent policy toward avocational, recreational, and personal development courses. We noted that, although the community college budget had been reduced by \$30 million to exclude funding for such courses, in 1982 CSU received \$3.2 million in state funds for courses with similar titles. The Legislature subsequently directed CSU to report by March 1, 1984, on the cost of state-funded avocational, recreational, and personal development courses. We have been informed that this report will be available prior to budget hearings. We will comment on the report at that time.

II. PUBLIC SERVICE

The Public Service program contains program elements which benefit groups or individuals who are not formally associated with the CSU system, and reflects the operation of the public television station at San Diego State University. This program is supported entirely by outside funding.

Table 16 shows expenditures for public service in the prior, current, and budget years.

Table 16
Public Service Expenditures
1982-83 through 1984-85
(in thousands)

	Actual 1982-83	Estimated 1983-84	Proposed 1984-85	Change	
				Amount	Percent
Expenditures.....	\$781	\$810	\$875	\$65	8.0%

III. ACADEMIC SUPPORT

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

CALIFORNIA STATE UNIVERSITY—Continued

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

Table 17
Academic Support Program Expenditures
1982-83 through 1984-85
(dollars in thousands)

Program	<i>Actual</i>	<i>Estimated</i>	<i>Proposed</i>	<i>Change</i>	
	<i>1982-83</i>	<i>1983-84</i>	<i>1984-85</i>	<i>Amount</i>	<i>Percent</i>
Libraries	\$58,603	\$61,269	\$67,442	\$6,173	10.1%
Audiovisual services	12,509	13,382	13,997	615	4.6
Computing support	34,191	36,752	43,159	6,407	17.4
Ancillary support	11,552	13,309	15,083	1,774	13.3
Totals	\$116,855	\$124,712	\$139,681	\$14,969	12.0%
Funding Source:					
<i>General Fund</i>	<i>\$111,353</i>	<i>\$118,889</i>	<i>\$133,722</i>	<i>\$14,833</i>	<i>12.5%</i>
<i>Reimbursements</i>	<i>5,323</i>	<i>5,684</i>	<i>5,795</i>	<i>111</i>	<i>2.0</i>
<i>Continuing Education Revenue Fund</i>	<i>179</i>	<i>139</i>	<i>164</i>	<i>25</i>	<i>18.0</i>
Personnel:					
Libraries	1,677.9	1,493.4	1,509.9	16.5	1.1%
Computing support	668.6	614.9	608.9	6.0	-1.0
Other	785.1	755.5	755.8	0.3	0.1
Totals	3,131.6	2,863.8	2,874.6	10.8	0.4%

A. LIBRARY SERVICES**1. Restoration of Library Positions Proposed**

We recommend approval.

The budget proposes to restore in 1984-85, 31.4 positions for library circulation services, at a cost of \$1,126,000. These positions were proposed for deletion in the 1983-84 Governor's Budget, based on the results of a study conducted by the Program Evaluation Unit (PEU) in the Department of Finance. Although the positions subsequently were restored by the Legislature, funding for them was vetoed by the Governor.

In last year's *Analysis*, we pointed out that the PEU study used incorrect data in measuring circulation activity, and that accurate data would show that CSU library circulation has increased, rather than decreased as PEU asserted. Since then, CSU has documented the increase in circulation. Circulation activity has increased by 18 percent from 1.1 million items in 1980-81 to 1.3 million items in 1982-83. On this basis, we conclude that restoration of the vetoed positions is justified, and we recommend that it be approved.

B. COMPUTING SUPPORT**1. Proposed Funding**

Table 18 shows expenditures for computing support in the prior, current, and budget years.

Table 18
CSU Computing Support
1982-83 through 1984-85
(dollars in thousands)

	<i>Actual</i> <i>1982-83</i>	<i>Estimated</i> <i>1983-84</i>	<i>Proposed</i> <i>1984-85^a</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Campuses:					
Personal Services:					
Positions.....	538.1	492.4	493.4	1.0	0.2%
Amount	\$14,179	\$14,657	\$15,414	\$757	5.2
Operating Expenses and Equipment:					
EDP equipment—rental and maintenance	\$8,577	\$10,320	\$14,216		
EDP communications—equipment and maintenance.....	108	537	427		
EDP software and other expenses	2,737	1,741	2,498		
Subtotals, Operating Expenses and Equipment	\$11,422	\$12,598	\$17,141	\$4,543	36.1%
Subtotals, Campuses	\$25,601	\$27,255	\$32,555	\$5,300	19.4%
Division of Information Systems (DIS):					
Personal Services:					
Positions.....	136.9	122.5	122.5	—	—
Amount	\$4,518	\$4,176	\$4,458	\$282	6.8
Operating Expenses and Equipment:					
EDP equipment—rental and maintenance	\$2,121	\$1,754	\$2,162		
EDP communications—equipment and maintenance.....	695	521	470		
EDP software—other expenses	2,374	3,627	3,900		
Subtotals, Operating Expenses and Equipment	\$5,190	\$5,902	\$6,532	\$630	10.7%
Subtotals, DIS.....	\$9,708	\$10,078	\$10,992	\$914	9.1%
Totals, Computing Support					
Positions.....	675.0	614.9	615.9	1.0	0.2%
Amount	\$35,309	\$37,333	\$43,547	\$6,214	16.6%

^a Funding for computing support provided through the institutional support program is reflected in these totals.

As the table shows, the budget proposes an increase of \$6.2 million, or 16 percent, in funding for this activity. Of this amount, the budget requests increases in the computing budget totaling \$5.0 million for (1) a Computer-Assisted Design/Computer-Aided Manufacturing (CAD/CAM) project at the San Luis Obispo campus (\$643,000), (2) campus computer upgrades and increased maintenance costs (\$4.4 million), and (3) central office computer enhancements (\$397,000).

2. Sufficient Information on Which to Evaluate Funding Request is Not Available

We withhold recommendation on the proposals to increase the instructional computing budget by \$5.0 million, pending receipt of additional information.

a. **CAD/CAM.** The Governor's Budget requests \$643,000 for the CAD/CAM project. This request is based on a proposal from CSU to provide 8.7 positions to support a central CAD/CAM installation at the Cal Poly, San Luis Obispo campus which would provide service to six other campuses (Fresno, Long Beach, Los Angeles, Pomona, San Diego, and San Francisco).

CALIFORNIA STATE UNIVERSITY—Continued

CAD/CAM is a computer technology which allows students to create multidimensional designs on graphics terminals. The Legislature appropriated \$305,000 for the CAD/CAM project at Cal Poly in the 1983 Budget Act. The Governor, however, vetoed these funds from the act before signing it.

We recently have been informed that the CAD/CAM project has been significantly modified, relative to what is proposed in the Governor's Budget. It now requires 8.3 positions, at an ongoing cost of \$460,000, plus \$158,000 on a one-time basis for site preparation. Thus, total costs in the budget year are estimated at \$618,000, or \$25,000 less than the amount contained in the budget. This modified proposal would provide funds for a Computer Aided Productivity lab at SLO and a pilot campus operation at San Diego.

The funding requested by the CSU for the CAD/CAM project would be used to provide operating personnel and maintenance. This would provide matching for a \$2 million CAD/CAM equipment grant from IBM which Cal Poly, San Luis Obispo received in June, 1983. The CSU has designated San Luis Obispo as the central CAD/CAM installation. It ultimately would serve several other campuses via sophisticated communications hookups. The proposal states that up to 4,500 students would use the system at Cal Poly alone.

We believe that CSU's proposal is reasonable, given (1) the need to incorporate CAD/CAM into modern engineering and architecture curricula and (2) the sharing of scarce resources envisioned by the proposal.

We believe, however, that essential information needed by the Legislature in order to act on this proposal has not been provided. Specifically, we believe that CSU needs to (1) identify the actual scope of the project, including building space requirements, (2) identify the long-term cost of the project, once all campuses are participating, and (3) specify each participating campuses' financial commitment to the project. We understand that this information will be available prior to budget hearings. We withhold recommendation on this proposal, pending review of the forthcoming information.

b. *Computer Upgrades and Enhancements.* The budget proposes \$4.4 million to provide increased equipment purchase, equipment rental, and maintenance funding for campus and central office computer facilities. Included in this amount is \$1.9 million to (1) upgrade and replace campus timesharing equipment and (2) purchase an unspecified number of microcomputers. An additional \$600,000 is requested to purchase software. Feasibility study reports for these replacements and new purchases have not been approved by the State Office of Information Technology (SOIT). In fact, the Governor's Budget states that "before any expenditure of these funds is made, CSU will submit its systemwide Information Systems Plan and Feasibility Study Reports for each campus replacement and obtain Department of Finance approval." No deadline is given for submission of these reports.

In last year's *Analysis*, we pointed out that CSU does not have a charging system for computer resources. We noted that a charging system (1) is a useful management tool to control expenditures and (2) encourages computer users to utilize the resource in a cost-effective manner. Subsequently, the Legislature directed CSU to submit a report by December 15, 1983 which analyzes alternative methods of allocating computer resources and provides findings and recommendations. This report has not been submitted, and in fact, CSU has notified the Legislature that the report will not be available until March 15, 1984.

In the absence of sufficient evidence that CSU is effectively managing existing resources, we have no analytical basis on which to evaluate its request for an additional \$4.4 million to upgrade and enhance computers. Consequently, we withhold recommendation on the proposed augmentations to the instructional computing budget, pending receipt of (1) an approved systemwide Information Systems Plan, (2) FSRs for each campus computer project, and (3) a report on allocation of computer resources.

We also note that CSU's \$7 million request for minor capital outlay in Item 6610-301-146 anticipates that a portion of these funds would be used for various building modifications related to computing activities. The requested report should address the CSU's plan for evaluating computer-related building improvement needs on a systemwide priority basis. We do not believe the proposed projects should proceed until the Legislature has had an opportunity to review this report.

3. Report on Role of Centrally-Controlled Computing Overdue

We withhold recommendation on the proposed \$250,000 augmentation for administrative computing systems, pending the receipt of a legislatively-mandated report on centrally developed computing systems.

The budget proposes \$250,000 for consultant and limited data center services to improve administrative computing in the CSU system. The budget states that:

"By March 1, 1984, CSU will submit a plan which identifies the total dollars needed to assist with establishment of improved planning, identification of general functional administrative systems requirements and determination of required changes in the Division of Information Systems. The plan will include clear checkpoints and deliverables, and evidence of high level interest and control."

In last year's *Analysis*, we noted several concerns regarding CSU's current approach to administrative computing. These included:

- The Division of Information Systems' (DIS) emphasis on *controlling* the use of computing technology instead of *managing* information systems and *coordinating* the use of EDP resources; and
- The reliance on centrally-developed systems which (1) lack demonstrated campus support and (2) require a significant redirection of campus resources.

The Legislature subsequently directed CSU to report by December 15, 1983 on (1) the role of DIS and (2) the cost-effectiveness of centrally-developed administrative computing systems. The CSU has informed the Legislature that this report will not be available before March 15, 1984.

We continue to believe that CSU must develop a comprehensive planning framework prior to continued development and implementation of administrative systems. The administration appears to share this view, given its insistence that CSU submit a comprehensive plan by March 1, 1984. Absent such a planning framework, we do not have an adequate basis on which to assess the CSU's request for additional funds in this area. We withhold recommendation on this proposal, pending receipt of (1) the legislatively-mandated report addressing the future direction of administrative systems and (2) the comprehensive plan requested by the Department of Finance.

CALIFORNIA STATE UNIVERSITY—Continued

IV. STUDENT SERVICES

The Student Services program is funded primarily from revenues generated by the Student Services Fee. Additional support is furnished by reimbursements and the state General Fund. Several elements of the Student Services program are tied to special funds and are wholly supported by revenues produced by those funds. Program services include social and cultural development, supplementary educational services, counseling and career guidance, financial aid, and student support. Table 19 shows Student Services program expenditures and personnel for the prior, current, and budget years.

Table 19
Student Services Program Expenditures
1982-83 through 1984-85
(dollars in thousands)

Programs	Actual	Estimated	Proposed	Change	
	1982-83	1983-84	1984-85	Amount	Percent
Social and cultural development.....	\$4,867	\$4,920	\$5,132	\$212	4.3%
Supplemental educational services—					
EOP	14,243	14,589	16,005	1,416	9.7
Counseling and career guidance	20,372	21,986	23,069	1,083	4.9
Financial aid	79,182	82,951	86,953	4,002	4.8
Student support	27,267	32,153	34,112	1,959	6.1
Totals	\$145,931	\$156,599	\$165,271	\$8,672	5.5%
Funding Source:					
General Fund	\$21,253	\$32,897	\$32,945	\$48	0.1%
Reimbursements	66,768	71,359	74,830	3,471	4.9
Federal Trust Fund	54,558	48,296	52,821	4,525	9.4
Dormitory Revenue Fund	3,274	3,962	4,632	670	16.9
Continuing Education Fund	78	85	43	-42	-49.4
Personnel:					
Social and cultural development.....	170.9	150.5	148.4	-2.1	-1.4%
Supplemental educational services—					
EOP	339.1	339.7	347.7	8.0	2.4
Counseling and career guidance	650.6	647.8	640.3	-7.5	-1.2
Financial aid	376.8	411.1	414.3	3.2	0.8
Student support	968.3	1,123.3	1,115.9	-7.4	-0.7
Totals	2,505.7	2,672.4	2,666.6	-5.8	-0.2%

A. TUITION AND FEES

1. Student Fees and Their Use

CSU students pay two mandatory fees—the Student Services Fee and the State University Fee. Both fees are levied on a systemwide basis, and the fee level for each is established by the Board of Trustees.

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

- Counseling
- Testing
- Career planning and placement
- Health services
- Financial aid administration

- Housing administration
- Dean of students (50 percent of total costs)

State University Fee. The State University Fee was established in 1982-83, in response to a \$27 million reduction in CSU's budget. Fee revenue from this source is a direct offset to the General Fund appropriation. Although revenues from this fee are not earmarked to fund specific programs, by agreement, these revenues are not used to offset instructional costs.

Table 20 shows the fees charged students for the prior, current, and budget years. Table 21 shows the revenue derived from the systemwide fees during the same time period.

Table 20
CSU Student Fee Levels
1982-83 through 1984-85

	1982-83	1983-84	1984-85	Change	
	Actual	Estimated	Proposed	Amount	Percent
Student Services Fee	\$216	\$210	\$210	—	—
State University Fee					
(Full-Time)	214 ^b	402	360	-42	-11.7%
(Part-Time)	(69)	(132)	(120)	(-12)	(-10)
(Graduate Differential)	—	(36)	(36)	—	—
Other required fees ^a	75	80	80	—	—
Totals, Full-Time Undergraduate Student Fees	\$505 ^b	\$692	\$650	-\$42	-6.1%

^a Average fee charged by 19 campuses.

^b Includes one-time surcharge of \$64/semester or \$44/quarter imposed by CSU Board of Trustees in January, 1983.

Table 21
Revenue Collected from Systemwide Student Fees
1982-83 through 1984-85
(in thousands)

	1982-83	1983-84	1984-85	Change	
	Actual	Budgeted	Proposed	Amount	Percent
Student Services Fee	\$68,555	\$66,121	\$65,427	-\$694	-1.0%
State University Fee	58,062	117,784	105,295	-12,489	-10.6
Totals	\$126,617	\$183,905	\$170,722	-\$13,188	-7.2%

2. Problems With Existing Structure

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

- It places emphasis on what students pay for, rather than on how much they pay.
- It creates funding inconsistencies between what UC students pay for

CALIFORNIA STATE UNIVERSITY—Continued

and what CSU students pay for.

- It protects fee-funded student service programs from budget reductions during periods of fiscal constraints, requiring funding cutbacks to fall more heavily on the system's primary activity: instruction.
- It allows spending levels for student service programs to be determined outside the regular legislative priority-setting process.

3. Change in Fee Policies Recommended

We recommend the enactment of legislation requiring CSU to (1) annually adjust student fees to maintain the student's contribution toward the cost of education at a specified percentage rate, (2) budget all student fee revenue as an offset to the General Fund, and (3) assess the fee on a differential basis, so that part-time students pay less than full-time students.

a. *Need for a Long-Term Policy.* As we noted in the postsecondary education overview, the Legislature has not adopted a standard fee-setting policy for California's public institutions of higher education to follow. As a result, the fees charged students at these institutions have fluctuated, particularly in the last several years, with no rational basis for these fluctuations. This, we believe, highlights the need for a long-term policy covering fee levels in *all* segments of higher education within the state.

In partial recognition of the need for a long-term policy toward fees, the Legislature enacted and the Governor signed AB 1251 in September, 1983. Assembly Bill 1251 put in place a long-term fee policy, based on recommendations made by the California Postsecondary Education Commission (CPEC). This policy, however, applies to the CSU system only. As we discuss in the postsecondary education overview, we have some concerns regarding the process for adjusting fees established for CSU by AB 1251. More importantly, however, we believe that a comprehensive fee policy covering *all* of higher education is needed. Accordingly, we recommend that the Legislature adopt a long-term policy on student fees for all segments of higher education.

A clear, consistent policy on fees would yield the following benefits. First, it would aid students and their parents in planning to meet the costs of higher education by adding stability and predictability to the fee-setting process. Second, it would make the Legislature's job easier by eliminating the need for a protracted debate on fees as part of the budget process each year.

b. *Criteria for Fee-Setting.* In our judgment, any comprehensive long-term fee policy adopted by the Legislature should be based on the following principles:

- student fee levels should recognize the private, as well as the societal, benefits from higher education;
- fee levels should be calculated based on each segment's (or college's) level of expenditures (that is, the "cost of education");
- the revenues from fees should be budgeted as offsets to state appropriations, rather than to support specific programs; and
- adequate financial aid should be made available to needy students so as to preserve access to higher education for state residents.

In accordance with these principles, we recommend that:

- Student charges be set equal to a specific percentage of the "cost of education", with the "cost of education" defined as the sum of the

state General Fund appropriation and student fee revenues used to operate the system, expressed on a per student basis.

- The average should be calculated separately for each segment (UC, CSU, etc.), rather than for all of the segments combined. That is, CSU fees should be based on CSU appropriations and related fee revenues during prior years, and should not reflect appropriations made to or fees charged by the other segments.
- Student charges for students in comparable degree programs should be set at the same percentage of education costs at each segment.
- Student charges vary by level or degree program, in order to reflect differences in the private benefits accruing to students at different levels.
- The percentage of support that students have to pay be set at a specific level, rather than be allowed to vary within a range of levels.
- Fees for each academic year should be set in the preceding October, based on the average percentage changes in state appropriations and fees during the three preceding years.
- Fees should be assessed based on the student's participation rate. That is, the fee level should have a direct relationship to the number of units taken.
- Revenues collected from student fees should be budgeted as offsets to state appropriations, rather than to support specific programs.
- **An Illustration of the Proposed Fee-Setting Mechanism.** An example of how a policy along the lines we recommend might affect CSU and its students can be constructed for illustrative purposes, using 1983-84 as the base year. In the current year, the "cost of education" at CSU is estimated at \$4,661. Mandated systemwide fees cover \$612 of this amount, or approximately 13 percent. If the Legislature wishes to maintain the 13 percent contribution rate in 1984-85, the implementation of our recommendation would require student fees at CSU to be set at \$708—that is, the current funding level increased by 3.6 percent to reflect the three-year average rate of growth in support per student.

Table 22 shows what the dollar impact of our recommendations would be on CSU's fee levels, assuming five different contribution rates. It shows that if the 1983-84 contribution rate of 13 percent were continued in 1984-85, the new fee level would be \$708—\$58 more than the \$650 proposed in the budget.

We have no analytical basis for recommending a specific fee level for CSU students or any other group; this is a policy decision which must be made by the Legislature.

Table 22
CSU Fee Levels For Full-Time Students
Assuming Various Contribution Rates

	12 Percent	13 Percent	14 Percent	15 Percent	16 Percent
Fee level ^a	\$559	\$606	\$653	\$699	\$746
+3.6 percent ^b	20	22	24	25	27
Subtotals	\$579	\$628	\$677	\$724	\$773
Plus local campus fees ^c	80	80	80	80	80
Totals	\$659	\$708	\$757	\$804	\$853

^a Using 1983-84 cost-per-student of \$4,661 as a base.

^b Adjusted by three-year average change in support per student.

^c Campus-based fees are added to the total after the percentage calculation.

CALIFORNIA STATE UNIVERSITY—Continued

c. *Part-Time Versus Full-Time Students.* The Governor's Budget for 1982-83 proposed that each student be charged a single Student Services Fee, regardless of the number of units he or she takes. The Legislature rejected the proposal, and instead adopted a budget that assumed CSU would continue using a two-tier Student Services Fee system under which part-time students pay less than full-time students. The Board of Trustees ignored the Legislature's action, and implemented a one-tier Student Services Fee. Subsequently, however, the State University Fee was established on a two-tier basis. (Table 20 shows these fee schedules for 1983-84 and 1984-85).

We believe that a corollary of the principle that students should contribute a fixed percentage toward the "cost of education" is that part-time students should pay less than full-time students. Such a differential would reflect more accurately the benefits derived by these two groups of students. Consequently, as part of any long-term fee policy adopted by the Legislature we recommend that CSU be required to assess student fees on a differential basis so that part-time students pay less than full-time students.

d. *Implementation of Long-Term Fee Policy.* In order to implement a long-term policy toward fees that is based on sound principles, we recommend enactment of legislation which amends Education Code 66022 to specify that:

- student fees at CSU in 1984-85 shall be set at a specified percentage of the 1983-84 cost of education (state appropriations plus fee revenue), per student,
- Student fees shall be adjusted annually to reflect the average change in the cost of education per student for the prior three years,
- student fees shall be assessed on a differential basis so that part-time students pay less than full-time students, and
- revenue from student fees shall be counted as an offset to state appropriations.

Governor's Buy Out Proposal is Not Necessary

We recommend a reduction of \$11,908,000 because the proposed shift in funding source for financial aid from student support to the General Fund (1) is based on a faculty premise and (2) would further restrict the use of fee revenue. (Reduce Item 6610-001-001 by \$11,908,000.)

The budget proposes to reduce student fees for full-time students by \$42—from \$692 to \$650. This would result in an augmentation of \$11.9 million. According to the budget, this augmentation would "buy out" financial aid which is currently being funded by student fees.

As noted previously, revenue from the Student Services Fee funds are now used to support specified programs. These programs do *not* include financial aid grants.

In contrast, revenue from the State University Fee is used as a direct *offset* to the total General Fund appropriation. Consequently, it is not possible to determine what portion, if any, of this fee revenue is used to offset the cost of financial aid, rather than, say, the cost of operating the physical plant.

Accordingly, we can find no analytical basis for increasing the General

Fund appropriation in order to have the state "buy out" financial aid. Moreover, even if it could be established that fees were being used to fund financial aid, the proposed "buy out" would have two serious drawbacks: (1) it would place added emphasis on what fees are used for, rather than on the level of those fees and (2) it would make the inconsistency in fee policy between UC and CSU even greater by providing General Fund support for financial aid at CSU, while UC students are required to fund financial aid.

To avoid these problems of misplaced emphasis and inconsistency among the segments, we recommend that all student fee revenue be budgeted as an offset to the General Fund appropriation, rather than be restricted to specific student service expenditures. We recommend, therefore, that the Governor's proposal to "buy out" financial aid be rejected, for a General Fund savings of \$11,908,000. If the Legislature adopts this recommendation but wishes to continue the same overall program level at CSU in 1984-85, student fees would have to remain at the current-year level (\$692) in order to provide the revenues needed to offset the proposed reduction in General Fund support.

4. Alternatives for Funding Health Services Not Yet Selected

In last year's *Analysis*, we recommended that CSU prepare a plan for funding student health services through auxiliary organizations on a fee-for-service basis, because this arrangement would (1) encourage greater use of private-sector health care resources (resources that in many cases have already been paid for) and (2) prevent students from having to pay twice for the services. The Legislature subsequently directed CSU to report on alternative mechanisms for funding student health services, including the use of auxiliary organizations.

In response to this directive, CSU has submitted a report which contains a description of several options. These include:

- **Maintenance of the current system**, which provides basic health services on each campus for all CSU students. (CSU estimates that \$70 of the \$216 Student Services Fee is expended for health services, at a cost of \$22 million annually);
- **Reliance on contractual services** which would allow campuses to contract with off-campus organizations for health services;
- **Mandatory health insurance**, which would allow campus health services to be partially or fully supported by third-party payments;
- **Imposition of a separate health fee**, which would provide a dedicated funding source for health services; and
- **Use of auxiliary organizations**, which would require health services to be fully self-supported.

The report concludes that the current method for funding health services is the least expensive to students. The CSU intends to explore further the alternative funding mechanisms. We will continue to monitor the CSU's efforts in this area, and report relevant developments to the Legislature.

5. State Funding for Shortfall in Federal Overhead Reimbursements Proposed

We recommend that \$716,000 requested to cover a shortfall in federal financial aid overhead reimbursements be deleted because CSU was directed by the Legislature and agreed to offset this shortfall by (1) reducing other student services programs or (2) increasing the Student Services Fee. (Reduce Item 6610-001-001 by \$716,000.)

CALIFORNIA STATE UNIVERSITY—Continued

The budget for 1984–85 proposes \$18,416,053 for financial aid administration. This is an increase of \$1,160,102, or 7 percent, over the current support level. Of this amount, \$716,000 would be used to fund a shortfall in federal reimbursements. Support for financial aid administration is derived from the Student Services Fee and federal funds, although the General Fund bears the budget-year costs of normal, incremental increases such as merit salary adjustments.

In 1982–83, federal administrative support was reduced from \$10 to \$5 per recipient of Basic Education Opportunity Grants and Guaranteed Student Loans. This created a \$760,000 deficit in the 1982–83 budget for financial aid administration. We pointed out in the 1982–83 *Analysis* that the loss of federal funds did not represent an incremental change, but rather was a *fundamental* structural change in program financing.

During hearings on the 1982–83 budget, CSU agreed to make the structural change and the Legislature subsequently adopted language in the *Supplemental Report to the 1982 Budget Act* in 1982 which stated:

"The projected shortfall of federal funds for financial aid administrative allowance should, at the discretion of the Board of Trustees, be offset either from a reduction of other student services expenditures or by an increase in the student services fee."

The CSU advised the Legislature that it was in agreement with the language.

CSU Failed to Follow Legislative Direction. CSU, however, neither reduced student services expenditures nor increased the student services fee in 1982–83. Instead, it continued to carry the shortfall as part of the student services fee calculation in 1983–84 and 1984–85. In 1983–84, CSU requested \$779,000 from the state General Fund to cover the shortfall but the amount was not included in the Governor's Budget. The budget for 1984–85, however, includes \$716,000 for this purpose.

We believe this proposal is contrary to the agreement reached between CSU and the Legislature regarding the shortfall in financial aid administration. Accordingly, we recommend that the requested augmentation be deleted, for a General Fund savings of \$716,000.

6. Nonresident Tuition Reimbursements Fall Short of Target

CSU students who are not residents of California pay an annual tuition in addition to the student fees paid by all students. The budget proposes a nonresident tuition level of \$3,510, \$270 more than the 1983–84 level of \$3,240.

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

Table 23 shows the nonresident tuition charge, the nonresident enrollment, and the tuition revenues generated, for the past three years. For 1983–84, the table also shows the budget as proposed by the Trustees, the budget as introduced by the Governor and the budget adopted by the Legislature, as well as CSU's latest estimate of tuition revenues. Table 23 shows that:

- according to the CSU's latest estimate for 1983-84, the number of nonresidents will be less than anticipated, and as a result the amount of nonresident tuition revenue received by the system will fall short of the budgeted level by \$3.8 million, and
- the budget for 1984-85 anticipates that nonresident tuition revenue will be \$646,000 less than the amount budgeted for 1983-84, reflecting a 925 FTE (11 percent) decrease in the number of nonresident students.

Table 23
Nonresident Tuition and Enrollment
1982-83 through 1984-85

	1983-84				
	<i>Actual</i> 1982-83	<i>Proposed</i> Budget	<i>Adopted</i> Budget	<i>Revised</i> Estimate	<i>Proposed</i> 1984-85
Tuition:					
Annual tuition	\$3,150	\$3,240	\$3,240	\$3,240	\$3,510
Tuition revenue ^a	29,303	30,880	31,204	27,377	30,558
Enrollment (FTE):					
Total FTE	241,407	242,460	242,460	242,984	242,840
Nonresident FTE	9,302	9,531	9,631	8,450	8,706
Percent nonresident.....	3.9%	3.9%	4.0%	3.5%	3.6%

^a Tuition revenue in thousands.

a. **Current-Year Deficit.** As noted above, CSU is projecting a current-year deficit of \$3.8 million in nonresident tuition reimbursements. As a result, it has asked the Department of Finance to support a deficiency appropriation to fund this shortfall.

b. **1984-85 Budget.** As shown in Table 23, the budget anticipates \$30,558,000 in nonresident tuition reimbursements during 1984-85. Relative to the amount reflected in the 1983 Budget Act, this requires an additional \$646,000 from the General Fund to maintain current services. The increase appears to be justified, given the decline in nonresident enrollment since 1980-81.

B. EDUCATIONAL EQUITY PROGRAMS

1. Overview of Existing Programs

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

Table 24
Educational Equity Program Expenditures
1982-83 through 1984-85
(in thousands)

	<i>Actual</i> 1982-83	<i>Estimated</i> 1983-84	<i>Proposed</i> 1984-85	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Core Student Affirmative Action	\$2,448	\$2,571	\$2,797	\$226	8.8%
Educational Opportunity Program	14,243	14,588	16,005	1,417	9.7
Totals.....	\$16,691	\$17,159	\$18,802	\$1,643	9.6%

CALIFORNIA STATE UNIVERSITY—Continued**2. Budget Summary of Programs**

Educational equity programs provide two types of services for the target population—outreach and support services. Similar services are provided to all CSU students, including students in the target population groups, through the student services program financed by student fees. Table 24 displays funding for these programs in the prior, current and budget years.

3. Consolidation Efforts Underway

Last year in the *Analysis*, we identified a number of problems associated with CSU's educational equity programs. These problems tend to result from the fact that (1) numerous programs serve the same targeted population and (2) these programs often parallel separate programs available to targeted and non-targeted student populations alike.

The Legislature subsequently directed CSU to prepare by February 1, 1984, a plan for consolidating existing educational equity programs. At the time this *Analysis* was prepared, the plan had not been completed. However, CSU has requested that each campus provide (1) an evaluation of the existing structure of educational equity programs and (2) plans for consolidating these programs. During budget hearings, we will provide an update on the CSU's progress in complying with the Legislature's directive.

4. Augmentation for SAA Information System is Duplicative

We recommend that \$30,000 requested for a Student Affirmative Action (SAA) information system be deleted because (1) a separate reporting system for this program is not warranted and (2) all administrative systems in CSU currently are under review. (Reduce Item 6610-001-001 by \$30,000.)

The budget proposes an augmentation of \$30,000 to develop a computerized data-gathering system for the SAA program.

Our analysis indicates that the EOP program currently maintains a sophisticated data base with many of the features that the SAA system would encompass. In view of the fact that these programs are being consolidated, we see no reason to develop a new system for one of the educational equity programs. Additionally, as we point out in our analysis of the proposal to augment funds for computing support, all CSU administrative computing systems currently are under review to determine the cost-effectiveness of centrally-developed systems. It would appear premature, therefore, to provide funds for the development of an additional administrative system before the results of this review are available.

Consequently, we recommend that funds requested for the development of an SAA information system be deleted, for a General Fund savings of \$30,000.

5. California Academic Partnership Program Unfunded

Senate Bill 813 establishes, effective in 1984-85, the California Academic Partnership program, to be administered by the Trustees of the California State University (CSU). This program is intended to provide academic and counseling services to students in grades 7-12 and to increase the involvement of postsecondary institutions in improving the quality of secondary schools. Under the program, grants may be awarded to post-

secondary education institutions or consortia of such institutions, in cooperation with a school district. These grants, which are to be awarded by the Chancellor of CSU, with the assistance of a program advisory committee consisting of nine members, may be used to provide:

- Counseling services for pupils in grades 7-12.
- Tutorial services for pupils in grades 7-12.
- Participation of college faculty in efforts to improve secondary schools.
- In-service training for secondary school staff.
- Involvement of teacher education programs in the improvement of secondary schools.
- Assistance to school districts in upgrading the school curriculum.

In awarding the grants, CSU must give priority to schools participating in the State Department of Education University and College Opportunities program, authorized by Ch 1298/82. Under this program, school districts are permitted to use "existing local or categorical funds" to establish college preparatory programs designed to increase the enrollment of under-represented minorities in postsecondary education institutions—particularly in the fields of mathematics, science, and other technology-based careers. The CSU must give second priority in awarding partnership program grants to schools with low pupil participation in postsecondary education institutions.

Table 25
Institutional Support Program Expenditures
1982-83 through 1984-85
(dollars in thousands)

Programs	Actual 1982-83	Estimated 1983-84	Proposed 1984-85	Change	
				Amount	Percent
Executive Management.....	\$30,198	\$30,232	\$31,970	\$1,738	5.7%
Financial Operations.....	27,376	25,185	26,365	1,180	4.7
General Administrative Services	40,663	42,994	45,000	2,006	4.7
Logistical Services.....	48,573	50,786	55,565	4,779	9.4
Physical Plant Operations.....	128,643	137,205	151,925	14,720	10.7
Faculty and Staff Services	12,774	12,621	10,994	-1,627	-12.7
Community Relations	5,805	4,714	5,020	306	6.5
Totals	\$294,032	\$303,737	\$326,839	\$23,102	7.6%
Funding Source:					
General Fund.....	\$173,188	\$129,735	\$171,021	\$41,286	31.8%
Reimbursements	84,607	137,264	119,978	-17,286	-12.6
Parking Account, Dormitory Revenue Fund.....	5,920	6,519	6,603	84	1.3
Dormitory Revenue Fund	13,682	16,093	18,276	2,183	13.6
Capital Outlay Fund for Public Higher Education	4,922	4,482	—	-4,482	-100.0
Continuing Education Revenue Fund.....	11,713	9,644	10,961	1,317	13.7
Personnel:					
Executive Management.....	760.9	671.3	668.2	-3.1	-.5%
Financial Operations.....	911.7	873.7	864.5	-9.2	-1.1
General Administrative Services	1,484.2	1,497.6	1,466.8	-30.8	-2.1
Logistical Services.....	1,132.4	1,108.0	1,097.9	-10.1	-.9
Physical Plant Operations.....	3,187.3	3,400.9	3,359.7	-41.2	-1.2
Community Relations	113.4	71.9	73.1	1.2	1.7
Totals	7,589.9	7,623.4	7,530.2	-93.2	-1.2%

CALIFORNIA STATE UNIVERSITY—Continued

The act directs the California Postsecondary Education Commission to evaluate the partnership program. The evaluation, to be submitted on a periodic basis, is to assess the effectiveness of the program, and must include indicators of changes in dropout rates and pupil enrollment in postsecondary institutions.

Implementation Status. Senate Bill 813 included an appropriation of approximately \$1 million for the academic partnership program in 1984-85, but the Governor vetoed these funds. The budget proposes no funding for the program in 1984-85.

V. INSTITUTIONAL SUPPORT

The Institutional Support program provides systemwide services to the other programs of Instruction, Public Service, and Student Services. The activities carried out under this program include executive management, financial operations, general administrative services, logistical services, physical plant operations, faculty and staff services, and community relations.

Table 25 shows estimated personnel and expenditures for Institutional Support in the prior, current, and budget years.

A. CHANCELLOR'S OFFICE**1. Funding Proposal**

The Chancellor is the chief executive officer of the CSU Board of Trustees and is responsible for the implementation of all policies enacted by the board. Table 26 shows the major divisions in the Chancellor's office, and the expenditures proposed by these divisions in the current and budget years.

Table 26
Chancellor's Office Expenditures
(dollars in thousands)

	<i>Estimated</i> <i>1983-84</i>		<i>Proposed</i> <i>1984-85</i>		<i>Change</i>		
	<i>Positions</i>	<i>Amount</i>	<i>Positions</i>	<i>Amount</i>	<i>Positions</i>	<i>Amount</i>	<i>Percent</i>
Chancellor's Office Personnel							
Executive Office	15.0	\$715,095	15.0	\$741,657	0.0	\$26,562	
Legal Services	19.5	894,699	20.5	975,906	1.0	81,207	
Academic Affairs	50.6	2,236,215	50.6	2,325,445	0.0	89,230	
Faculty & Staff Affairs	30.4	1,223,146	31.4	1,297,118	1.0	73,972	
Collective Bargaining	12.0	490,538	12.0	520,855	0.0	30,317	
Business Affairs	51.9	2,004,809	51.9	2,080,074	0.0	75,265	
Physical Planning	14.0	623,837	14.0	645,771	0.0	21,934	
Government Affairs	5.0	211,145	5.0	219,718	0.0	8,573	
Institutional Research	9.0	426,555	9.0	437,206	0.0	10,651	
Public Affairs	9.2	405,227	9.2	408,208	0.0	2,981	
Administrative Office	59.1	1,471,615	59.1	1,540,258	0.0	68,643	
Faculty & Staff Services	0.0	36,863	0.0	38,119	0.0	1,256	
Subtotals, Personal Services	275.7	\$10,739,744	277.7	\$11,230,335	2.0	\$490,591	
Operating Expenses and							
Equipment		6,789,841		7,292,050		502,209	
Totals, Chancellor's Office ..	275.7	\$17,529,585	277.7	\$18,522,385	2.0	\$992,800	5.6%

Audit Staff Personnel.....	10.0	\$461,061	10.0	\$468,465	0.0	\$7,404	
Operating Expenses and Equipment		94,756		116,380		21,624	
Totals, Audit Staff.....	10.0	\$555,817	10.0	\$584,845	0.0	\$29,028	0.1%
Information Systems Personnel.....	122.5	\$4,176,509	122.5	\$4,459,433	0.0	282,924	
Operating Expenses and Equipment		5,901,588		6,532,353		630,765	
Totals, Information Systems	122.5	\$10,078,097	122.5	\$10,991,786	0.0	\$913,689	9.1%
Totals, General Fund.....	408.2	\$28,163,499	410.2	\$30,099,016	2.0	\$1,935,517	6.9%
Special Funds							
Operating Expenses and Equipment		\$9,480		\$17,519		\$8,039	
Total, Special Funds.....		\$9,480		\$17,519		\$8,039	
Grand Totals	408.2	\$28,172,979	410.2	\$30,116,535	2.0	\$1,943,556	6.9%
Funding Source:							
General Fund	364.2	\$22,265,234	366.2	\$23,757,699	2.0	\$1,492,465	
Reimbursements	44.0	5,898,265	44.0	6,341,317	0.0	443,052	
Parking Revenue	0.0	9,480	0.0	17,519	0.0	8,039	

a. **Discretionary Account to Fund New Positions.** In the 1982 Budget Act, the Legislature appropriated \$287,000 for the newly-hired Chancellor of the CSU to use in reorganizing the Chancellor's office. These funds were also included in the 1983 Budget Act. The budget for 1984-85 again proposes \$287,000 for this purpose.

The Chancellor has reported that these funds will be expended on the following activities in 1983-84:

- Development, alumni relations and public affairs—\$119,368.
- Administrative study—\$69,722.
- Recognition of outstanding faculty—\$20,000.
- Artists in residence—\$20,000.
- Contingency funds—\$57,910.

The Legislature approved this expenditure plan.

Our analysis indicates that funds in the Chancellor's discretionary account were used to establish six positions (four in development and public affairs and two for administrative studies) in 1983-84. These positions are proposed for continuation in 1984-85. In view of the fact that these funds and positions are being used to (1) increase non-state funding and (2) improve efficiency in the administration of the CSU, we recommend that they be approved.

2. Reasons Sought for Tardiness in Legislatively Mandated Reports

We recommend that CSU explain to the Legislature why the system has been unable to comply with legislative directives for information.

As we point out in various sections of this *Analysis*, CSU has not submitted several reports required by the *Supplemental Report to the 1983 Budget Act*. These reports include:

- operating and maintenance costs of state-owned housing (due September 15, 1983),
- role of Division of Information Systems (due December 15, 1983),
- allocation of computer resources (due December 15, 1983).

In addition, CSU has not submitted two reports which were mandated

CALIFORNIA STATE UNIVERSITY—Continued

by the *Supplemental Report to the 1982 Budget Act*. These include:

- alternative funding methods for EDP (due December 15, 1982),
- indirect cost recovery from foundations (due December 1, 1982).

The Legislature needs this information in order to conduct an effective review of CSU's programmatic and budgetary requirements. Consequently, CSU's tardiness in responding to legislative directives impedes the Legislature's decision-making. We recommend, therefore, that CSU explain why the system has been unable to comply with legislative directives on a timely basis.

3. General Fund Support Administratively Reinstated for Washington, D.C. Operations

In acting on the Budget Bill for 1982-83, the Legislature deleted \$142,000 in General Fund support that had been requested to partially support the CSU's Washington, D.C. office. Instead, the Legislature provided for the use of federal overhead revenues to fund this office. It did so by including a provision in Ch 327/82 which reads as follows:

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

a. *Washington, D.C. Office Closed.* After the 1982 Budget Act was chaptered, CSU chose to close its Washington, D.C. office, rather than adopt the policies called for by Section 89910 of the Education Code. Presumably, this was because CSU did not want to fund this office by assessing its auxiliary organizations.

b. *Washington Operation Scheduled for Reinstatement.* In November 1983, the CSU Chancellor advised us that she wished to pursue "federal monies which, I believe, rightfully belong in California and the CSU in larger amount than present," and that she wished "to use some of the funds available in the CSU budget to contract for someone to represent us on these and other major issues affecting the CSU in Washington, D.C." The issues cited by the Chancellor were:

- securing additional Pell Grant dollars which currently are allocated using formulas which do not adequately recognize the needs of students who live at home,
- securing more federal money for CSU agriculture programs, and
- securing additional Department of Defense support.

Subsequently, we requested that the Chancellor's office provide detailed justification for the actions the Chancellor proposes to take in pursuing increased federal funding. At the time this *Analysis* was prepared, CSU advised us that it was still in "the conceptual stage in the development of this proposal." We anticipate that additional information on the Chancellor's plans will be available during budget hearings, and we will comment on those plans at that time.

B. SYSTEMWIDE OPERATIONS

1. Report on Operating and Maintenance Costs of State-Owned Housing Overdue

We recommend that CSU report during budget hearings on the status of its plan to annually adjust utility assessments on state-owned residences.

In last year's *Analysis*, we pointed out that rental rates charged CSU employees occupying state-owned housing were below the estimated market rates for their dwellings. The Legislature subsequently added language to the trailer bill prohibiting any rent on dwellings occupied by the Chancellor and the four presidents occupying state-owned residences during 1983-84.

Table 27 provides a summary of the CSU residences and the current rent charged occupants of these residences.

Table 27
CSU Employee Housing Rents
Effective July 1983

<i>Campus</i>	<i>Residence</i>	<i>Rent</i>
Chancellor's office	620 Stone Canyon Road (Chancellor's home)	0
CSU, Chico	341 Mansion, Chico (President's home)	0
	Route 3, Box 55, Chico	104.00
CSU, Fresno	4411 Van Ness, Fresno (President's home)	0
Cal Poly, Pomona	3801 W. Temple, Pomona, #111 (President's home)	0
	3801 W. Temple, Pomona, #112A	95.00
	3801 W. Temple, Pomona #114	95.00
	3801 W. Temple, Pomona #115	86.00
	3801 W. Temple, Pomona #29-B	95.00
Cal Poly, San Luis Obispo	Cal Poly SLO, (President's home)	0
	Parker Ranch	95.00
	Chorro Creek Ranch	104.00
	Cheda Ranch	86.00
	Peterson Ranch	95.00
	Serrano Ranch	95.00

We also pointed out in last year's *Analysis* that occupants of state-owned residences paid \$21.50 per month for utilities. Subsequently, the Legislature directed CSU (1) to report on the operating and maintenance costs for state-owned housing and (2) to submit a plan for annually adjusting utility assessments for these residences. This report was due on September 15, 1983. At the time this *Analysis* was prepared, the report had not been submitted to the Legislature. We recommend that during budget hearings CSU report to the fiscal subcommittees on the status of its plan.

2. Funding for Public Safety Activities Should Be Reviewed

We recommend that the Legislature adopt supplemental report language which directs CSU to prepare a plan for funding public safety activities which accurately reflects the workload associated with the parking system.

In last year's *Analysis*, we pointed out that public safety activities were not adequately supported by the Parking Account of the Dormitory Revenue Fund. The Parking Account receives revenues from individuals using parking facilities on the campuses. These revenues are appropriated to the Trustees, without regard to fiscal year, for acquisition, construction, opera-

CALIFORNIA STATE UNIVERSITY—Continued

tion, and maintenance of parking facilities.

Subsequently, the Legislature directed CSU to split the cost of the Directors of Public Safety between the Parking Account of the Dormitory Fund and the General Fund. This was done in recognition of the fact that part of the directors' activities involved traffic enforcement and protection of persons and property in CSU parking facilities. This directive resulted in a savings to the General Fund of \$296,000 in the current year.

Our review of this issue suggests that there are disparities in the way public safety activities have been funded. For example, two campuses—Los Angeles and Sacramento—have used the funding model required by the Legislature for some time. Other campuses used different models. The CSU, moreover, suggests that a better alternative for sharing the cost of public activities would be to fund lower level public safety personnel from the Parking Account. These disparities stem from the absence of a comprehensive funding model for public safety personnel which accurately reflects the workload that parking activities impose on the public safety programs.

We believe that CSU should undertake a comprehensive review which (1) identifies the level of effort parking enforcement and protection activities impose on public safety programs and (2) specifies the appropriate share of these programs' costs that should be borne by the Parking Account of the Dormitory Revenue Fund and the General Fund. We understand that CSU has begun a preliminary review of this issue which should be completed in March, 1984.

To assure that the Legislature will have a sound basis on which to consider the appropriate source of funding for public safety activities, we recommend the adoption of the following supplemental report language:

"CSU shall submit a report on public safety activities to the Joint Legislative Budget Committee and legislative fiscal committees by September 15, 1984 which (1) identifies the workload parking enforcement and protection activities impose on public safety programs and (2) specifies the appropriate share of these programs' costs that should be borne by the Parking Account of the Dormitory Revenue Fund and the General Fund."

We note that, as of June 30, 1983, there was a surplus in the Parking Account of \$6.0 million. It does not appear, therefore, that if a larger contribution from the account toward the cost of the public safety program is found to be warranted, that an increase in parking fees would be needed.

3. Funding for Deferred Maintenance and Special Repairs Backlog Proposed

The budget proposes \$10,672,000 from the General Fund for deferred maintenance and special repair projects in 1984-85. This is an increase of \$6,720,000, 170 percent, over the amount provided in the current year. (Current-year funding is from the Capital Outlay Fund for Public Higher Education—COFPHE.)

Of the total amount requested, \$10.1 million is for campus projects and continuation of the planned/reprogrammed maintenance system. The remaining \$575,000 is for (1) an emergency reserve and (2) development of a computerized work order control system.

a. *Campus Projects Should Be Funded.* CSU's request for campus projects would fund projects in the following categories:

- Health and safety;
- Roofs;
- Utilities;
- Heating, ventilation, and air conditioning;
- Buildings;
- Pavements;
- Grounds and irrigation;
- Athletic and recreational projects;
- Seating;
- Preventive maintenance program; and
- Emergency reserve fund.

The proposed amount—\$10.1 million—would continue a multi-year plan to reduce the backlog of these projects, which is estimated by CSU to be in excess of \$40 million. The \$10.1 million would fund 212 projects, of which 28 are related to health and safety.

We have examined CSU's list of projects and believe that the amount requested for campus repair projects is reasonable in light of the system's needs. Accordingly, we recommend approval as budgeted.

Funding for Contingency Reserve and Work Order System Should Be Deleted

We recommend that \$575,000 requested for an emergency reserve and development of a work order control system be deleted because (1) the budget contains a statewide reserve for emergencies and (2) central development of a work order control system should await the results of the review of centrally developed administrative computing systems that is now underway. (Reduce Item 6610-001-001 by \$575,000.)

• **Emergency Reserve.** The budget proposes \$275,000 for an emergency reserve in the CSU special repairs program. Our analysis indicates that such a reserve is not necessary. The Governor's Budget contains funding for contingency or emergency expenditures on a *statewide* basis which CSU could utilize if an emergency at one of its facilities develops. We recommend, therefore, that these funds be deleted, for a General Fund savings of \$275,000.

• **Work-Order Control System.** The budget also proposes \$300,000 for central development of a computerized work-order control system. As noted earlier in this analysis, CSU currently is reviewing the cost-effectiveness of all centrally-developed administrative computing systems. It would appear premature, therefore, to provide funds for the development of an additional administrative system before the results of this review are available. Consequently, we recommend that funds requested for the development of a work-order control system be deleted, for a General Fund savings of \$300,000.

4. Additional Budget Flexibility Unnecessary

The *Supplemental Report to the 1983 Budget Act* directed CSU to submit a report which documents its need for additional budget flexibility. Our review of the report submitted by CSU indicates that additional flexibility is not justified.

Specifically, CSU is requesting that it be exempted from Control Section 31.00 of the 1983 Budget Act (and proposed for continuation in the 1984-85 budget) which relates to salary savings and position control. We note, however, that CSU is currently exempted by the Department of Finance from position control, and Provision 1 of the CSU budget item (6610) grants additional flexibility with respect to expenditure of salary savings

CALIFORNIA STATE UNIVERSITY—Continued

in excess of the amount budgeted.

Moreover, CSU bases its request for a complete exemption from Control Section 31.00 on the premise that the system be able to expend excess salary savings on employee benefits which are negotiated through the collective bargaining process. This is contrary, however, to statutory requirements in the Higher Education Employer Employee Relations Act (HEERA) which require that provisions requiring budgetary action be approved by the Legislature. We think it would be unwise to give CSU an incentive to generate excess salary savings which could, in turn, be used to fund employee benefits without receiving prior legislative approval.

5. Reappropriation of Savings Not Warranted (Item 6610-490)

We recommend that the Legislature amend the Budget Bill to delete the provision which provides for reappropriation of savings because conventional budgeting practices require that expenditures be budgeted for the fiscal year in which they are expected to occur. (Delete Item 6610-490).

The Budget Bill contains Item 6610-490 which reappropriates any savings from CSU's 1983-84 budget for (1) replacement of instructional equipment, (2) deferred maintenance, and (3) special repairs.

We recommend that this provision be deleted because:

- conventional budgeting practices call for expenditures to be budgeted for the fiscal year in which they are expected to occur,
- expenditures should be based on the merits of specific proposals, not on expenditure shortfalls in unrelated programs, and
- an open-ended reappropriation of funds reduces the Legislature's flexibility in allocating available funds based on its priorities.

6. Control Section Needed Regarding Use of Capacity Space

We recommend that the Legislature amend the Budget Bill to (1) delete Provision 4 of Item 6610-001-001 and (2) add a control section which requires CSU to notify the Joint Legislative Budget Committee before capacity space is reclassified for other uses.

The Budget Bill contains a provision which states:

"The Trustees of the California State University shall report, on a semi-annual basis, to the Department of Finance and the Chairperson of the Joint Legislative Budget Committee the use of any funds appropriated by this act to reclassify instructional, administrative, faculty office or library space to other uses. These reports shall be submitted by the 10th of February, for the period July through December, and the 10th of August, for the period January through June."

This language is proposed as a substitute for Control Section 24.30 in the 1983 Budget Act which requires CSU (and UC) to (1) obtain *approval* from the Department of Finance and (2) notify the Chairman of the Joint Legislative Budget Committee of all proposed reclassifications of capacity space before these reclassifications become effective.

We do not believe the proposed language should be adopted because it would eliminate the Legislature's opportunity to review reclassifications before they occur, thus weakening its control over the expenditure of state funds. In some cases, moreover, reclassifications can create a need for subsequent capital outlay appropriations, and thereby reduce the Legislature's flexibility. Reclassifications which *reduce* the amount of space de-

voted to instructional programs should be justified to the Department of Finance and reported to the Legislature *before* they are implemented.

Consequently, we recommend that the language proposed in Provision 4 of Item 6610-001-001 be deleted and that Control Section 24.30 from the 1983 Budget Act be continued in the 1984-85 Budget Bill as follows:

"Section 24.30. No funds appropriated by this act may be used by the Regents of the University of California or the Trustees of the California State University to reclassify instructional capacity space, administrative space, library space, or faculty offices to other uses unless and until any such proposed reclassification is first approved by the Department of Finance and 30 days' written notification is provided to the Chairperson of the Joint Legislative Budget Committee or his or her designee, or not sooner than such lesser time as the chairperson of such committee, or his or her designee, may in each instance determine."

VI. INDEPENDENT OPERATIONS

A. OVERVIEW

The Independent Operations program includes all program activities that benefit independent financing agencies, faculty, and students, but are not directly related to the objectives of an institution of higher education. An example of such activities would be research not directly related to the university's educational mission, but performed by CSU under a contract with a government agency. Independent operations receive no direct General Fund support. Staffing and support levels for the program in the prior, current, and budget years are shown in Table 28.

Table 28
Independent Operations Program Expenditures
1982-83 through 1984-85
(dollars in thousands)

	Actual 1982-83	Estimated 1983-84	Proposed 1984-85	Change	
				Amount	Percent
Program Totals	\$48,213	\$50,691	\$53,709	\$3,018	5.6%
Funding Source:					
General Fund	-722	—	—	—	—
Reimbursements	43,919	49,753	52,544	2,791	5.6
Federal Trust Fund	4,028	—	—	—	—
Parking Account, Dormitory Revenue Fund	850	938	1,165	227	24.2
Continuing Education Revenue Fund	138	—	—	—	—
Personnel	1,142.4	1,644.2	1,065.2	-579.0	-35.2%

1. Position Reductions Should Be Accompanied By Expenditure Reductions

We recommend a reduction of \$17,851,000 related to the proposed position reduction in independent operations because expenditures are over-budgeted, due to the budget's failure to account for the proposed 35% reduction in positions. (Reduce Item 6610-001-001 by \$17,851,000 and reduce reimbursements by same amount.)

As shown in Table 28, the budget proposes to reduce staffing in the Independent Operations program by 579 positions or 35 percent. At the same time, however, the budget expects expenditures for this program to increase by \$3.0 million, or 5 percent.

With respect to the proposed position reduction, the budget document states: "This reduction reflects a reduced level of Federal grants and contracts, and a trend of using personal contracts to perform grant related

CALIFORNIA STATE UNIVERSITY—Continued

work. An appropriate dollar reduction will be incorporated later when actual experience can be better assessed and accurately reflected.”

Based on the estimated cost per position during the current year—\$30,830—we estimate that the proposed budget-year expenditure reduction of 579 positions should be accompanied by a reduction amounting to \$17,851,000. Accordingly, we recommend that expenditures be reduced by this amount to correct for overbudgeting. Because this program is wholly supported by external sources, reimbursements should be reduced by the same amount, resulting in no net impact on the General Fund appropriation to CSU.

2. Policy on Charges to Self-Supporting Operations to be Implemented

We recommend that CSU report during budget hearings on the status of its new policy of charging self-supported operations for services provided by the General Fund.

In the 1983 Budget Act, the Governor reduced CSU’s appropriation by \$1.0 million to, as stated in his veto message: “reflect a more reasonable assessment of indirect costs incurred by special-funded operations and other non-state supported activities and to recover a higher portion of the costs for the use of CSU facilities by the public.”

CSU has developed a policy which (1) specifies the operations from which costs should be recovered and (2) defines the types of costs to be recovered—direct, indirect, and incremental. The policy does not specify, however, the amount of money to be recovered or the process by which these funds would flow into CSU’s budget. CSU has advised us that a final report on this policy will be available in mid-spring.

We recommend that CSU report on the status of the new policy during budget hearings so that the Legislature will be able to ensure that General Fund costs will be fully recovered.

VII. FOUNDATIONS AND AUXILIARY ORGANIZATIONS

A. OVERVIEW

Foundations and Auxiliary Organizations are separate legal entities authorized by the Legislature to perform functions that contribute to the educational mission of the CSU, as well as provide services to students and employees. Most of these organizations can be grouped into four major categories: associated student organizations, foundations which administer special educational projects, student union operations and commercial activities. All operations of the foundations and auxiliary organizations are intended to be self-supporting; thus, they receive no General Fund support. Table 29 shows the expenditures by these organizations for the prior, current, and budget years.

Table 29
Foundations and Auxiliary Organizations Expenditures
1982-83 through 1984-85
(in thousands)

	<i>Actual</i> 1982-83	<i>Estimated</i> 1983-84	<i>Proposed</i> 1984-85	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Program Totals	\$229,300	\$240,700	\$253,100	\$12,400	5.2%
Reimbursements—federal	49,300	51,750	54,417	2,667	5.2
Reimbursements—other	180,000	188,950	198,683	9,773	5.2

B. FOUNDATIONS

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

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

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

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

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

As a result, the Legislature included language in the *Supplemental Report to the 1982 Budget Act* which required CSU to submit a report to the legislative budget committees by December 1, 1982, detailing the indirect costs recovered by CSU foundations. Specifically, the language required CSU to include (1) summaries of direct costs (by campus) remitted by campus foundations for the past three fiscal years, (2) summaries of support provided by the foundations to the campuses, and (3) summaries of grants and contracts for which foundations receive less than the negotiated rate of indirect costs.

We have been advised that a reporting format has been developed and distributed to campuses to collect the data. To date, however, the required report has not been submitted to the Legislature. Inasmuch as this issue is related to the accurate recovery of General Fund costs which we discussed in our analysis of the Independent Operations program, we anticipate that CSU will address this issue during budget hearings.

VIII. UNALLOCATED SALARY INCREASE**A. SALARY COMPENSATION FUNDS PROVIDED IN CSU ITEM**

The Governor's Budget for 1984-85 proposes for the first time that funds for CSU salary increases be budgeted in the CSU support item. In prior years, funds for these increases were budgeted in the state employee compensation item. We believe that this change is appropriate because it

CALIFORNIA STATE UNIVERSITY—Continued

more accurately reflects the total costs of supporting the CSU in the budget year.

1. MOUs Needed

We withhold recommendation on the \$99,961,000 requested for employee compensation increases, pending submission to the Legislature of memoranda of understanding (MOUs) covering CSU employees and compensation proposals for CSU's nonrepresented employees.

The budget proposes that \$99,961,000 be appropriated as part of the CSU's main support item for employee compensation increases. As mentioned above, this is a significant departure from past practice. With respect to this proposal, the budget document states:

"This program is to provide the CSU Board of Trustees funding which will allow a 10 percent increase in salaries and benefits for CSU employees. This program also proposes a January 1, 1985 salary adjustment for CSU faculty which will provide a 1984-85 ten percent increase in salaries, with the first part of this two-part increase to be effective July 1, 1984 and the final part on January 1, 1985."

According to the preliminary report of the California Postsecondary Education Commission (CPEC), CSU faculty salaries lag 10 percent behind those paid by CSU's comparison institutions to their faculty. A final report, reflecting *actual* current year salaries at the comparison institutions, will be published in April 1984.

Table 30
Distribution of CSU Employees
Among Bargaining Units
and Current MOU Status

<i>Unit Number</i>	<i>Occupation Group</i>	<i>Number of Employees</i>	<i>Per-cent</i>	<i>Exclusive Representative</i>	<i>Term of Current MOU</i>
1	Physicians	139	(0.4%)	Union of American Physicians and Dentists	July 1, 1983 to June 30, 1986
2	Health Care Support	399	(1.2%)	CSEA	July 1, 1983 to June 30, 1985
3	Faculty	19,690	(58.0%)	CFA	July 1, 1983 to June 30, 1986
4	Academic Support.....	1,357	(4.0%)	United Professors of California	September 16, 1983 to June 30, 1985
5	Operations Support Services	1,966	(5.8%)	CSEA	July 1, 1983 to June 30, 1985
6	Skilled Crafts	782	(2.3%)	State Employees	July 1, 1983 to June 30, 1985
7	Clerical Support.....	7,162	(21.1%)	Trades Council CSEA	July 1, 1983 to June 30, 1985
8	Police	183	(0.5%)	State University Police Association	July 1, 1983 to June 30, 1986
9	Technical Support Services ..	2,271	(6.7%)	CSEA	July 1, 1983 to June 30, 1985
Total Employees		33,949	(100.0%)		

We note that 33,949 CSU employees—95 percent of the total—are covered by the Higher Education Employer-Employee Relations Act (HEERA) and, as such, the specific terms of any changes in the terms and conditions of their employment are subject to collective bargaining. Table 30 shows the distribution of CSU employees among bargaining units and the effective dates of current memoranda of understandings (MOUs).

In addition to the employees shown in Table 30, there are over 1,850 employees designated as managerial, supervisory or confidential who are not covered by collective bargaining.

Until new or amended MOUs for represented employees, together with information on the increases proposed by CSU for employees who are not covered by collective bargaining, are submitted for the Legislature's consideration, we will have no basis for (1) evaluating the nature or magnitude of increases proposed or (2) the amount of funds required to implement these increases. Therefore, we withhold recommendation on this request, pending review of these proposals.

2. Cost of Alternative Salary Increase Proposals

Table 31 shows the cost of providing salary increases of various magnitudes to CSU employees.

Table 31
California State University
Cost of Providing Salary Increases of Various Sizes
(in thousands)

<i>CSU Employee Group</i>	<i>Cost of Increase</i>		
	<i>1 percent</i>	<i>5 percent</i>	<i>10 percent</i>
Academic ^(a)	\$5,862	\$29,310	\$58,620
Nonacademic	4,033	20,165	40,330
Totals	\$9,895	\$49,475	\$98,950

^a Based on employees in unit 3 which include academic-related employees such as Librarians.

The table shows that each 1 percent increase in CSU salaries will increase General Fund costs by \$9,895,000. It also shows that \$98,950,000 is needed to provide a 10 percent salary increase. The Governor's Budget, however, proposes \$99,961,000 for a 10 percent increase in salaries and benefits. This is \$1,011,000 more than the required amount for a 10 percent increase in the salary category only. We are unable to reconcile the discrepancy. While it appears that this item is overbudgeted given the description contained in the budget document, we make no recommendation to reduce the Item at this time because the amount actually needed will be determined by collective bargaining and legislative action on the MOUs.

B. NEGOTIATED BENEFITS UNFUNDED IN THE BUDGET YEAR

In 1983–84, CSU received an appropriation of \$47,500,000 for costs associated with employee compensation increases. Of this amount, \$7,521,188 was transferred to PERS to fund increased retirement costs. According to the Department of Finance, CSU received funds to provide increases equivalent to the DPA "model." These increases included:

- A 6 percent general salary increase for represented employees, effective January 1, 1984,

CALIFORNIA STATE UNIVERSITY—Continued

- An increase in the employer health premium contribution,
- An increase in the employer dental premium contribution,
- A continuation of the \$50 reduction in the employee contribution to PERS during the period July 1, 1983 to January 1, 1984, and
- Special equity adjustments for selected classifications.

Table 32 displays the current-year costs of these programs and the required funding to continue them in 1984–85.

Table 32
Costs Associated with CSU Employee Compensation Programs for 1983–84

Program	1983–84 Allocation for Employee Increases	1984–85		Difference
		Cost of Continuing 1983–84 Increases	Amount Requested in Governor's Budget	
1. General Compensation Adjustments				
Health Premium Increase	\$3,385,757	\$3,385,757	\$3,385,757	—
Dental Program Increase	240,000	240,000	240,000	—
General Salary Increase	27,415,021	55,814,870	55,814,870	—
Subtotals	\$31,040,778	\$59,440,627	\$59,440,627	—
2. Special Equity Adjustments				
Faculty Market Condition Salary Supplements	\$450,000	\$600,000	\$600,000	—
Executive Compensation	98,085	196,170	196,170	—
Management Personnel Plan	765,000	1,530,000	1,530,000	—
Reserve	36,914	73,830	73,830	—
Subtotals	\$1,349,999	\$2,400,000	\$2,400,000	—
3. Other Allocations				
Nonacademic Merit Salary Adjustments	\$3,145,000	\$3,145,000	—	—\$3,145,000
Faculty Promotions	1,105,371	1,105,371	\$1,105,371	—
Faculty Unit Merit Awards	855,000	858,337	—	—\$58,337
Various Unit Provisions	192,780	192,780	—	—\$192,780
Executive Housing/Entertainment Allowance	75,300	150,600	—	—\$150,600
Nonrepresented Merit Awards	150,000	150,000	—	—\$150,000
Subtotals	\$5,523,451	\$5,602,088	\$1,105,371	—\$4,496,717
Total Funded	\$37,914,228	\$67,442,715	\$62,945,998	—\$4,496,717
Unallocated	614,584	—	—	—
Total Allocated	\$38,528,812 ^a	\$67,442,715	\$62,945,998	—\$4,496,717

^a CSU received an additional \$7.5 million for retirement costs which was subsequently transferred to PERS. Additionally, it received \$1,450,000 for dental benefits in its base budget.

1. Current Year Funding Appears Excessive

We recommend that the Department of Finance explain the basis on which the 1983–84 CSU employee compensation allocation was calculated.

According to the Department of Finance, CSU was supposed to use the DPA “model” in allocating funds available for employee compensation increases in 1983–84. This model was intended to serve as the financial limit for costs that would be incurred in 1984–85 to continue these salary

and benefit increases. As Table 32 shows, however, CSU was able to fund several benefit enhancements that were not included in the DPA model within the allocation provided for employee increases. These items included:

- Nonacademic merit salary adjustments—\$3.1 million,
- Faculty promotions—\$1.1 million,

(Funds for both of these benefits were vetoed by the Governor from CSU's main support item.)

- Faculty merit awards—\$855,000,
- Various MOU provisions including uniform allowances, travel per diem increases and employee fee waivers—\$192,780,
- Executive Housing/Entertainment Allowances—\$75,300, and
- Nonrepresented merit awards—\$150,000.

In addition, \$614,584 of the initial allocation to CSU has not been earmarked for any purpose, and will revert to the General Fund June 30, 1984.

In sum, \$6.1 million was provided in the current year in excess of the amount needed to fund the DPA "model"—the administration's stated basis for the \$38.5 million allocation. Accordingly, we recommend that at budget hearings, the Department of Finance explain the basis on which the CSU employee compensation allocation was calculated.

2. Plan for Funding Budget Year Deficiency Needed

We recommend that CSU submit a plan to the Legislature by April 1, 1984 which specifies how the employee compensation deficit of \$4.5 million will be funded in 1984-85.

The Governor's Budget for 1984-85 provides \$62.9 million to cover the full-year cost of continuing in the budget year those salary and benefit increases provided by CSU in the current year. We find, however, that the cost of continuing these increases is \$67.4 million. Thus, there is a deficit of \$4,496,717 associated with the 1983-84 increases in the Governor's Budget. According to the Department of Finance, this deficit represents full-year cost of the salary/benefit increases in excess of the DPA "model". Because the model was intended to limit costs in 1984-85, as well as in 1983-84, the administration does not intend to provide the additional funding.

The CSU has a contractual obligation to provide negotiated benefits. Therefore, the cost of these benefits will have to be funded from within the base budgets for 1984-85. To ensure that in doing so, CSU does not redirect resources away from programs of high legislative priority, we recommend that by April 1, 1984 CSU submit to the Legislature a plan for funding this deficit.

C. ADDITIONAL IMPLICATIONS OF COLLECTIVE BARGAINING

1. Absorbable Costs Not Identified by CSU

We recommend that CSU explain why there are no absorbable costs associated with various provisions of the 1983 MOUs.

In last year's *Analysis*, we noted that CSU claimed it would absorb costs in excess of \$2 million as a result of MOU provisions for 1982-83 covering 4 bargaining units or 10,225 employees. These costs were associated with the following provisions:

- Overtime,
- Saturday holidays,

CALIFORNIA STATE UNIVERSITY—Continued

- Overtime holidays,
- Bereavement leave,
- Uniform allowances,
- Safety, and
- Per diem.

We asked CSU to provide the same data for the MOUs that became effective in 1983–84. As noted previously, MOUs now cover 9 units and 33,949 employees. Despite the fact that the benefits listed above plus new benefits such as professional development leaves, were provided to 24,000 additional employees, *CSU reported that the system incurred no absorbable costs in 1983–84*. In contrast, the DPA estimates that in 1983–84 state agencies will absorb \$33.9 million in costs associated with similar benefits provided to civil service employees. Either CSU knows something that DPA does not know (and should share with the rest of state government in order to help reduce state costs), or CSU's claim that it incurred no absorbable costs is in error.

We recommend that CSU help clarify this matter by explaining to the Legislature why it is that no absorbable costs associated with MOUs will be incurred in 1983–84.

2. Management Plan Implemented by CSU

In November 1983, the Board of Trustees adopted the CSU Management Personnel Plan. This plan which became effective January 1, 1984, covers over 1,850 employees who have been designated as managerial, supervisory or confidential. CSU cites the following as the major objectives of the plan:

- To recruit and retain well-qualified managers and to enhance their management capabilities,
- To facilitate and enhance the effectiveness and productive efforts of managers through evaluations of performance and recognition of merit in determining compensation,
- To provide a system in which the particular abilities, contributions, expertise and effectiveness of individual managers can be considered along with the level of responsibility of the job performed in determining appropriate compensation,
- To enable those who are in the best position to judge merit and value of an individual's performance to make selective use of salary increase funds to recognize individual differences among managers,
- To provide flexibility to accommodate the variations in job requirements and performance expectations of managers from one campus to another and from one president to another,
- To establish a salary structure which eliminates salary steps and automatic merit salary adjustments and provides, instead, four broad levels with overlapping salary ranges,
- To provide a system of fiscal controls within which appropriate salaries for managers can be determined, and
- To extend a benefits program which complements the salary program and is appropriate for managers.

a. *Significant Changes from Current Structure.* Table 33 shows the new classifications that will be used under the management plan. As the table shows, 242 existing personnel classifications have been collapsed into four broad categories.

Table 33
Employees Covered by CSU
Management Personnel Plan

<i>New Classification</i>	<i>Previous Number of Classifications</i>	<i>New Salary Range</i>	<i>Number of Positions</i>
Administrator I.....	43	\$15,000-30,000	539
Administrator II.....	60	25,000-45,000	498
Administrator III.....	86	30,000-60,000	431
Administrator III/IV.....	20	40,000-75,000	326
Administrator IV.....	33	40,000-75,000	60
Totals	242		1,854

b. **Salary Administration.** Each category has a minimum and maximum salary identified and there are no salary steps within each range. Under the plan, once an individual is appointed to a particular management class, subsequent salary advancements or individual benefit increases will be based on performance as measured by a campus evaluation plan.

Additionally, there are no automatic step adjustments nor general salary increases, as such, nor does an upward adjustment of the salary ranges automatically affect individual salaries. The amount and frequency of individual salary adjustments will also be determined on the basis of the campus evaluation plan.

c. **Evaluation Plan.** Employees covered by the management plan will be evaluated after six months and one year of service, and at one-year intervals thereafter. The criteria and process for evaluation shall be determined by the campus presidents.

3. Executive Compensation Plan Also Implemented by CSU

The CSU Trustees also adopted changes to compensation policies for executive employees. This plan covers 25 employees including the Chancellor, vice chancellors and campus presidents.

a. **Salary Structure.** Effective January 1, 1984, the salary range for campus presidents and systemwide vice chancellors was set at \$65,000 to \$88,000. The Chancellor's annual salary for 1983-84 is \$98,000.

b. **Evaluation.** According to CSU, after the initial appointment, subsequent salary increases for presidents and vice chancellors will be based on annual reviews conducted by the Chancellor and will be individually set by the Board of Trustees, upon the recommendation of the Chancellor.

c. **Benefits.** Each president and the Chancellor is provided an automobile for official use. Additionally, presidents of the 15 campuses with no state-provided residence receive (1) a housing/entertainment allowance and (2) a "hospitality allowance" of \$250 per month. The Chancellor and presidents of the four campuses with state-provided housing also receive a "hospitality allowance" of \$250 per month. Table 34 summarizes these benefits by campus.

CALIFORNIA STATE UNIVERSITY—Continued

Table 34
Housing/Entertainment Allowances
1983-84

<i>Campus</i>	<i>Monthly Allowance^b</i>	<i>Annual Amount Provided</i>
San Francisco	\$1,050	\$12,600
Los Angeles	950	11,400
Dominguez Hills	950	11,400
Northridge	950	11,400
Fullerton	850	10,200
San Diego	850	10,200
Long Beach	800	9,600
Pomona ^a	250	3,000
San Bernardino	700	8,400
Hayward	650	7,800
San Jose	650	7,800
Sonoma	650	7,800
Sacramento	600	7,200
Fresno ^a	250	3,000
San Luis Obispo ^a	250	3,000
Bakersfield	550	6,600
Stanislaus	550	6,600
Chico ^a	250	3,000
Humboldt	550	6,600
Chancellor's Residence	250	3,000
Total	N/A	\$150,600

^a Indicates locations with state-provided residences.

^b According to CSU, these amounts are based on the cost-of-living in various locations.

As mentioned previously, no funding is provided in the proposed budget for housing allowances. The CSU will have to absorb these costs, if it chooses to provide these benefits in 1984-85.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY

Item 6610-301 from the Capital
 Outlay Fund for Public High-
 er Education

Budget p. E 178

Requested 1984-85	\$27,767,000
Recommended approval	19,180,000
Recommended reduction	7,027,000
Recommendation pending	1,560,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Transfer to General Fund. Recommend that savings resulting from our recommendations (\$7,027,000) be transferred to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide. 1859
2. *Preliminary Planning Funds—Statewide. Reduce by \$130,000.* Recommend that preliminary planning funds be reduced because the proposed level of funding will not be needed in the budget year. Further, recommend adoption of Budget Bill language to specify that the remaining funds 1860

may be used only for preliminary planning of projects that are expected to be included in the 1985-86 Governor's Budget.

3. ***Removal of Architectural Barriers to the Physically Handicapped—Statewide. Reduce by \$564,000.*** 1861
Recommend two projects at the Los Angeles and San Francisco campuses be deleted because the buildings to be modified are already accessible to the handicapped.
4. ***Minor Capital Outlay—Statewide. Reduce by \$2,300,000.*** 1862
Recommend funds for low priority general improvement projects be deleted. Further recommend that supplemental report language be adopted requiring the CSU to submit a post audit report to the Legislature identifying the actual energy cost savings achieved as a result of energy conservation retrofit projects funded in this item.
5. ***Matching Funds for Federal Grant Programs—Statewide.*** 1865
Recommend that funds proposed from the Capital Outlay Fund for Public Higher Education as state match for federal energy grants be transferred from this item to a statewide item so that all segments of higher education may participate in the competition for the state matching funds.
6. ***Studies for Cogeneration, Energy Management Systems, and Other Energy Projects—Statewide. Reduce by \$120,000.*** 1866
Recommend study funds for energy projects be deleted because the needed studies can and should be funded from the support budget.
7. ***Fire Suppression System, Tiburon Center, San Francisco. Reduce by \$395,000.*** 1869
Recommend working drawings and construction funds for demolition of abandoned facilities and installation of the fire suppression system at Tiburon Center be deleted because the improvements should be funded from non-state sources.
8. ***Old Library Rehabilitation—San Diego. Reduce by \$379,000.*** 1870
Recommend funds to rehabilitate the old library be reduced because the proposed construction amount is overbudgeted based on the most recent project cost estimate.
9. ***Physical Sciences Building Rehabilitation—San Diego. Reduce by \$159,000.*** 1871
Recommend that preliminary planning and working drawings to rehabilitate the physical sciences building be deleted because (1) the cost to upgrade the building may exceed the cost of constructing a new replacement facility and (2) the campus has a surplus of laboratory space according to state space guidelines. (Future Savings: \$2,275,000)
10. ***Library Conversion—Fullerton. Reduce by \$1,393,000.*** 1875
Recommend that construction funds to convert lecture space and offices in the library building to library use be deleted because the request is premature, given the system's request for funding of a study to evaluate systemwide library space standards.
11. ***Remodel Business Building—San Francisco.*** 1875
Recommend (a) elimination of computer laboratories that are not justified and (b) budget language requiring information on other specialized facilities prior to allocation of working drawing funds.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

12. *Business Building—Fresno. Reduce by \$248,000.* 1877
Recommend that preliminary planning and working drawing funds proposed for a new business building be reduced to eliminate the working drawing portion of the request since the remaining funds should be adequate to fund the planning activities needed to implement this project on an "early delivery system" schedule. Further, recommend that budget bill language be adopted directing the CSU to (1) implement this project using such a system and (2) remove temporary buildings. (Future savings: \$600,000)
13. *Engineering/Computer Science/Mathematics Laboratories—Long Beach. Withhold recommendation on \$480,000 for preliminary planning and working drawings for a new laboratory building, pending receipt from CSU of an analysis identifying existing space which can be converted to meet a portion of the space needs addressed by the project.* 1880
14. *Agriculture Science Building—San Luis Obispo. Reduce by \$360,000.* 1882
Recommend that preliminary planning and working drawings for new Agriculture Science Building be deleted because the program now is adequately housed and only a modest increase in enrollment is projected. (Future Savings: \$7,720,000)
15. *Science Building Remodel—Humboldt. Reduce by \$714,000.* 1883
Recommend that preliminary planning, working drawings, construction and equipment funds to remodel the Science Building be reduced because the construction and equipment portion of the request is premature.
16. *Modifications to Computer Center—San Diego. Reduce by \$258,000.* 1884
Recommend working drawings and construction funds to modify the ventilation system at the Computer Center be deleted because the project would not correct deficiencies in the existing ventilation system.
17. *Energy Management System—San Jose. Withhold recommendation on \$500,000 for working drawings and construction for an energy management system, pending receipt of preliminary plans.* 1885
18. *Energy Management System—Fullerton. Withhold recommendation on \$580,000 for working drawings and construction of an energy management system, pending review of the most recent preliminary plans for this project.* 1886
19. *Energy Management System—Los Angeles. Reduce by \$7,000.* 1886
Recommend preliminary planning and working drawings for an energy management system be reduced to reflect deletion of project elements which are unrelated to energy conservation. (Future savings: \$185,000)

ANALYSIS AND RECOMMENDATIONS

The budget includes \$27,767,000 for capital outlay for the California State University (CSU) in 1984-85. Funding for the projects is proposed from the Capital Outlay Fund for Public Higher Education (COFPHÉ).

For discussion purposes, we have divided the CSU program into five

categories. Table 1 identifies these categories and summarizes the CSU request.

Table 1
California State University
Summary of Capital Outlay Program—1984-85
Capital Outlay Fund for Public Higher Education
Item 6610-301-146
(in thousands)

<i>Section of the Analysis</i>	<i>Subitem Numbers</i>	<i>Type of Project</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>
A.	(1)–(8)	Statewide, including planning, minor projects and handicap access	\$14,202	\$10,888
B.	(9)–(11), (-15)	Structural, Health and Safety Code Corrections	3,587	2,654
C.	(12)–(14)	Equipment for New Buildings	127	127
D.	(16)–(23)	New/Remodeled Facilities for Instructional Program	7,294	pending
E.	(24)–(30)	Energy Conservation	2,557	pending
Totals			\$27,767	pending

Transfer to General Fund

We recommend that the savings resulting from our recommendations on Item 6610-301-146 be transferred to the General Fund, in order to increase the Legislature's flexibility in meeting high-priority needs statewide.

We recommend reductions amounting to \$7,027,000 in the California State University's capital outlay program from the Capital Outlay Fund for Public Higher Education. Approval of these reductions, which are discussed individually below, would leave an unappropriated balance of tidelands oil revenues in this fund, which would be available only to finance programs and projects of a specific nature.

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

A. STATEWIDE FUNDS

The projects in this category are those funded in subitems (1) through (8). The total request of the projects in 1984-85 is \$14,202,000. These funds would be allocated by the Chancellor's office for statewide planning, studies, removal of architectural barriers, minor projects, matching federal energy grants funds, and other projects not associated with a specific campus. The projects included in this category and our recommendations on each are summarized in Table 2.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

Table 2
California State University
Funds for Statewide Projects
Item 6610-301-146
(in thousands)

<i>Project Title</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>	<i>Estimated^b Future Cost</i>
(1) Preliminary Planning, 1985-86 projects	p	\$200	\$70	—
(2) Remove Architectural Barriers to the Physical- ly Handicapped	wc	2,634	2,070	—
(3) Minor Capital Outlay, General Improvements	pwce	7,000	4,500	—
(4) Minor Capital Outlay, Energy Conservation ..	pwce	3,500	3,500	—
(5) Matching Funds for Energy Grants	p	500	500 ^c	—
(6) Studies for Cogeneration, Energy Manage- ment Systems, and Energy Projects	p	120	—	—
(7) Landscaping and Equipment, Moss Landing Laboratory	wce	148	148	—
(8) Library Study	p	100	100	—
Totals		\$14,202	\$10,888	—

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

^b CSU estimate.

^c Analyst recommends funds be transferred to a new item available for all higher education segments.

Preliminary Planning—1985-86 Projects

We recommend that Item 6610-301-146 (1), \$200,000 for planning, be reduced by \$130,000 because the proposed funding level will not be needed in the budget year. Further, we recommend that the Legislature adopt Budget Bill language specifying that the remaining funds (\$70,000) may be used only for preliminary planning of projects which are expected to be included in the 1985-86 Governor's Budget, subject to the approval of the Department of Finance.

In prior budget acts, funds for preliminary planning have been appropriated so that the segments of higher education can develop preliminary plans for projects on behalf of which funding for either working drawings or working drawings and construction is likely to be included in the Governor's Budget for the following year. This funding mechanism has two advantages: (1) it allows project implementation to be expedited and (2) it ensures that adequate information is available for legislative review when working drawing and/or construction funds are requested for proposed projects.

Because of funding limitations, preliminary planning funds were not included in the 1983 Budget Act. The budget includes \$200,000 in order to reestablish the policy of providing funds for advanced planning of projects that are expected to be included in the Governor's Budget for the next fiscal year.

Based on the Trustees' five-year capital outlay program, only \$70,000 is required to fund planning for those projects expected to be included in the Governor's Budget for 1985-86. Accordingly, we recommend Item 6610-301-146 (1) be reduced by \$130,000.

Prior Budget Language Should Be Adopted. Prior budget acts have specified that statewide planning funds could be used only for preliminary

planning of those projects that are expected to be included in the subsequent Governor's Budget. Our analysis indicates that this procedure has aided in ensuring that preliminary planning funds are not spent unnecessarily, and has expedited the planning process. Accordingly, we recommend that the Legislature adopt the following Budget Bill language which has been included in prior Budget Acts:

"Provided that the funds appropriated in Item 6610-301-146(1) shall be available only for those major capital outlay projects for which working drawing funds or working drawings and construction funds are expected to be included in the 1985-86 Governor's Budget, and upon approval of the Department of Finance."

Architectural Barriers to the Physically Handicapped

We recommend that Item 6610-301-146(2), funds for modifications to remove architectural barriers to the physically handicapped, be reduced by \$564,000 to eliminate funds for two projects in buildings which already are accessible to the handicapped. We further recommend that approved projects be included in the Budget Bill schedule of expenditures.

The budget proposes a total of \$2,634,000 for ten projects to eliminate architectural barriers to the physically handicapped. The CSU has established priorities for removal of architectural barriers which include (1) access to the campus as a whole, (2) access of facilities to meet the basic needs of the handicapped, (3) access to the main level of buildings with high student use, (4) access to floors above and below main entrance levels, (5) installation of automatic doors and lowering of drinking fountains, and (6) other access projects. All projects identified in the first three categories have been completed. The 1984-85 budget proposes to fund projects included in category (4), access to floors above and below main levels. For the most part, these projects include modification of existing elevators or installation of new elevators for use by mobility impaired individuals. Table 3 summarizes the 11 projects and our recommendations on each.

Projects Recommended for Deletion. Our review of the CSU requests indicates that two projects proposed to provide access for the physically handicapped are not justified. One project on the San Francisco campus proposes installation of an outside lift at the administration building. This lift, however, is not needed to provide access; the administration building already is accessible to mobility impaired persons. The purpose of the project is to provide a more convenient path of travel.

The other project calls for the installation of an additional elevator in King Hall on the Los Angeles campus. The CSU indicates that the *existing elevator* is not readily available to handicapped individuals, resulting in inconvenience and delay to users. Our analysis indicates that the problem has to do with maintenance, rather than the need for a new elevator. The problems to users are due to the significant amount of down-time experienced by the existing elevator. The CSU should apply maintenance funds to repair or replace the elevator equipment to improve its reliability. Moreover, administrative control of the elevator should be improved to ensure use of the elevator by physically handicapped individuals. This can be accomplished through installation of a system limiting elevator access to those individuals who need the use of the elevators.

In sum, our analysis indicates that the two projects at San Francisco and Los Angeles are not justified on the basis of providing access to floors above and below main levels, and we therefore recommend that Item 6610-301-146(2) be reduced by \$564,000 to delete these two projects from the program.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

Table 3
California State University
Projects to Remove Architectural Barriers
to the Physically Handicapped—1984-85
Item 6610-301-146(2)
(in thousands)

<i>Project Title</i>	<i>Phase^a</i>	<i>Campus</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>
1. Elevators for Physical Education Building and Modify Elevators	wc	Hayward	\$298	\$298
2. Elevators for Physical Education/Recreation Building and Science Building; Access to Men's and Women's Pool.....	wc	San Jose	526	526
3. Modify Elevators.....	c	Los Angeles	103	103
4. Elevators, Physical Education and Performing Arts; Modify Library Elevator	c	Chico	335	335
5. Elevators, Physical Education Building and Music Center	wc	San Luis Obispo	370	370
6. Elevator for Art/Music Building	c	Humboldt	191	191
7. Modify Elevators Campuswide	wc	San Jose	88	88
8. Elevator in King Hall	wc	Los Angeles	417	—
9. Outside Lift for Administration Building.....	wc	San Francisco	147	—
10. Elevator for Family Studies and Consumer Sciences	wc	San Diego	159	159
Totals			\$2,634	\$2,070

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

Projects Recommended for Approval. Our analysis indicates that eight of the proposed projects for removal of architectural barriers to the physically handicapped will provide needed access to specialized campus facilities such as physical education, music, and art facilities. These specialized facilities are not located on the main level of buildings, and therefore the installation of new elevators is the only way to make the programs conducted in these facilities accessible to the mobility impaired. We recommend approval of funding for the nine projects, totaling \$2,070,000, at Hayward, San Jose, Los Angeles, Chico, San Luis Obispo, Humboldt, and San Diego.

Projects Approved Should Be Included in Budget Bill Schedule. In order to provide adequate fiscal control by the Department of Finance and the State Public Works Board of funds budgeted for these projects, we recommend that the Budget Bill be modified to include a schedule delineating the funds appropriated for the projects approved by the Legislature. Accordingly, we recommend that those projects (identified in Table 3) approved by the Legislature be included in the schedule under Item 6610-301-146.

Minor Capital Outlay Projects

We recommend that Item 6610-301-146(3) be reduced to \$4,700,000 to provide only high-priority minor capital outlay improvement needs, for a savings of \$2,300,000.

Minor Capital Outlay—General Campus Improvements (Item 6610-301-146(3)). This request is for \$7 million for minor capital outlay projects (\$200,000 or less per project) for the various CSU campuses. The \$7 million request represents a lump sum amount to be allocated by the Chancellor's office to the 19 CSU campuses for general campus improvements other than energy conservation.

In prior Budget Acts, the Legislature has included a control section (Section 24.30 in the 1983 Budget Act) that required the Department of Finance to approve any minor capital outlay funds used to reclassify instructional space, administrative space, library space, or faculty offices to other use, and also required that 30-day advance written notification be given to the Chairman of the Joint Legislative Budget Committee before such reclassifications proceed. The Governor's Budget for 1984-85 does not include this control section. In its place, the budget includes language under the CSU support budget item requiring only a post-audit report to the Legislature of changes of this type. In an analysis of the control sections, we have recommended that control Section 24.30 be reestablished.

The Chancellor's office has submitted a list of projects that would be funded from the \$7 million lump sum appropriation. The projects on the list total \$6,250,000, the balance of the request represents a reserve for emergency projects, augmentations, and planning of future projects totals \$744,000.

Our review of the Chancellor's office list of approved projects indicates that many projects proposed for funding appear to have a low priority relative to other needs. In some cases, the proposed projects are not justified because they would add new capacity to campuses that already have sufficient capacity (such as the proposal for new faculty offices at two campuses). Table 4 identifies those projects which our analysis indicates do not warrant legislative support because the projects (1) are not justified on a capacity basis, (2) should be funded from support funds, (3) are dependent on other projects, (4) should be funded from other sources or (5) are low in priority given the anticipated benefits to the program. Moreover, our review indicates that the amount proposed for contingencies and other requirements is excessive. The \$744,000 for this purpose represents over 10 percent of the total amount requested. In prior budget requests, the amount reserved for contingencies has been approximately \$200,000. In past years, this amount has been adequate to fund high-priority projects not included in the original program. Accordingly, we recommend that the amount set aside for contingencies be reduced in line with the level supported in prior budget requests.

Based on our review of the information provided by the Chancellor's office, we conclude that \$4.7 million would be adequate to support the CSU minor capital outlay program in 1984-85. This amount will provide \$4.5 million to meet high priority needs related to health and safety modifications and instructional program improvements, and provide for approximately \$200,000 in contingency. Consequently, we recommend that Item 6610-301-146(4) be reduced by \$2,300,000.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

Table 4
California State University
Minor Capital Outlay—1984-85 Low Priority Projects

<i>Project</i>	<i>Campus</i>	<i>Amount</i>
1. Capacity Space Not Justified:		
Faculty Office	Chico	\$10,000
Classroom in Auditorium Mens Dressing Room.....	Chico	4,800
13 Faculty Offices	Fullerton	89,000
Convert Storage to Graduate Lab	San Diego	67,200
2. Support Budget/Maintenance Projects:		
Remodel Women's Locker Room.....	Los Angeles	27,000
Video Viewing Booths (equipment)	Northridge	16,000
Pool Chlorine Generator (maintenance)	Northridge	16,000
Storm Sewer System (major project)	Sacramento	231,000
Electronic Keyboard Lab	San Luis Obispo	81,500
3. Premature Request (dependent on other major projects):		
Convert Nursing Labs (premature request)	San Diego	146,000
Remodel Administration	San Jose	100,000
4. Alternative Funding Source More Appropriate:		
Child Care Center Utilities	Dominguez Hills	22,000
Acoustical Treatment (in a new building)	Humboldt	108,000
Convert 4 Rooms for Electron Microscope (fund same as equip- ment)	Los Angeles	59,800
Addition to Dormitory (nonstate activity)	San Diego	69,800
5. Low Priority/Marginal Benefit to Program:		
Additional Lighting in Theater	Bakersfield	23,100
Extend Closed Circuit TV	Chico	19,000
TV Studio Modification	Dominguez Hills	31,000
Oak Floor; Child Drama Center.....	Fresno	20,000
Biology Storage Building	Fresno	24,000
Greenhouse	Fresno	38,000
Archeology Storage Building	Fullerton	14,500
Convert Choral Rehearsal to Recital Lecture/Music	Hayward	130,000
Sound Wall	Long Beach	22,000
Prisoner Holding Cells	Sacramento	17,000
Convert Storage to Offices (no place for storage)	San Bernardino	39,000
Convert Former Classrooms, Calexico (replaced by major project)	San Diego	45,900
Convert Multiple Offices to Private Offices	San Diego	8,600
TV Controls in Classrooms.....	San Diego	37,000
Retaining Wall.....	San Diego	42,900
Vehicle and Grounds Storage, Calexico	San Diego	26,600
Video Editing Rooms	San Francisco	31,800
Film Storage.....	San Francisco	12,100
Wood Floor for Dance	San Jose	75,000
Prisoner Holding Cells	San Jose	13,400
Raised Floor, Graphic Arts.....	San Luis Obispo	19,000
Art Storage	Stanislaus	22,800
Subtotal		\$1,760,800
6. Contingency:		
Unallocated.....	Statewide	539,200
Total recommended reduction		\$2,300,000

Minor Capital Outlay Projects—Energy Conservation Retrofits.
 Item 6610-301-146(4) proposes \$3,500,000 for minor projects to implement energy conservation measures. The CSU requested \$2,500,000 in 1984-85 for energy conservation retrofits. The Governor's Budget, however, includes an additional \$1 million to fund energy conservation retrofits which were funded in the 1983 Budget Act from federal funds, but have not

proceeded. These projects have not proceeded because they do not qualify for funding under the federal program suggested by the Department of Finance during last year's budget deliberations. Accordingly, the administration is now proposing to fund these projects with state funds.

The energy conservation retrofit projects included in this item have been listed in priority order by the CSU Chancellor's Office based on the relative "payback period" for each project. The projects originally proposed in the 1983-84 budget have payback periods of two years or less and will save \$850,000 in the first year after they are completed. The new projects proposed for 1984-85 have payback periods of four years or less and will save approximately \$1.2 million in the first year. Based on the information provided by CSU, the proposed projects will result in significant savings to the General Fund. These savings are in addition to those resulting from prior energy conservation efforts of the CSU which are estimated at \$18 million annually, based on 1982-83 utility rates. On a systemwide basis, the CSU has made an exemplary effort in the field of energy conservation and we recommend approval of the proposed funds to continue this cost-effective program.

Post Audit Report of Energy Conservation Measures Needed. In proposing energy conservation retrofit projects, the CSU makes certain assumptions to determine the likely impact of the proposed improvement on energy utilization at the campuses. These calculations are based on a preliminary engineering evaluation of the proposed project. The actual energy savings attributable to the specific project, however, may vary from the initial proposal. As is the case for minor capital outlay, these projects are not reviewed by the Department of Finance or State Public Works Board prior to implementation. While this is a reasonable procedure, we believe that the energy conservation retrofit projects should be included in the annual minor capital outlay post audit report submitted to the Legislature pursuant to the 1980-81 Supplemental Report. Accordingly, we recommend that the Legislature adopt the following supplemental report language to ensure that the post audit report provides the information needed to substantiate the project cost and resulting savings.

"The CSU shall include in its annual post audit report to the Legislature on minor capital outlay projects, the final project cost of, and an analysis of the actual energy costs savings to be achieved by each energy conservation retrofit project implemented during the fiscal year. References between the actual project cost savings and the planned project cost savings shall be identified."

Matching Funds for Federal Schools and Hospitals Grant Programs

We recommend that (1) Item 6610-301-146(5), \$500,000 for energy grants under the Federal Schools and Hospitals Grant Program, be deleted and (2) a new item, Item 9860-301-146, be added to the budget, to provide matching funds for federal schools and hospitals grants programs to all segments of higher education, rather than only CSU, subject to approval of the Department of Finance.

The budget proposes \$500,000 for working drawings and construction of energy conservation projects that are expected to be partially funded through federal grants for energy conservation.

The Governor's Budget indicates that \$4.5 million in federal funds are to be available in 1984-85 for energy conservation programs throughout California. The grants, which are awarded on a competitive basis by the California Energy Conservation and Development Commission under the "Schools and Hospitals Grant Program", require that recipients fund 50 percent of project costs from sources other than federal funds. The CSU

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

indicates that based on technical energy audits, there are substantial opportunities for the CSU to compete successfully for funding under the program.

Schools and hospitals throughout the state will also be competing for these grants. Consequently, CSU will be in competition for the grant funds with a number of public and private institutions. The actual amount of funding that will be provided to CSU from the grant program is unknown at this time and cannot be predicted with any confidence, given the competitive nature of the grants.

Our analysis indicates that all higher education segments within California, not just CSU, should have the opportunity to participate in the competitive grants program. In enhancing the opportunity of all segments to participate, state matching funds should be available to all segments. Therefore, we recommend that, rather than limit the proposed appropriation to CSU, the Legislature appropriate a lump sum for allocation by the Department of Finance to meet the highest priority state matching fund requirements identified for the University of California, the California State University, the California Community Colleges, and the California Maritime Academy. This would ensure that the state achieves the greatest return on its investment in the grant program.

Accordingly, we recommend that the Legislature (1) delete the funds proposed under Item 6610-301-146(5) for CSU exclusively, and (2) appropriate \$500,000 under a new item in the budget for allocation by the Department of Finance. To ensure adequate legislative review of the proposals funded under the grant program, we also recommend that the following language be adopted under the new item (9860-301-146):

"Provided, that these funds are allocated by the Department of Finance to the University of California, the California State University, the California Community Colleges, and the California Maritime Academy based on notification of acceptance of grant funding under the federal schools and hospitals grant program; provided further, that at least 30 days prior to allocation of funds appropriated under this item, the Department of Finance shall report the proposed allocation to the Chairman of the Joint Legislative Budget Committee and to the chairperson of the committee in each house which considers appropriations."

Studies for Cogeneration, Energy Management Systems, and Other Energy Projects

We recommend deletion of Item 6610-301-146(6), \$120,000 for studies for cogeneration, energy management systems, and other energy projects, because these studies can and should be funded through the support budget for a savings of \$120,000.

The budget includes \$120,000 to fund economic feasibility studies for cogeneration, energy management systems, alternate energy projects, building energy efficiency improvement projects, boiler plant efficiency projects, and utility distribution improvements at the various CSU campuses. The lump sum appropriation would be allocated by the Chancellor's office for the most advantageous energy conservation opportunities available in the system.

Our analysis indicates that the CSU system has sufficient funds in its support budget to develop energy conservation proposals for submission through the normal budgetary process. This is the same funding source used for the planning of other capital outlay proposals, including proposals

for energy conservation projects submitted in prior years. Accordingly, we recommend deletion of the \$120,000 proposed under Item 6610-301-146(6), for a savings of \$120,000.

Moss Landing—Marine Laboratory I, Site Improvements and Equipment

We recommend approval of Item 6610-301-146(7), working drawings and construction (soil erosion and landscaping) and equipment for the addition and remodeling of the Moss Landing Marine Laboratory.

This item contains \$148,000 to complete expansion and remodeling of the marine sciences laboratory located at Moss Landing. The Legislature appropriated funds for these purposes in 1983-84 but the Governor vetoed the appropriation.

Students from five Northern California campuses receive instruction in marine sciences at this facility. The project provides new laboratory facilities needed to support the academic program and also remodels existing space to provide necessary support facilities. The laboratory addition was occupied in November 1983, and the alterations portion of the project is to be completed in March 1984. The total estimated cost of the new/remodeled facilities is \$2.1 million. The amount proposed in the budget would provide \$107,000 for working drawings and construction of site development, soil erosion, dune restoration, and parking related to the new facility. These improvements are required by the California Coastal Commission under the permit issued to allow construction of the laboratory facility. In addition, the proposed appropriation would provide \$41,000 for equipment related to the new facility.

Site Development. Our analysis indicates that the proposed site development is needed in order for the CSU to meet the requirements established in the permit issued by the California Coastal Commission. Preliminary plans for the proposed site improvements have been completed, and the proposed costs appear reasonable. Accordingly, we recommend approval of this portion of the request.

Equipment. The proposed equipment funds of \$41,000 would provide movable equipment items necessary to make the new and remodeled facilities operable, and we recommend approval of this portion of the request.

Systemwide Library Study

We recommend approval of Item 6610-301-146(8), \$100,000 for a systemwide study of library space needs in comparison to existing library space standards utilized by the CSU. We further recommend that the Legislature adopt Budget Bill language requiring the CSU to submit the completed library space study to the Postsecondary Education Commission for review/comment before submitting it to the Legislature.

The Trustees' 1984-85 capital outlay program included a total of \$2,060,000 for planning additional library facilities on four CSU campuses. These projects have a combined total estimated project cost of \$48.1 million. In addition, the Budget Bill includes \$1,393,000 to provide additional library space at the Fullerton campus. The Trustees' budget did not request funds for a study of the system's library standards.

According to the Department of Finance, the planning funds for the individual campuses were not included in the Governor's Budget because existing library space standards need to be reevaluated before funds are devoted to individual campus library facilities. Instead, the budget requests \$100,000 for a study of the existing standards for library space. The

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

Department of Finance indicates that the purpose of the study is to provide sufficient information to the CSU, the administration, and the Legislature on the segment's overall space needs for library collection and library services.

Need for Library Study. The operation/space utilization of library facilities varies widely among the 19 CSU campuses, and recent technological changes in the processing and storage of library materials may affect the facilities' requirements for library capacity and services. For example, a substantial portion of some campuses' collection of library materials is contained on microfilm/microfiche, which substantially reduces space requirements. In addition, CSU has installed new automated information systems which should result in a more efficient use of library space.

Considering these factors we believe that it would be appropriate to reassess the CSU library space guidelines. The amount proposed should fund the necessary consultant services to thoroughly evaluate the library standards and assess the campus library needs throughout the CSU system. We therefore recommend approval of the requested funds.

Study Results Should be Submitted to the Postsecondary Education Commission and then to the Legislature. The library space guidelines used by CSU have been developed as a means to ensure that adequate and appropriate physical facilities are available at each campus. The current space guidelines and utilization standards were developed in concert with the California Postsecondary Education Commission (at that time, the Coordinating Council for Higher Education). The commission has the staff and expertise to provide a needed perspective on this subject. Accordingly, we believe that it would be desirable for the Postsecondary Education Commission to review and comment on the study of CSU library space guidelines. The CPEC's comments will aid the Legislature in evaluating future capital outlay proposals. We therefore recommend that the following Budget Bill language be adopted under this item:

"Provided that prior to December 1, 1984, the CSU shall submit its completed library space study to the California Postsecondary Education Commission for review and comment. The CSU shall by February 1, 1985, submit a final report, including the commission's comments, to the chairperson of the committee in each house which considers appropriations and to the Chairperson of the Joint Legislative Budget Committee."

B. PROJECTS TO CORRECT STRUCTURAL, HEALTH AND SAFETY CODE DEFICIENCIES

This category contains funding for four projects which the CSU considers to be related to upgrading facilities to correct structural, health and safety code deficiencies. The projects are summarized in Table 5, along with our recommendations.

7

Table 5
California State University
Funds Requested to Correct Structural, Health and Safety Code Deficiencies
Item 6610-301-146 (in thousands)

<i>Project Title</i>	<i>Location</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>	<i>Estimated^b Future Cost</i>
(9) Modify Fine Arts Laboratory Ventilation System	Hayward	c	\$268	\$268	—
(10) Fire Suppression System and Unsafe Structures Demolition at Tiburon Center	San Francisco	wc	395	—	—
(11) Old Library Rehabilitation	San Diego	c	2,765	356	\$185
(15) Physical Sciences Building Rehabilitation	San Diego	pw	159	—	2,275
Totals			\$3,587	\$654	\$2,460

^a Phase symbols indicate: p = preliminary plans; w = working drawings; c = construction.

^b CSU estimate.

Fine Arts Laboratory Ventilation System—Hayward

We recommend approval of Item 6610-301-146(9), construction funds to modify the Fine Arts Building ventilation system to meet safety code requirements.

The budget requests \$268,000 for improvements to the Fine Arts Building ventilation system at Hayward. The proposed modifications would correct code deficiencies noted in a CAL/OSHA citation. The work includes new fume hoods, new supply and return air systems, and related electrical improvements in seven rooms used for sculpture, lithography, welding, and printmaking. This project was funded in the 1983 Budget Bill, but the funds were vetoed by the Governor.

Our review of the preliminary plans indicates that the proposed work should improve substantially the ventilation system in these rooms. Based on assurances by the Chancellor's office that the proposed corrections will provide a level of ventilation which meets code requirements, we recommend approval of the requested construction funds.

Fire Suppression System at Tiburon Center—San Francisco

We recommend deletion of Item 6610-301-146(10), working drawings and construction of a fire suppression system at the Tiburon Center, because the state did not participate in the decision to acquire this facility and consequently any major improvements to the facility should be funded from nonstate sources, for a savings of \$395,000.

The budget proposes \$395,000 for (1) working drawings and construction of various site improvements and (2) demolition of structures, in order to meet the State Fire Marshal's requirements at the Tiburon Center.

The CSU indicates that full development of the Tiburon Center is hampered by unsafe fire conditions cited by the State Fire Marshal. These include the lack of adequate fire protection for the 35-acre site. Approximately \$195,000 is proposed for demolition of seven buildings and two docks, and \$200,000 is requested to install a fire hydrant system for protection of the site and the six remaining buildings.

The Tiburon Center, located near Paradise Cove in Marin County, is operated by San Francisco State University as a field station for environmental studies and other disciplines. The facility was acquired from the

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

federal government in 1976, with the provisos that (1) the university's use of the facility would be compatible with the adjoining laboratory of the National Marine Fishery Service, (2) no major construction would be undertaken at the site, and (3) use of the site would not increase traffic on roads in the Marin area.

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

Given the stipulations mandated by the Trustees in accepting the property, and because the Legislature was not given the opportunity to participate in the decision to acquire this facility, we do not believe it should be necessary for the state to fund the proposed major capital improvements. If the CSU believes that some elements of these improvements have a high priority, they should be funded from the minor capital outlay program (as stipulated by the Trustees) or from nonstate funds. Accordingly, we recommend deletion of the requested funds proposed in Item 6610-301-146(6), for a savings of \$395,000.

We also note that the Trustees have mandated that an academic master plan be developed for this facility, and that an annual utilization report be prepared for review by the Trustees. The most recent utilization report reviewed activities of the center from May 1, 1982, to April 30, 1983. The report indicates that the center was utilized for the following activities:

- Basic research conducted by two faculty members, and four students.
- Basic research conducted by three grant-funded, non-faculty scientists.
- Research projects conducted by resident scholars who are neither University faculty or funded research staff.
- Two seminars, one on food chain research, and one on larval crabs.

The Trustees should evaluate the current activities and planned uses of the center to determine whether the utilization justifies the cost of improving the site. If the Trustees decide that the improvements are justified, they should identify a source of nonstate funds to finance the major improvements.

Old Library Rehabilitation—San Diego

We recommend Item 6610-301-146(11), construction funds to rehabilitate the Old Library at San Diego, be reduced by \$379,000 to eliminate overbudgeting.

The budget proposes \$2,765,000 for construction to rehabilitate 22,175 assignable square feet in the Old Library on the San Diego State University campus. The project would remodel interior spaces for instructional use in the disciplines of engineering, public health, and nursing, and rehabilitate the building to meet the current seismic code standards.

A recent accreditation report on the Graduate School of Public Health indicated that the lack of space available to support this new program constitutes a significant problem. The project would provide lab facilities and allow the school to consolidate its faculty and instructional program in a single building. The project provides laboratory capacity for an additional 54 full-time equivalent students (FTE), lecture capacity for 144 FTE, and 52 faculty offices.

The project was funded for preliminary planning and working drawings in prior Budget Acts, in the amount of \$150,000. Working drawings for the remodeling were completed by the consulting architect in March 1983. Construction funds were appropriated in the 1983 Budget Act but the funds were vetoed by the Governor. Subsequent to the passage of the Budget Act, Chapter 1294, Statutes of 1983, appropriated \$1,283,500 to fund the project when a like amount of federal funds become available. The CSU indicates, however, that federal funds are not available for this project, and full state funding of the project is proposed.

Our analysis of the project cost estimates submitted by CSU indicates that the project is overbudgeted. The consulting architect's estimate for contract costs related to the project totals \$2,114,000, while the budget requests \$2,419,000 for this work. The overbudgeting has occurred because the CSU did not take into account revisions to the project estimate which were identified by the consulting architect in the most recent detailed review of the working drawings. These revisions included changes to reflect current construction costs; they did not change the scope of work. We therefore recommend that the project be reduced by \$305,000 to eliminate overbudgeting.

Moreover, we find that the amount budgeted for architectural/engineering services, contract management, and contingency is also overbudgeted. The amount included for these services in the budget is higher than the amounts identified in the budget when the Legislature considered funding for this project in 1983-84. The working drawings have been completed for some time, and thus there is no basis for increasing the amount budgeted for these services above the prior-year estimate. The state generally has budgeted funds for these services in an amount equal to approximately 20 percent of estimated contract costs for alteration projects. Application of this guideline to the revised estimated project cost indicates that \$422,000 would be sufficient for these services. Taking into account the \$150,000 previously appropriated for preliminary plans and working drawings for the project, the additional amount needed in the budget year is \$272,000. The budget, however, requests \$346,000, or \$74,000 more than the state guideline would indicate is justified. Consequently, we recommend deletion of the excess \$74,000.

In summary, we recommend that the \$2,765,000 budgeted in Item 6610-301-146(11) for construction of the Old Library Rehabilitation be reduced by a total of \$379,000 to eliminate overbudgeting of (1) the project contract costs (\$305,000) and (2) the architectural/engineering services, contract management, and contingency funds needed to complete the project (\$74,000).

Physical Sciences Building Rehabilitation—San Diego

We recommend deletion of Item 6610-301-146(15), preliminary plans and working drawings for the Physical Sciences Building rehabilitation at San Diego, because (1) the cost to upgrade this building may exceed the cost of constructing new replacement space, and (2) the campus has a surplus of laboratory space according to state space guidelines, for a savings of \$159,000. (Future Savings: \$2,275,000)

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

The budget proposes \$159,000 for preliminary plans and working drawings to rehabilitate the Physical Sciences Building on the San Diego campus. The project would upgrade the building to meet current seismic code standards and modernize the existing instructional space and faculty offices. The building was identified as a high priority in the state's Seismic Safety Commission's survey of approximately 1,400 state structures needing structural strengthening to reduce the risk to occupants during an earthquake. This priority ranking was based on the assumption that the building would continue to be used as currently occupied. The modernization portion of the project would increase lecture capacity from 711 full-time equivalent (FTE) students to 722 FTE. Laboratory capacity would be increased from 52 FTE to 59 FTE. The number of faculty offices included in the building would be reduced from 33 to 25. The future cost for construction and equipment of the 21,300 assignable square foot rehabilitation is \$2,275,000.

Rehabilitation Costs May Exceed the Cost of Constructing New Space. Rehabilitation of the Physical Sciences Building is proposed based on a statewide survey of CSU buildings in need of upgrading. The survey, conducted in 1981 by a CSU consultant and independent of the Seismic Safety Commission, identified the Physical Sciences Building as being seismically deficient. The CSU consultant's report also evaluated the building using other criteria such as energy efficiency, adequacy of support facilities and utilities, fire safety provisions, handicapped access provisions, and suitability to the educational program. Based on these and other factors, the consultant concluded that the cost of renovating the facility to meet educational and structural requirements would amount to *110 percent* of the cost of new construction. In other words, the cost of upgrading the Physical Sciences Building to meet code and academic requirements exceeds the cost of a new replacement building by 10 percent.

The rehabilitation proposed by CSU would not correct all of the code/academic deficiencies noted by the consultant; it would only provide for seismic rehabilitation and *some* modernization of the instructional spaces. Thus, the expenditure of \$2,434,000 to rehabilitate this building may leave the campus with a facility that does not meet the requirements of its academic program.

Campus Has Excess Capacity In Laboratory. In 1985, when the Old Library Rehabilitation project proposed for funding under subitem (11) is complete, the San Diego campus will have a surplus of laboratory space. The data indicate that the surplus will amount to 289 laboratory FTE, which represents a 15 percent over-capacity in campuswide laboratory space. Even if the Physical Sciences Building were abandoned, the capacity in laboratory space would be at 112 percent of need, based on existing guidelines, and the number of faculty offices would be at 100 percent of need.

One example of this excess capacity can be found in the Industrial Arts program. Based on accepted space guidelines, this discipline already has a surplus of 29,300 square feet. Yet, the proposed rehabilitation project would remodel an additional 4,200 square feet for Industrial Arts. Moreover, CSU estimates that enrollment in Industrial Arts will decline from 172 FTE in 1982 to 120 FTE in 1988.

Given the substantial cost to upgrade the Physical Sciences Building and the availability of existing campus space sufficient to meet laboratory and office requirements, we believe, the CSU should evaluate alternative

means of housing the activities contained in this building. On these bases, we recommend deletion of the funds proposed under Item 6610-301-146(15), for a savings of \$159,000.

C. EQUIPMENT PROJECTS TO MAKE NEW AND REMODELED FACILITIES OPERABLE

This category includes three projects for equipment needed to make new and remodeled facilities operable. The proposed requests, and our recommendations on each, are summarized in Table 6.

Table 6
California State University
Funds to Make New Facilities Operable
Item 6610-301-146
(in thousands)

<i>Project Title</i>	<i>Location</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>	<i>Estimated^b Future Cost</i>
(12) Engineering Building (Van Matre Hall)	Humboldt	e	\$110	\$110	—
(13) Faculty Office Addition.....	Northridge	e	9	9	—
(14) Faculty Office Addition.....	Pomona	e	8	8	—
Totals			\$127	\$127	—

^a Phase symbols indicate: e = equipment.

^b CSU estimate.

Remodel Engineering Building—Humboldt Faculty Office Addition—Northridge Faculty Office Building—Pomona

We recommend approval of equipment funds proposed for new facilities on the Humboldt, Northridge, and Pomona campuses.

The budget proposes \$127,000 under three items to provide equipment for new buildings and remodeled buildings on three campuses. The construction of these projects has either been completed or will be completed during 1984–85.

Our review of the CSU equipment lists indicates that the amount proposed in the budget will fund those items of equipment which are necessary to the operation of these buildings. Accordingly, we recommend approval of Items 6610-301-146 (12), (13) and (14).

D. PROJECTS TO ELIMINATE EXISTING INSTRUCTIONAL DEFICIENCIES

This category includes requests for new buildings and remodeling of existing buildings to provide additional space in support of the academic program on the various CSU campuses. The eight projects requested, and our recommendations on each, are summarized in Table 7.

Science Building Conversion—San Francisco

We recommend approval of Item 6610-301-146(16), construction funds to convert the Science Building at San Francisco.

This \$1,320,000 construction request would convert obsolete and unused space in the Old Science Building to laboratories for nursing, anthropology, journalism, art, and archeology. The project would also replace 60 faculty office stations from the Business Building and upgrade building

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

Table 7
California State University
Funds to Eliminate Instructional Deficiencies
Item 6610-3201-146
(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>
(16) Convert Science Building	San Francisco	c	\$1,320	\$1,320	\$365
(17) Convert Library	San Luis Obispo	c	2,425	2,425	253
(18) Library Conversion	Fullerton	c	1,393	—	431
(19) Remodel Business Building	San Francisco	pw	84	84	1,161
(20) Business Building	Fresno	pw	468	234	9,979
(21) Engineering/Computer/ Science/Math Laborato- ries	Long Beach	pw	480	pending	11,644
(22) Agriculture Science Build- ing	San Luis Obispo	pw	360	—	7,722
(23) Remodel Science Building	Humboldt	pwce	764	50	—
Totals			\$7,294	pending	\$31,555

^a Phase symbols indicate: p = preliminary plans, w = working drawings, c = construction, and e = equipment.

^b CSU estimate.

utility systems to eliminate deficiencies. Upon completion of the project, the campus will be at 101 percent, 86 percent, and 100 percent of space needs in lecture, laboratories, and offices, respectively. Working drawings for the proposed conversion have been completed and construction funds were approved by the Legislature in the 1983 Budget Act. The Governor, however, vetoed funding for this project.

Our review of the plans and cost estimate for conversion of the Science Building indicates that the proposal provides for those essential modifications needed to support the academic program to be housed in the facility. The associated costs are reasonable, and thus we recommend approval of the funds proposed under Item 6610-301-146 (16).

Library Conversion—San Luis Obispo

We recommend approval of Item 6610-301-146(17), construction funds to convert the Old Library at the San Luis Obispo campus.

This \$2,425,000 proposal is for construction funds to convert the existing library to instructional use. This building has been vacant since completion of the new Robert E. Kennedy library in 1980. The conversion would provide capacity for 170 FTE in laboratories designed for architectural/environmental design and art. In addition, the alterations would increase lecture capacity by 256 FTE and increase the number of faculty offices by 57. Upon completion of this project and the engineering building which is under construction, the campus capacity in laboratories, lecture, and faculty offices, respectively, will be at 96 percent, 99 percent, and 100 percent of need based on state space guidelines. Working drawings for the project are completed, and construction of the renovations could commence early in 1984-85.

Based on our review of the proposed project scope and cost estimates,

the conversion is reasonable and will provide needed instructional space at a relatively low cost. Accordingly, we recommend approval of the funds requested in Item 6610-301-146(17).

Library Conversion—Fullerton

We recommend Item 6610-301-146(18), construction funds to convert the Library on the Fullerton campus, be deleted, for a reduction of \$1,393,000, because the CSU should reevaluate this project based on the results of the proposed statewide library space study.

This request is for \$1,393,000 to convert 47,000 assignable square feet on the second and third floors of the Library Building on the Fullerton campus to permanent library space. Most of the space to be altered currently houses classrooms and faculty offices. The conversion project will result in a loss of 1,233 FTE lecture capacity and 46 faculty offices. Based on current enrollment projections, however, the campus would have 100 percent of its space needs in classroom and faculty offices after completion of the Library Conversion project. The space proposed to be altered would increase the amount of library space from 70 percent to approximately 96 percent of the campus's library space needs, *based on existing space guidelines*. Working drawings for this project were funded in the 1980 Budget Act and have been completed since June 1982.

Item 6610-301-146(8) proposes \$100,000 for a systemwide study of library space needs. The study proposal was prompted by the Trustees' 1984-85 capital outlay program, which requested funding for four projects, in addition to the one at Fullerton, intended to increase the amount of library space available at various CSU campuses.

The proposed study of library space needs may significantly change either the type or amount of library space that is needed by the individual campuses. Consequently, we suggest that the Fullerton Library Conversion project be reevaluated, based on the results of the proposed study which will be available during 1984-85. Failure to do so could result in the library being altered in a manner that does not meet up-to-date library operation needs.

Accordingly, while our analysis indicates that additional library space at the Fullerton campus is justified based on *existing* state space guidelines, we recommend a one-year deferral of construction funds for this project in order to allow the CSU to reassess its plans so as to ensure that the modifications are consistent with long range goals and any new space guidelines that result from the library space needs study. On this basis, we recommend deletion of the funds proposed under Item 6610-301-146(18), for a reduction of \$1,393,000.

Remodel Business Building—San Francisco

We recommend approval of Item 6610-301-146(19), \$84,000 for preliminary plans and working drawing to remodel the Business Building on the San Francisco campus. We further recommend that (a) the project scope be modified to eliminate space for computer laboratories which has not been justified and (b) budget language be included requiring submission of specific information prior to allocation of working drawing funds.

The budget proposes \$84,000 for preliminary planning and working drawings to remodel the business building on the San Francisco campus. The project would make substantial improvements to space currently assigned to the School of Business. Specifically, the project would:

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

- Consolidate the business faculty through addition of 24 faculty offices
- Construct four specialized laboratories to support the school
- Construct eight tiered business/seminar classrooms
- Modify the building mechanical and electrical systems to meet building occupants' needs
- Correct numerous safety deficiencies cited by the State Fire Marshal

The project would reduce lecture capacity by 228 full-time equivalents (FTE) and add capacity for 86 FTE in lower division laboratory and 41 FTE in upper division laboratory. Based on current space guidelines, the San Francisco campus has a deficiency of over 200 FTE (12 percent) in laboratory capacity. The new facilities for the School of Business, coupled with the science building conversion, would increase campuswide laboratory capacity to 93 percent of projected needs and reduce lecture capacity to 101 percent of projected needs in 1986-87.

The School of Business currently occupies 29,938 assignable square feet (asf). This project would increase the school's space to 48,619 asf, or 70 percent of the amount space guidelines indicate is needed to support this program. This includes 475 asf in laboratory space for graduate research. The future cost for construction and equipment associated with those improvements totals \$1,161,000.

Our analysis indicates that the space available to the School of Business is insufficient and of inadequate quality to meet projected enrollment and instructional needs. Numerous improvements are needed to the mechanical, electrical, and other building support systems in order to adequately serve the academic program. Accordingly, we recommend that the proposed preliminary planning and working drawing funds be approved.

Allocation Plan needed to evaluate proposed additional computer laboratories. This project includes space for use as self-instructional computer laboratories. These laboratories contain mini/micro computers for use by students on a drop-in basis. This space is classified as non-capacity space because no scheduled instruction occurs in these laboratories.

In our *Analysis of the 1983-84 Budget Bill*, we indicated that the cost of computer resources are not funded by the users of those resources. Consequently, there is no incentive for users to manage these resources in a cost-effective manner. In recognition of this, the Supplement Report on the 1983 Budget directed the CSU to submit a report to the Legislature by December 1, 1983 identifying alternative methods for allocating computer resources. This report, however, will not be available until March 15, 1984.

Our analysis indicates that the need for additional non-capacity computing laboratories should be determined in connection with the planned allocation of campuswide computer resources. Consequently, at this time we have no basis on which to evaluate whether additional computing resources are needed in the School of Business or if other computing resources which may currently be devoted to low-priority activities can be reallocated to meet this need.

For this reason, we recommend that this project be revised to delete the space proposed for non-capacity computing laboratories. Once a system-wide resource allocation plan is developed that includes utilization standards, the CSU should identify the priority needs for additional non-capacity computing resources and, if additional funds are warranted

to meet these needs, request them through its capital outlay program.

Cost of Specialized Facilities Should Be Identified. While our analysis indicates that additional space is needed for the School of Business, this proposal includes certain specialized facilities which should be evaluated on a cost/benefit basis. Specifically, the proposal includes eight seminar rooms which are proposed to have fixed-in-place tiered seating and will require costly remodeling in order to provide continuous writing surfaces and the raised seating. The cost for these specialized facilities should be separately identified during the development of the preliminary plans so that the CSU and the Legislature can determine the cost/benefit of including these specialized facilities in the project.

We also note that the state normally has provided for classroom and seminar spaces with moveable chairs in order to obtain the maximum flexibility for interdisciplinary use. If the CSU intends to abandon this policy in favor of the type of specialized facilities included in this project, the cost associated with the change should be identified. Accordingly, we recommend adoption of Budget Bill language requiring that prior to allocation of working drawing funds the CSU provide information identifying the costs and utilization factors associated with the specialized facilities that are part of this project.

Specifically, we recommend the Legislature adopt the following Budget Bill language:

"At least 30 days prior to State Public Works Board approval of preliminary plans for the project funded under category (19), remodeling of the San Francisco Business Building, the Chancellor's office shall submit to the chairperson of the committee in each house which consider appropriations and the Chairman of the Joint Legislative Budget Committee (a) the preliminary plans and cost estimate including the specific costs associated with construction of specialized seminar classrooms and (b) the planned utilization of these facilities."

Business Building—Fresno

We recommend that Item 6610-301-146(20) be reduced by \$234,000 to delete the working drawing portion of the request. Further, we recommend that:

1. *The project be modified to delete 5,126 assignable square feet proposed for graduate research space and non-capacity computer laboratory space. (Future savings: \$600,000).*
2. *The Legislature adopt Budget Bill language*
 - a. *Stipulating that all temporary facilities on the Fresno campus will be abandoned and removed from the CSU system as soon as possible, including those temporary facilities which are not needed based on state utilization and space guidelines.*
 - b. *Directing the CSU to undertake the design and construction of this facility through utilization of an early delivery system.*

The budget includes \$468,000 for preliminary planning (\$156,000) and working drawings (\$312,000) for a new Business Building on the Fresno campus. The estimated future cost for construction and equipment related to the project is \$9,979,000.

Construction of the new Business Building would:

- Increase laboratory capacity in the School of Business by 214 FTE. The need for this increase in laboratory space stems from a change in the mode of business instruction to emphasize laboratory experience

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

rather than lecture. This change has been reviewed and approved by the CSU Chancellor's Office.

- Provide 4,326 asf for graduate research laboratories and 800 asf in self-instruction computer terminal rooms.
- Replace existing inadequate classroom space and office space located in five temporary structures which were constructed on the Fresno campus during the last 1960's and early 1970's. These facilities are beyond their useful life and are costly to maintain.
- Allow the campus computer center to expand into a portion of the space now occupied by the School of Business.

In total, the project proposes construction of 51,781 asf and would allow the CSU to abandon 49,700 asf of space in temporary facilities.

School of Business Growth Requires Additional Facilities. The School of Business and Administrative Sciences on the Fresno campus has experienced an 80 percent increase in enrollment since 1973. Current enrollment in the school is 2,150 FTE, which represents over 16 percent of the campus' total FTE enrollment. By 1989-90, the schools' enrollment is expected to be 2,360 FTE—19 percent of the projected campus enrollment. Furthermore, the change in instructional program to place more emphasis on laboratory instruction creates a need for different physical facilities than those now available. Given these factors, the need for a new business building is apparent, and we recommend that the project be approved. Our analysis indicates, however, that several aspects of the project scope and cost should be modified to provide a more cost-efficient solution to the campus' academic requirements.

Project Should Be Modified to Provide Dual Purpose Laboratories. As proposed, this project would provide approximately 9,500 asf in undergraduate instructional laboratories for 214 FTE and 4,326 asf in graduate research laboratories to support 112 graduate FTE. In addition, the proposal includes 800 asf for non-capacity computer terminal rooms.

Our analysis indicates that the graduate research space needs can be accommodated through improved utilization of the undergraduate labs included in the project. The proposed undergraduate laboratory should be designed in such a way as to provide those facilities needed for graduate research and possibly for computer science self-instructional laboratories. This would appear to be feasible, particularly in view of the fact that the proposed remodeling of the Business Building on the San Francisco campus indicates that 475 asf will be devoted to graduate research space for 360 FTE at the graduate level. Relative to the San Francisco project, the Fresno proposal includes *10 times as much space* for graduate research for approximately *one-third the enrollment* at the graduate level. Although, variations among different academic programs *may* lead to minor differences in space requirements, we have received no data which would substantiate a difference of this magnitude.

We believe that the Fresno project should be modified to provide for laboratories that can serve the needs of undergraduates and graduates alike, as is being done on the San Francisco campus. Accordingly, we recommend deletion of the 4,326 assignable square feet proposed for graduate research space.

Moreover, we note that the project includes 800 asf in computer terminal rooms which is non-capacity space. As indicated in our analysis of the San Francisco Business Building remodeling project, no statewide re-

source allocation plan or space utilization guidelines have been established to justify this type of space. Accordingly, we recommend deletion of the 800 assignable square feet for computer terminal rooms.

Deletion of these two elements would reduce the overall project by approximately \$600,000.

Temporary Facilities Should Be Removed From the Campus. The Fresno campus currently has 1,305 FTE in lecture capacity, 560 FTE laboratory capacity and 236 faculty offices located in temporary facilities. The CSU indicates that because these buildings are beyond their useful life and require an inordinate amount of maintenance, they will be removed from the Fresno campus once the new business building is completed.

Based on CSU space and enrollment data, the majority of the temporary lecture space is not needed *now* and will not be needed in the future. Accordingly, we believe that, as a cost-savings measure, CSU should remove temporary space equivalent to 950 FTE capacity *immediately*. Keeping these facilities on campus simply dilutes maintenance efforts on permanent buildings. Consequently, we recommend that the Legislature adopt Budget Bill language directing the CSU to (1) immediately remove these temporary facilities from the campus and from the state system, and (2) remove the balance of the temporary facilities upon completion of the business building. Specifically, we recommend that the Legislature adopt the following budget language:

"Provided, that prior to expenditure of any funds appropriated for the project funded in category (20) of this item, Fresno Campus Business Building, the Chancellor's Office shall provide written certification to the chairpersons of the fiscal committees and Chairperson of the Joint Legislative Budget Committee that all temporary facilities (San Ramon buildings) which are excess to the campus' needs based on state space guidelines have been removed from the Fresno campus; provided further that all remaining temporary facilities shall be removed from the Fresno campus upon completion of the new business building. The Chancellor's Office shall notify the aforementioned chairpersons of the removal of these facilities and certify that the buildings will not be reused by or relocated to any CSU campus or other state facility".

Computer Center Conversion to be Funded Within Minor Capital Outlay Program. Completion of the business building will allow the computer center at the Fresno campus to expand into lecture space being vacated by the Business School. The CSU indicates that this element is not proposed for funding under this project, but instead will be funded with minor capital outlay funds, at a cost of \$200,000 or less, once the new business building is completed.

Modified Project Planning Should Accelerate Completion of Project. The CSU intends to construct the new business building utilizing conventional planning and construction techniques. A contract architect would prepare preliminary plans and working drawings for the entire project in preparation for a lump sum bid through competitive advertising.

Recently, the University of California has begun planning and construction of two large projects using an alternative "early delivery system". Under this system, preparation of preliminary plans are more detailed, and cost control techniques are utilized to ensure that the proposed construction represents the best *value* for the funds being devoted to the project. Moreover, construction is scheduled in phases, rather than through a single lump sum bid, resulting in accelerated completion of the overall project. This procedure requires more funds during the prelimi-

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

nary planning phase, but because of the combination of improved planning information and the accelerated construction schedule, this approach allows for appropriation of working drawings and construction funds in the following year. This also provides sufficient time for legislative review of the proposal prior to appropriation of working drawings and construction funds.

The UC's experience with this system to date indicates that it provides benefits to the state. This should also be the case for the Fresno project and other large major capital outlay projects undertaken by CSU.

Based on the usual schedule of activities under the early delivery system and allowing for the project scope modifications we have proposed, an appropriation of \$220,000 should be sufficient for preliminary planning during 1984-85. Accordingly, we recommend that Item 6610-301-146 (20) be reduced by \$248,000 to provide for this level of funding. This reflects an increase to the preliminary planning amount of \$64,000 and deletion of funds for working drawings. We recommend further that the Legislature adopt the following Budget Bill language under this item in order to implement the project using the early delivery system technique.

"The funds appropriated for the Fresno Campus, Business Building, in this item shall be allocated by the State Public Works Board and the Department of Finance in accordance with the schedule and expenditure plan developed by the university using the "Early Delivery System" design and construction technique. The proposed procedures shall provide adequate information at the completion of the preliminary planning to justify future funding requirements for this project. Any future funding request for this project shall be based on the costs and schedules developed through the Early Delivery System procedures without regard to the base construction cost index established for projects budgeted in the 1985-86 Governor's Budget. The Early Delivery System implementation phase shall be developed with sufficient cost control procedures so that any funds appropriated for this project shall not require augmentation by administrative action pursuant to Section 16352 of the Government Code. The California State University shall report on a quarterly basis to the Department of Finance and the Joint Legislative Budget Committee regarding the progress of this project and the effectiveness of the Early Delivery System. The report shall include the most recent information on the anticipated project cost and implementation schedule."

3/23 *Recommend reduction of \$240,000*
Engineering/Computer Science/Mathematics Laboratories—Long Beach

We withhold recommendation on Item 6610-301-146 (21), \$480,000 for preliminary plans and working drawings for Engineering, Computer Science and Mathematics Laboratories on the Long Beach campus, pending receipt from CSU of an analysis identifying existing space which can be converted to meet a portion of the space needs addressed by this project.

The budget includes \$480,000 for preliminary planning and working drawings for new laboratories on the Long Beach campus. The proposed facility would provide additional lecture capacity for 336 FTE and laboratory capacity for 479 FTE in the areas of engineering, computer science, and mathematics. The proposed building would contain 49,868 assignable square feet. The future cost of construction and equipment for the

Recommend deletion of 1,200 assignable sq. ft.

proposed new facilities is \$11,644,000.

The CSU indicates that the enrollment in engineering, computer science, and mathematics at the Long Beach campus has increased substantially in the past few years. Table 8 compares the actual enrollment for the fall of 1980 to projected enrollment for the fall of 1987. In these disciplines, the enrollment is expected to increase by 623.8 FTE, or 20 percent of the 1980 actual enrollment.

Table 8
California State University
Enrollment for Selected Disciplines
Long Beach Campus

<i>Discipline</i>	<i>Enrollment</i>		<i>Percent</i>
	<i>1980</i>	<i>1987</i>	<i>Change</i> <i>1980-87</i>
Chemical Engineering	56.9	84.0	+48%
Civil Engineering	292.6	346.1	+18
Electrical Engineering	543.9	464.3	-15
Mechanical Engineering	381.8	518.2	+36
Computer Science	706.1	1,000.0	+42
Mathematics	1,119.5	1,311.2	+17
Totals	3,100.8	3,723.8	+20%

Campus Enrollment at Steady State. While enrollment in the disciplines affected by this project is increasing, the overall campuswide enrollment on the Long Beach campus is projected to remain essentially unchanged at approximately 21,900 FTE. Consequently, any increases projected in these disciplines will be offset by reductions in enrollment in other disciplines. No information has been provided, however, to indicate that the space implications of the planned reductions have been considered in developing this proposal. Our analysis indicates that the CSU should identify the underutilized and/or surplus space projected to be available in the planned occupancy year and determine if this space can be converted to meet a portion of the need that this project is intended to meet.

Shift in Student Demand to More Lecture Than Laboratory. The additional space proposed in this project would provide capacity in disciplines which are expected to experience an increase in laboratory enrollments. The CSU indicates, however, that overall coursework on the Long Beach campus has become more *lecture* intensive. This is borne out in the CSU plan for allocation of faculty positions. For 1984-85, the CSU indicates that the number of FTE faculty budgeted for the Long Beach campus has been *reduced* by 10.7 FTE, based on the shift in student demand *away* from laboratory coursework. Consequently, with the projected increase in laboratory coursework in the disciplines to be accommodated by this project, there should be a *reduction* in laboratory coursework in other disciplines on campus. The CSU should identify the space implications of this shift in student demand. The reduction may allow remodeling of existing space to partially meet the space needs proposed in this project.

Project Would Result in Excess Capacity on Campus. Another consideration which leads us to conclude that additional space is available on campus to meet at least a portion of the space needs addressed by this proposal is the fact that completion of the new building will result in a *surplus* of laboratory capacity on the Long Beach campus. Table 9 shows the planned enrollment and capacities in 1987-88 before and after occu-

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

pancy of the proposed new facility. The table indicates that there would be a surplus in Laboratory capacity of 142 FTE (30 percent of the laboratory capacity in this project), based on the current scope of the project. This indicates further that it may be possible to alter other space to meet the needs in disciplines where enrollment increases are projected.

In summary, information submitted by CSU indicates that there is existing space on the Long Beach campus which possibly could be redirected to meet a portion of the campus' space needs. Accordingly, we withhold recommendation on this item, pending receipt of more information. We recommend that prior to legislative hearings on the Budget Bill, the CSU provide additional information which identifies existing space which will be available on the proposed completion date of this project and evaluates the alterations required to meet the space needs in these disciplines.

Table 9
California State University
Planned Enrollment Distribution FTE
Long Beach Campus
1987-88

	<i>Before New Building</i>			<i>After New Building</i>		
	<i>Lecture</i>	<i>Lab</i>	<i>Total</i>	<i>Lecture</i>	<i>Lab</i>	<i>Total</i>
1. Total enrollment	—	—	21,900	—	—	21,900
2. Less noncapacity enrollment (other FTE)	—	—	1,620	—	—	1,620
3. Total enrollment to be accommodated	18,011	2,269	20,280	18,011	2,269	20,280
4. Campus capacity	17,675	1,932	19,607	18,011	2,411	20,422
5. Surplus or Deficit (4-3)	-336	-337	-673	0	+142	+142
6. Capacity/Enrollment percentage (4÷3)	98%	85%	97%	100%	106%	101%

Agriculture Science Building—San Luis Obispo

We recommend Item 6610-301-146(22), \$360,000 for preliminary planning and working drawings for an agriculture science building on the San Luis Obispo campus, be deleted, because existing facilities should be adequate to accommodate the program. (Future Savings: \$7,720,000)

The budget proposes \$360,000 for preliminary plans and working drawings for an agricultural sciences building on the San Luis Obispo campus. The project would provide additional lecture capacity for 122 FTE and laboratory capacity for 103 FTE in crop sciences, animal sciences, natural resources, and ornamental horticulture. The 28,320 assignable square foot building would also include 50 faculty offices. The estimated future cost for construction and equipment associated with the project is \$7,720,000.

This project would provide specialized facilities to serve the enrollment in a portion of the School of Agriculture and Natural Sciences. The need for these facilities, however, has not been established. The programs affected by the proposal are already housed and the existing facilities have been able to accommodate current enrollment. The most recent enrollment projections, moreover, show no increase in enrollment for these disciplines. The actual enrollment for these disciplines averaged approximately 860 FTE in 1979 through 1982, while the projected enrollment in 1989 is 866 FTE. Given essentially steady-state enrollment, it would seem

that the existing facilities should be sufficient to support the academic program in the agricultural and natural resources disciplines, and the CSU has not provided any data that would indicate otherwise. In fact, the CSU space data reveal that there is a sufficient amount of space for these disciplines.

It is, of course, possible that alterations of this space may be necessary to meet changes in the academic program. This, however, is not the CSU proposal. If there is a need to alter existing facilities for the agricultural and natural sciences program, the campus should specify what this need is and, if appropriate, submit a proposal to fund the necessary alterations as part of either its major or minor capital outlay program.

Given that the need for *additional* space has not been substantiated, we do not believe a major project costing over \$8 million warrants funding. We therefore recommend deletion of the \$360,000 proposed under Item 6610-301-146 (22).

Remodel Science Building—Humboldt

We recommend that Item 6610-301-146 (23), preliminary plans, working drawings, construction and equipment to remodel the science building on the Humboldt campus, be reduced by \$714,000 because the construction and equipment portion of the request is premature.

The budget includes \$764,000 for preliminary plans, working drawings, construction and equipment to remodel a portion of the science building on the Humboldt campus. The project would remodel approximately 4,800 assignable square feet in the building which is to be vacated by Biology. The remodeled facilities would provide laboratory capacity for 28 FTE in Chemistry, a General Science laboratory with 8 FTE capacity, and a small amount of space for Biology. Because existing laboratory space would be altered, the net increase in campus laboratory capacity would be only 22 FTE. Finally, the project would provide handicapped access to the upper floor of the Science building by converting an existing freight elevator to passenger use.

At the present time, the Humboldt campus does not have sufficient laboratory capacity to support the undergraduate program in Chemistry. Approval of the proposed remodeling would provide the additional capacity needed in order for the campus to offer undergraduate laboratory sections in courses such as Chemistry 1A and 1B.

Construction and Equipment Fund Request Premature. While our analysis indicates that the project is justified, a portion of the funds proposed in the budget will not be needed in 1984-85, given the current status of the project. The Trustees' capital outlay program for 1984-85 includes a request for \$50,000 to fund preliminary planning and working drawings for this project. The Budget Bill, however, proposes a total of \$764,000 which would fund the construction and equipment portion of the project, as well. No information has been developed to substantiate the amount proposed for construction and equipment. We therefore recommend that these funds be deleted for a reduction of \$714,000.

Statewide Planning Funds For This Project Could Accelerate Completion. The annual Budget Act traditionally has included funds to allow development of preliminary plans for projects on behalf of which funds for working drawings or working drawing and construction will be proposed in the Governor's Budget for the following year. In 1983-84, these funds total \$100,000, and are to be allocated on a statewide basis by the Department of Finance. The science building remodeling project on

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

the Humboldt campus is one example of a project where application of planning funds in the current year would substantially accelerate completion of the project. The project is of modest size, and the preliminary plans could be completed in a relatively short time, prior to legislative hearings on the Budget Bill. Accordingly, we recommend that the Department of Finance consider allocation of statewide planning funds for development of preliminary plans for the science building remodeling project. If adequate preliminary planning has been completed prior to legislative hearings, the Legislature should consider appropriation of construction funds. In the absence of this information, we would continue to recommend reduction of \$714,000 so as to provide funds (\$50,000) for preliminary planning and working drawings only.

ENERGY CONSERVATION PROJECTS

This category includes seven energy conservation projects. The proposed projects, and our recommendations on each, are summarized in Table 10.

Table 10
California State University
Funds For Energy Conservation
Item 6610-301-146
(in thousands)

<i>Project Title</i>	<i>Location</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendations</i>	<i>Estimated^b Future Cost</i>
(24) Modify HVAC system in Com- puter Center	San Diego	wc	\$258	—	—
(25) Energy Management System	San Jose	wc	500	pending	—
(26) Energy Management System	Fullerton	wc	580	pending	—
(27) Energy Management System	Los Angeles	pw	36	29	578
(28) Energy Management System	San Luis Obispo	wc	323	323	—
(29) Energy Management System	Pomona	wc	357	357	—
(30) Energy Management System	Hayward	wc	503	503	—
Totals			\$2,557	pending	\$578

^a Phase symbols indicate: p = preliminary plans; w = working drawings; c = construction

^b CSU estimate.

Heating, Ventilation, and Air Conditioning Modification—San Diego

We recommend deletion of Item 6610-301-146 (24), \$258,000 for working drawings and construction to modify the HVAC system on the San Diego campus, because the project, as proposed, does not address problems of ventilation in the existing computer center. due to use of independent system.

The budget includes \$258,000 for working drawings and construction to modify the heating, ventilation, and air conditioning (HVAC) system in the Business Administration/Mathematics building. This building houses the campus computer center and related instructional laboratories which are available to users during the weekday, as well as in the evenings and on weekends. The CSU indicates that the HVAC system serving the user areas is connected to the main air conditioning chiller serving the entire building. Consequently, in order to provide air conditioning in the com-

puter laboratory areas during the evenings and on weekends, the campus must operate the chiller serving the entire building.

This project includes installation of a 40-ton independent air conditioning system to serve the laboratories exclusively at those times when the rest of the building is vacant, and operation of the building chiller system is not needed. The CSU indicates that this modification will reduce the run time on the existing building chiller from 4,700 hours per year to 2,000 hours per year, or by 2,700 hours, for a savings of \$75,000 per year. Under this assumption, operation of the new chiller during these 2,700 hours would cost \$20,000 for a net savings of \$55,000 in the first year of operation.

We reviewed this project at the San Diego campus during the Fall of 1983. At that time, the campus personnel indicated that the *existing* building ventilation system was inadequate to serve the computer laboratories. Our on-site review of the condition of the laboratories substantiated this claim. Under the proposed project, however, this deficiency would not be addressed, because, it appears that during the weekdays when air conditioning is needed most, the only cooling system available to the computer users would be the *existing* building-wide system which is inadequate. As a result, these areas of the building would continue to be uncomfortably warm and underventilated.

In our judgment, the air conditioning and ventilation system in the computer laboratories should be thoroughly evaluated, and alternative means of providing sufficient air conditioning and ventilation at all times should be analyzed. We also note that the current proposal was developed over 3 years ago, as part of the main computer system installation. A reevaluation of the assumptions and alternatives related to the project should be considered. For example, a possible solution to the problem would involve the adjoining area, which houses the campus' main computer, and is served by an independent air conditioning system. The CSU should evaluate the feasibility of redirecting a portion of the computer center HVAC capacity to the laboratory areas or recirculating the air exhausted by the computer center.

In any event, we see no advantage to proceeding with the project proposed for funding in the budget, given the fact that important problems will still remain, and we therefore recommend deletion of the \$258,000 proposed in Item 6610-301-146 (24).

Energy Management System—San Jose

3/23 We ~~withhold recommendation~~ on Item 6610-301-146 (25), \$500,000 for working drawings and construction of an energy management system on the San Jose campus, *approval as requested*
~~pending receipt of additional information.~~

The budget includes \$500,000 for working drawings and construction to install an energy management system on the San Jose State University campus.

The CSU has completed a feasibility study evaluating energy conservation measures which could be implemented in 19 campus buildings. The proposed energy management system would reduce energy costs for the heating, ventilation, and air conditioning systems by (1) controlling the start-up time based on outside weather conditions and (2) cycling the systems on and off when environmental conditions permit reduced ventilation rates. The feasibility study concluded that installation of an energy management system serving 10 state-funded buildings would result in a utility cost-savings of \$258,000 (1982 cost basis), indicating a pay back period of two years.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

Our analysis indicates that CSU has not developed adequate information to substantiate the amount of funds requested for this project.

The CSU indicates that the \$10,000 needed to fund preliminary plans for the proposed energy management system is available to CSU under the terms of a contract for installation of a third-party-financed cogeneration facility on the San Jose campus. The CSU consummated the agreement with the third party developer in December 1983. Thus, the funds earmarked for preliminary planning of this project have only recently become available.

Preliminary plans for this project can be completed in approximately one month, and thus should be available for review prior to legislative hearings on the budget. We withhold recommendation on the project, pending receipt of the needed preliminary plans.

Energy Management System—Fullerton *approval in revised amount of \$655,000 and a reduction of \$68,000 from CSU support budget*
 We ~~withhold recommendation on Item 6610-301-146 (26), \$580,000 for~~ working drawings and construction of an energy management system on the Fullerton campus, ~~pending receipt of additional information.~~

The budget proposes \$580,000 for working drawings and construction of an energy management system on the Fullerton campus. The project provides for installation of an automatic system to control heating, ventilation and air conditioning systems in state-funded buildings on campus. The project would reduce energy costs by \$140,000 (1982 cost basis), indicating a payback period of 4.3 years. The estimated total project cost is \$595,000, including \$15,000 previously allocated by the Chancellor's office for preliminary plans.

This project has been substantially revised since the time the original feasibility report was prepared. Moreover, the CSU currently is reevaluating the energy savings to be achieved in each building in order to validate the economic feasibility of each component of the project. This reevaluation may reduce the project cost. Accordingly, we withhold recommendation on the requested funds, pending review of the additional information being developed by the CSU.

Energy Management System—Los Angeles

We recommend Item 6610-301-146 (27), \$36,000 for preliminary planning and working drawings for an energy management system on the Los Angeles campus, be reduced by \$7,000 because the proposed project includes elements which are not justified on an energy conservation basis (Future savings: \$185,000).

This \$36,000 request would provide funds for preliminary planning and working drawings for installation of an energy management system on the Los Angeles campus. The project includes installation of a central computer which would control the operation of heating, ventilation and air conditioning systems, irrigation, lighting, boiler operation, and other energy systems. The estimated future cost for construction of the computer control center and related building sensors is \$578,000.

Our analysis indicates that this project, as proposed, includes various control mechanisms which will not result in any reduction in energy use and have not been justified on any other basis. For example, the project includes monitoring of all fire alarms, sprinklers, and smoke detectors for the purpose of activating building air handling units and alarm signals in

the event of fire. In addition, the project includes installation of motion detectors and remote visual surveillance of the building entrances.

These aspects of the project are not justified on an energy conservation basis and no other justification has been provided. Therefore, we recommend they be deleted from the project.

According to the CSU, the elimination of these non-energy elements reduces the total estimated project cost by \$185,000. The preliminary planning and working drawing portion of the project would be reduced to \$29,000 from the \$36,000 included in the budget. Accordingly, we recommend a reduction of \$7,000 to the funds for preliminary plans and working drawing proposed under Item 6610-301-146(27), to reflect the revised project scope.

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

We recommend approval of Items 6610-301-146(28), (29) and (30), \$1,183,000 for working drawings and construction of energy management systems on the San Luis Obispo, Pomona, and Hayward campuses, because these projects were approved in the 1983 Budget Act but the proposed funding source has proven to be infeasible.

The budget proposes \$1,183,000 for installation of energy management systems on the San Luis Obispo (\$323,000), Pomona (\$357,000), and Hayward (\$503,000) campuses.

The 1983 Budget Act appropriated \$1,085,000 for installation of energy management systems at these three campuses. The appropriations were to be financed from federal funds distributed to California pursuant to a settlement in an action against a major oil company involving violation of federal energy price controls. These projects, however, do not qualify for funding under the Department of Energy criteria that control the use of these funds. Accordingly, the Budget Bill includes funding for these projects from the Capital Outlay Fund for Public Higher Education. The increase reflects the inflation that has occurred since last year.

Given the fact that (1) the Legislature previously approved these projects, and (2) the projects will result in significant cost savings to the state (payback periods of under five years), we recommend approval of the funds proposed in Items 6610-301-146(28), (29) and (30) for energy management systems at San Luis Obispo, Pomona and Hayward.

Supplemental Report Language

For purposes of project definition and control, we recommend that supplemental report language be adopted by the fiscal subcommittees which describes the scope of each of the capital outlay projects approved under this item.

Projects by Descriptive Category

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.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

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 and are identified in Table 11. These assignments do not reflect the priority that individual projects should be given by the Legislature.

Table 11
California State University
Projects by Descriptive Category
(in thousands)

<i>Category</i>	<i>Campus/Project Title</i>	<i>Analyst's Proposal</i>	<i>Estimated^b Future Cost</i>
1.	None		
2.	None		
3.	Statewide, Moss Landing Laboratory	\$148	—
	Engineering Building, Humboldt	110	—
	Faculty Office Addition, Northridge	9	—
	Faculty Office Building, Pomona	8	—
	Science Building Conversion, San Francisco	1,320	\$365
	Library Conversion, San Luis Obispo	2,425	253
	Remodel Business, San Francisco	84	1,161
	Science Building Remodel, Humboldt	50	714
	Business Building, Fresno	220	10,227
4.	None		
5.	Energy Retrofits, Statewide	3,500	—
	Energy Management System, Los Angeles	29	578
	Energy Management System, San Luis Obispo	323	—
	Energy Management System, Pomona	357	—
	Energy Management System, Hayward	503	—
6.	None		
7.	Preliminary Planning, Statewide	70	—
	Remove Architectural Barriers, Statewide	2,070	—
	Minor Capital Outlay, Statewide	4,700	—
	Matching Funds for Energy Grants—All Segments of Higher Education	500	—
	Fine Arts Building Ventilation, Hayward	268	—
	Old Library Rehabilitation, San Diego	2,386	—
	Library Study	100	—
	Totals	\$19,180	\$13,298

^bCSU estimate.

CALIFORNIA MARITIME ACADEMY

Item 6860 from the General
Fund and the Federal Trust
Fund

Budget p. E 186

Requested 1984-85	\$4,510,000
Estimated 1983-84	3,986,000
Actual 1982-83	3,563,000
Requested increase (excluding amount for salary increases) \$524,000 (+13.1 percent)	
Total recommended reduction	30,000
Recommendation pending	205,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
6860-001-001—CMA, support		General	\$4,510,000
6860-001-890—CMA, support		Federal Trust	(504,000)

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Main Pier Repair. Withhold recommendation on \$205,000 requested for repair of the main pier, pending receipt of an evaluation from the Office of State Architect. 1891
2. *Special Repairs—Reduce Item 6860-001-001 by \$30,000.* 1892
Recommend deletion of funds for unspecified augmentation of special repairs budget because there is no expenditure plan for the funds.
3. Tuition. Recommend that the Legislature adopt Budget Bill language establishing a policy for annually adjusting student fees at CMA. 1892
4. Fuel Oil Costs. Recommend that the Legislature adopt Budget Bill language directing the Department of Finance to reduce CMA's budget for fuel oil by the amount of any federal funds received for this purpose, and report such action to the appropriate committees. (Potential savings: up to \$416,000.) 1894

GENERAL PROGRAM STATEMENT

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

The CMA is governed by an independent seven-member board of governors appointed by the Governor for four-year terms. The academy has 468 students and 134.1 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests an appropriation of \$4,510,000 from the General Fund for support of the California Maritime Academy (CMA) in 1984-85. This amount is \$701,000, or 18 percent, higher than estimated General

CALIFORNIA MARITIME ACADEMY—Continued

Fund expenditures in the current year. The increase will grow by the amount of any salary or staff benefit increase approved for the budget year.

Of the \$701,000 increase, \$184,000 is for special repairs and instructional equipment. These expenditures would be financed by transferring \$184,000 from the Capital Outlay Fund for Higher Education (COFHE) to the General Fund.

The budget anticipates that the academy will receive \$504,000 in federal funds in 1984-85. These funds are primarily for student subsidies and are provided by the United States Maritime Administration (MARAD).

Table 1 summarizes expenditures and funding sources for the academy in the prior, current, and budget years.

Table 1
Maritime Academy Budget Summary
1982-83 through 1984-85
(dollars in thousands)

Programs	Actual	Estimated	Proposed	Change	
	1982-83	1983-84	1984-85	Amount	Percent
Instruction	\$2,273	\$2,365	\$2,481	\$116	4.9%
Academic Support	1,318	1,583	1,895	312	19.7
Student Services	2,517	2,567	2,692	125	4.9
Administration ^a	(2,306)	(2,214)	(2,317)	(103)	(4.7)
Totals	\$6,108	\$6,515	\$7,068	\$553	8.5%
General Fund	\$3,387	\$3,809	\$4,510	\$701	18.4%
Capital Outlay Fund for Public Higher Education	176	177	-	-17.7	-100.0
Continuing Maritime Education Revenue Fund	-	-	127	127	N/A
Federal Trust Fund	633	583	504	-79	-13.6
Reimbursements	1,912	1,946	1,927	-19	-0.9
Personnel-years	131.7	134.1	134.1	-	-

^a Administrative costs are prorated among the other budget categories.

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

1983-84 Adjusted Base Budget		\$3,809
A. Changes to Maintain Existing Budget		258
1. Price increase	\$117	
2. Merit salary adjustment	26	
3. Annualized cost of 1983-84 compensation increases	115	
B. Funding Shift		
1. Transfer of Special Repairs from COFHE		184
C. Budget Change Proposals		259
1. Repair main pier	\$205	
2. Diesel simulator parts	24	
3. Special repairs augmentation	30	
Total, 1984-85 support		\$4,510
Total change:		
Amount		\$701
Percent		18.4%

Table 2 shows the factors that account for the change in the CMA's planned expenditures between the current and budget years. The table shows that \$258,000 is required in order to maintain the existing level of services. Of this amount, \$115,000 is required to provide full-year funding in 1984-85 for compensation increases granted on January 1, 1984. The budget also proposes a funding shift of \$184,000 for instructional equipment and special repairs from the COFPHE to the General Fund. Finally, the budget proposes an augmentation of \$259,000 for (1) repairs to the main pier at the Academy, (2) spare parts for instructional equipment, and (3) undesignated special repairs.

The budget also shows a one percent decrease in reimbursements for 1984-85. This reflects the transfer of continuing maritime education fee revenues to a separate fund, as mandated by Ch 1181/83.

ANALYSIS AND RECOMMENDATIONS

As noted above, the budget includes three budget change proposals totalling \$259,000. Each of these proposals is discussed separately below.

Main Pier Project Scope Unknown at This Time

reduction of \$40,000, leaving \$165,000
~~We withhold recommendation for the \$205,000 requested for the main pier project because the extent of the damage to the pier and the cost of required repairs have not been documented.~~

The budget requests \$205,000 for repairs to the main pier at CMA. The pier was damaged by severe storms last winter. The CMA asserts that the pier needs to be repaired to provide a safe and functional anchorage for the academy's training ship.

At the time this *Analysis* was prepared the Office of State Architect (OSA) had not yet determined the extent of the damage or the cost of making the necessary repairs. Consequently, we cannot document the appropriateness of the requested amount.

It is our understanding that the OSA's evaluation will be completed prior to the budget hearings and that a better estimate of the cost of the project will be available at that time. Consequently, we withhold recommendation on this proposal, pending receipt of additional information.

Additional Funds Required for Instructional Equipment

We recommend approval

The budget proposes \$24,000 for the one-time purchase of spare parts for the academy's diesel simulator—an integral instructional tool at the CMA. The simulator recently required major repairs. The manufacturer, however, was unable to respond in a timely manner and as a result, the diesel simulator was not available for instructional purposes during much of the academic term.

The manufacturer which is located in Norway, is the sole source for any replacement parts needed by the simulator. To allow repairs to be made more quickly in the future, the academy is requesting \$24,000 to purchase the most critically needed spare parts so that they will be on hand if the simulator breaks down.

We believe this request is reasonable given (1) the difficulties in securing replacement parts, and (2) the simulator's importance to the instructional program.

CALIFORNIA MARITIME ACADEMY—Continued**No Expenditure Plan for Special Repairs**

We recommend that Item 6860-001-001 be reduced by \$30,000 requested for special repairs because there is no expenditure plan for this money.

The budget proposes an augmentation of \$30,000 for special repairs. The base budget contains \$212,000 for special repairs—an increase of \$15,000 (8 percent) from the current year.

The CMA has not presented an expenditure plan for spending the additional \$30,000. Because we have no basis to document the need for a further augmentation to the special repairs budget, we recommend that the funds be deleted, for a corresponding savings to the General Fund.

Resident Fee-Setting Policy Proposed

We recommend adoption of Budget Bill language requiring CMA to annually adjust student fees based on a fixed contribution rate for students and the state.

Current Fee Levels. Maritime Academy students who are California residents will pay \$1,259 in tuition and fees in 1983–84. An additional \$3,159 is charged for room and board, bringing total student charges to \$4,418 per year, as shown in Table 3.

Table 3
CMA Tuition and Fees for Resident Students
1983–84

Tuition ^a	\$645
Athletic Fee	45
Medical and Health Insurance	444
Service and Activity Fees	125
Total Tuition and Fees	\$1,259
Room and Board	3,159
Total	\$4,418

^a Nonresident students pay additional \$1,818 per year for tuition.

Trends. As shown in Table 4, user-type fees paid by CMA students will be 147 percent higher in 1984–85 than they were in 1980–81. These fees are used to cover the cost of specific services which are not funded by the state. In contrast, tuition, which partially offsets the state appropriation needed to support CMA has remained constant during this four-year period, thereby bringing about a reduction in the share of costs borne by the students (from 11.3 percent to 6.7 percent) and a corresponding increase in the share of costs borne by the state (from 88.7 percent to 93.3 percent).

Need for a Long-Term Fee Policy. As we noted in the postsecondary education overview there is no standard fee-setting policy for California's public institutions of higher education to follow.

As a result, the fees charged students at these institutions have fluctuated, particularly in the last several years, with no rational basis for these fluctuations. This, we believe, highlights the need for a long-term policy covering fee levels in *all* segments of higher education within the state.

Table 4
CMA Appropriations
and Student Costs
1980-81 through 1984-85

	<i>Actual</i> <i>1980-81</i>	<i>Actual</i> <i>1981-82</i>	<i>Actual</i> <i>1982-83</i>	<i>Estimated</i> <i>1983-84</i>	<i>Budgeted</i> <i>1984-85</i>	<i>Percent</i> <i>Change</i> <i>from</i> <i>1980-81</i> <i>to</i> <i>1984-85</i>
State appropriation (in thousands) ..	\$2,660	\$3,255	\$3,563	\$3,986	\$4,510	69.5%
Cost per student.....	5,683	6,796	7,613	8,517	9,637	69.6
Student tuition	645	645	645 ^a	645	645	—
Miscellaneous fees	256	538	569	614	632	146.9
Student tuition as percent of cost	11.3%	9.5%	8.5%	7.6%	6.7%	-4.6
State contribution as percent of cost	88.7	90.5	91.5	92.4	93.3	4.6

^a One-time surcharge of \$50 imposed in 1982-83.

A clear policy on fees would yield the following benefits. First, it would aid students and their parents in planning to meet the costs of higher education by adding stability and predictability to the fee-setting process. Second, it would make the Legislature's job easier by eliminating the need for a protracted debate on fees as part of the budget process each year.

Criteria for Fee-Setting. In our judgment, any comprehensive long-term fee policy adopted by the Legislature should be based on the following principles:

- student fee levels should recognize the private, as well as the societal, benefits from higher education, and
- the system of calculating the fee level should be predictable and easy to understand.

In accordance with these principles, we recommend that:

- Student charges be set equal to a *specific percentage of the cost of education*. In the case of CMA, the "cost of education" would be defined as the average state General Fund appropriation and *student fee revenues* used to operate the institution during the three prior years.
- The average should be *calculated separately for each segment*, rather than for all of the segments combined. That is, CMA fees should be based on CMA appropriations and related fee revenues during prior years, and should not reflect appropriations made to or fees charged by the other segments.
- Student charges should represent the *same percentage* of appropriations and fees at each segment *for students in comparable degree programs*.
- Fees should be *adjusted annually*, based on the average percentage changes in costs *during the prior year*, in order to provide increased stability in the fee-setting process.

An example of how our recommendations might affect CMA and its students can be constructed for illustrative purposes, using 1983-84 as the base year. In the current year, the "cost of education" at CMA is estimated at \$9,116. Student fees cover \$1,259 of this amount, or 14 percent. If the Legislature wishes to maintain the 14 percent contribution rate, the implementation of our recommendation would require student fees at CMA to be set at \$1,353; that is, the current funding level increased by 6 percent to reflect the three-year average rate of growth in support per student.

CALIFORNIA MARITIME ACADEMY—Continued

Table 5 shows what the dollar impact of our recommendations would be on the academy's fee levels, assuming six different contribution rates.

We have no analytical basis for recommending a specific fee level for CMA students or any other group; this is a policy decision which must be made by the Legislature. Assuming a continued 1983-84 contribution rate of 14 percent, the 1984-85 fee level would be \$1,353. This would require an increase of \$76 from the level of \$1,277 proposed in the budget.

Table 5
Dollar Impact on CMA Fees
Assuming Various Contribution Rates

	12 Percent	13 Percent	14 Percent	15 Percent	16 Percent	17 Percent
Fee level ^a	\$1,094	\$1,185	\$1,276	\$1,367	\$1,459	\$1,550
+6.0 percent ^b	66	71	77	82	88	93
	\$1,160	\$1,256	\$1,353	\$1,449	\$1,547	\$1,643

^a Using 1983-84 cost per student of \$9,116 as a base.

^b Adjusted by three-year average change in support per student.

Implementation of Long-Term Fee Policy. In order to implement this policy, we recommend adoption of the following Budget Bill language:

"Student fees at CMA for 1984-85 will be set at a rate equal to ____% of the 1983-84 cost of education per student (state appropriations plus student fee revenue). It is the intent of the Legislature, that these fees be adjusted annually to reflect the average change in support for the prior three years."

Federal Funds Available to Cover Fuel Costs

We recommend that the Legislature adopt Budget Bill language which requires the Director of Finance to reduce the CMA General Fund appropriations by an amount equal to the amount of federal funds received for fuel oil costs (potential savings: up to \$416,000).

The budget proposes \$416,000 to cover the cost of fuel oil needed to operate the CMA's training ship, *The Golden Bear*. Our analysis indicates, however, that federal funds will be available to the CMA for these costs, beginning in October, 1984. The 1983 Budget Act contains language which requires the Department of Finance to reduce CMA's budget by the amount of federal funds received for fuel oil. This language is continued in the 1984 Budget Bill. In our judgment, however, the language is too vague. It does not (1) specify the amount of funds available for fuel oil, or (2) require the Director of Finance to report any changes made in the CMA's budget to the Legislature. Consequently, in order to (1) accurately identify the CMA's expenditures for fuel oil and (2) prevent reallocation of unneeded funds to other items of expense without the Legislature's concurrence, we recommend the following language be adopted in lieu of the language proposed by the administration:

"Of the amount in Item 6860-001-001, \$416,000 is available for fuel oil purchases for the operation of the training ship, *The Golden Bear*. To the extent that federal funds become available for this purpose, the

Director of Finance shall unallot and revert to the General Fund an amount of up to \$416,000 and increase the amount of reimbursements scheduled in this item by a corresponding amount. The Director of Finance shall report these changes to the Joint Legislative Budget Committee."

Federal Trust Fund (Item 6860-001-890)

We recommend approval.

The budget proposes an appropriation of \$504,000 from the Federal Trust Fund to provide financial aid to CMA students. Our analysis indicates that these expenditures are justified.

CALIFORNIA MARITIME ACADEMY—CAPITAL OUTLAY

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

Budget p. E 191

Requested 1984-85	\$368,000
Recommended approval	246,000
Recommended reduction	35,000
Recommendation pending	87,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Transfer to the General Fund. Recommend that \$35,000 in savings resulting from our recommendations be transferred to the General Fund, in order to increase the Legislature's flexibility in meeting high-priority needs statewide. 1895
2. *Minor Capital Outlay—Reduce Item 6860-301-036(2) by \$35,000.* Recommend deletion of funds for bank protection repairs because the proposed work is not a capital outlay project and should be budgeted as a support item. Withhold recommendation on \$87,000 for a boat ramp, pending receipt of information from the department describing how the project will be coordinated with other work at the Maritime Academy. 1896

ANALYSIS AND RECOMMENDATIONS

The budget proposes \$368,000 from the Capital Outlay Fund for Public Higher Education for one major project and seven minor projects for the California Maritime Academy. The funds will be used to construct a new faculty office addition and for various minor projects at the Maritime Academy in Vallejo.

Transfer to General Fund

We recommend that the savings resulting from our recommendations on Item 6860-301-146—\$35,000—be transferred from the Capital Outlay Fund for Public Higher Education to the General Fund in order to increase the Legislature's flexibility in meeting high-priority needs statewide.

We recommend a reduction of \$35,000 in the California Maritime Academy's (CMA) capital outlay proposal. Approval of this reduction,

CALIFORNIA MARITIME ACADEMY—CAPITAL OUTLAY—Continued

discussed below, would leave an unappropriated balance of tideland oil revenues in the Capital Outlay Fund for Public Higher Education, which would be available only to finance programs and projects of a specific nature.

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

Faculty Office Addition

We recommend approval of Item 6860-301-146(1).

The budget proposes \$173,000 under Item 6860-301-146(1) for preliminary plans, working drawings, construction, and equipment for an addition to the faculty office building at the California Maritime Academy (CMA). The project involves the construction of six additional offices for CMA faculty. These six offices are designed on the basis of the formula used by the California State University—110 square feet per faculty member. The project will provide the required faculty office space, necessary passageways, and access/egress to both the first and second floor office areas.

Funding for this project was included in the 1983 Budget Act, as approved by the Legislature, but was vetoed by the Governor. Given the Legislature's past support for the project, we recommend approval of the request.

Minor Capital Outlay

We recommend that Item 6860-301-146(2), minor capital outlay, be reduced by \$35,000 to delete funding for one project which is inappropriately budgeted as capital outlay. We withhold recommendation on \$87,000 requested for another project, pending receipt of clarifying information from the CMA.

The budget includes \$195,000 under Item 6860-301-146(2) for seven minor capital outlay projects for the California Maritime Academy (CMA). These projects and our recommendations are shown in Table 1.

Table 1
California Maritime Academy
Minor Capital Outlay
1984-85
(in thousands)

<i>Project</i>	<i>Department Request</i>	<i>Analyst's Recommendation</i>
Fire Rated Doors in Residence Halls	\$24	\$24
Install Emergency Generator	9	9
Construct Boat Removal Facility	87	pending
Low Temperature Dishwasher	21	21
Install Electrical Vault Pump	10	10
Replace Incandescent Lights	9	9
Bank Protection Work	35	—
Totals	\$195	pending

Bank Protection Repairs. The budget includes \$35,000 for repairs to

the sea wall located along the shoreline of the California Maritime Academy. The present concrete rubble wall has suffered damage from heavy storms. According to the Department of Finance, the funds included in the budget for this project would be used to repair the existing wall, as needed, during the course of the year.

The work proposed is of a repair nature and should not be budgeted as capital outlay.

Moreover, our analysis indicates that \$30,000 for repairs to the waterfront have been included in the CMA's 1984-85 support/operations budget for special repair projects. We believe that this request is appropriate. There is no basis, however, for funding the project under the capital outlay, as well. Accordingly, we recommend that the funds be deleted.

Construct Boat Removal Facility. The budget includes \$87,000 to construct a boat ramp for hauling out small craft used by the California Maritime Academy (CMA). The U.S. Coast Guard requires that these craft be inspected every two years in order to maintain their certificate of inspection. At the present time, the CMA must contract to have the boats removed from the water for the required inspection and maintenance, at a cost of approximately \$22,000 per craft. This currently is done at a location remote from the Academy. Construction of the boat ramp would allow the CMA to avoid these costs and, according to the Academy, would provide additional experience for students in boat removal, inspection, and maintenance procedures.

Our analysis raises questions about how this project will be coordinated with other work at the Maritime Academy. Specifically, the CMA has requested \$205,000 in the 1984-85 support/operations budget for repairs to its main pier (which was severely damaged by storms last winter). Consequently, it may be appropriate to coordinate work on a new boat ramp with the repairs to the pier. We withhold recommendation on this project, pending receipt of information on the pier repair work and on how the boat ramp will be coordinated with these repairs.

With the exception of the two projects discussed above, we recommend approval of the proposed minor capital outlay program.

Supplemental Report Language

For purposes of project definition and control, we recommend that supplemental report language be adopted by the fiscal subcommittees which describes the scope of each of the capital outlay projects approved under this item.

Projects by Descriptive Category

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.

CALIFORNIA MARITIME ACADEMY—CAPITAL OUTLAY—Continued

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

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

The faculty office addition (\$173,000) and the five minor projects (\$73,000) fall under category seven.

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES

Item 6870 from the General
Fund and various funds

Budget p. E 192

Requested 1984-85	\$1,029,926,000
Estimated 1983-84	1,020,789,000
Actual 1982-83	1,058,674,000
Requested increase (excluding amount for salary increases) \$9,137,000 (+0.9 percent)	
Total recommended reduction	363,000
Recommendation pending	958,964,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
6870-001-001—CCC, Board Support		General	\$4,387,000
6870-001-165—CCC, Community College Credentials		Credentials	(527,000)
6870-101-001—CCC, Local Assistance		General	1,025,539,000
6870-101-909—CCC, Instructional Improvement		Instructional Improvement	(184,000)
Total			\$1,029,926,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Community College Apportionments. Withhold recommendation on \$958,489,000 from the General Fund in Item 6870-101-001, pending receipt from Department of Finance of revised expenditure plan which reflects the changes made by recent legislation. 1908
2. California Highway Patrol Apprenticeship Program. Recommend adoption of budget bill language to prohibit use of apportionment funds for apprenticeship training in community colleges for California Highway Patrol Academy cadets because a dedicated fund source is available for this purpose. 1911

3. ***Apprenticeship Instructional Hour Definition. Reduce Item 6870-101-001 by \$298,000.*** Recommend adoption of budget bill language to define an instructional hour as 60 minutes, including passing time of up to 10 minutes, for purposes of funding related and supplemental instruction for apprenticeship programs. (General Fund savings: \$298,000). 1912
4. ***Cooperative Agencies Resources for Education.*** Withhold recommendation on request for \$475,000 (General Fund) to continue and expand the Cooperative Agencies Resources for Education Program, pending review of the plan for using the funds and completion of guidelines governing program administration. 1914
5. ***Program Administrative Review Unit. Reduce Item 6870-001-001 by \$44,000.*** Recommend deletion of one position and \$44,000 (General Fund) to expand the Program Administrative Review Unit because the additional position has not been justified on a workload basis. 1919
6. ***Washington, D.C., Activities. Reduce Item 6870-001-001 by \$21,000.*** Recommend deletion of \$21,000 (General Fund) proposed to monitor federal activities relating to community colleges because (1) the districts have withdrawn support for Washington representation and (2) the need for General Fund support of this activity has not been established. 1920

GENERAL PROGRAM STATEMENT

The Board of Governors of the California Community Colleges (CCC) is composed of 15 members appointed by the Governor. Fourteen members serve four-year terms and one tenured voting faculty member serves a two-year term.

The board is a planning, coordinating, reporting, advising, and regulating agency for California's 70 public community college districts. The districts have locally elected boards which are directly responsible for the operation of 106 colleges.

Community colleges are limited to lower division (freshman and sophomore) undergraduate study in the liberal arts and sciences. These colleges offer a large number of occupational, adult, and community service courses, as well. They are authorized to grant associate in arts and associate in sciences degrees, in addition to numerous occupational certificates and credentials. Any high school graduate or any citizen over 18 years of age may attend a community college.

The Chancellor's office is the administrative arm of the Board of Governors, and assists the board in carrying out its statutory duties. The Chancellor's office is authorized 141.4 full-time equivalent positions for the current year.

A. Enrollment and Average Daily Attendance

1. Enrollment

Table 1 shows student enrollment in the community colleges since 1978-79, as reported by the Chancellor's office. The table indicates that more than 1.2 million students are expected to attend the community colleges in the current year. Of these students, 1.1 million (88 percent) will partici-

**BOARD OF GOVERNORS OF THE CALIFORNIA
COMMUNITY COLLEGES—Continued**

pate in credit programs. The remaining 149,800 students (12 percent) will participate in noncredit programs. Of the 1.1 million students taking credit courses, 289,800, or 23 percent, attend on a full-time basis.

Table 1
Community College Headcount
Student Enrollment^a
1978-79 to 1984-85

	<i>Credit</i>			<i>Noncredit Total</i>	<i>Grand Total</i>	<i>Percent Change</i>
	<i>Full-Time</i>	<i>Part-Time</i>	<i>Total</i>			
1978-79.....	285,130	874,689	1,048,756	111,063	1,159,819	—
1979-80.....	282,765	965,694	1,100,681	147,778	1,248,459	7.6%
1980-81.....	295,883	1,087,353	1,189,976	193,260	1,383,236	10.8
1981-82.....	303,685	1,127,839	1,254,360	177,164	1,431,524	3.5
1982-83.....	311,600	1,043,382	1,192,920	162,062	1,354,982	-5.3
1983-84 (est)	289,800	952,700	1,092,700	149,800	1,242,500 ^b	-8.3
1984-85 (est)	303,000	997,000	1,143,000	157,000	1,300,000	4.6

^a Fall enrollment.

^b Estimate of statewide enrollment for fall of 1983-84 based on information received from 43 districts (73 colleges) as of December 1983.

Source: Chancellor's office.

2. Average Daily Attendance

While the University of California and the California State University use full-time equivalent students (FTE) as the basis for state support, the community colleges use average daily attendance (ADA) for this purpose. "ADA" measures actual attendance rather than enrollment. The use of ADA, rather than FTE, as a measure of workload reflects the fact that, originally, community colleges were extensions of the K-12 secondary school system (which also uses ADA to measure workload).

Table 2 shows the state-funded ADA in community colleges since 1978-79.

Table 2
Community College State-Funded
Average Daily Attendance (ADA)
1978-79 through 1984-85

	<i>Credit</i>	<i>Noncredit</i>	<i>Total</i>	<i>Percent Change</i>
1978-79.....	595,563	33,409	634,972	—
1979-80.....	614,820	55,380	670,200	5.5%
1980-81.....	654,442	70,827	725,629	8.3
1981-82.....	669,588	65,566	735,154	1.3
1982-83.....	650,696	46,037	706,733	-3.8
1983-84 (estimated)	609,570	52,500	662,070	-6.3
1984-85 (budgeted)	631,175	54,356	685,531	3.5

Source: Department of Finance.

It should be noted that due to funding uncertainties in the current year (discussed later), the estimates prepared by the Department of Finance and shown in Table 2 for 1983-84 and 1984-85 may not be reliable. The

Chancellor's office will make better estimates available at the time of the budget hearings.

OVERVIEW OF THE BUDGET REQUEST

A. Expenditures for the California Community Colleges in 1983-84 and 1984-85 as Proposed in Governor's Budget

As shown in Table 3, the Governor's Budget projects total revenue of \$1,930.8 million for the support of the community college system in 1984-85. This is an increase of \$157.6 million, or 8.9 percent, over estimated revenues in the current year. The budget proposes that \$1,039.9 million of the total come from state funding sources, with the remainder coming from local revenues (\$471.0 million), federal funds which flow directly to community college districts (\$94.1 million), other sources (\$230.8 million), mandatory student fees (\$95.0 million) and reimbursements (\$10 million).

B. Revised 1983-84 and 1984-85 Expenditures Per Assembly Bill 470 and Assembly Bill 1xx

Following introduction of the Governor's Budget for 1984-85 in January, the Legislature passed and the Governor signed Ch 3/84 (AB 470) and Ch 1xx/84 (AB 1xx), which made significant changes in community college funding for 1983-84 and future years.

Table 3
Board of Governors of the
California Community Colleges
Total Support for Community Colleges From All Sources
As Proposed in Governor's Budget January 10, 1984
(in millions)

	<i>Actual</i> <i>1982-83</i>	<i>Estimated</i> <i>1983-84</i>	<i>Proposed</i> <i>1984-85</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. State:					
State Operations	\$6.6	\$6.8	\$7.2	\$0.4	5.9%
Categoricals	66.1	66.5	82.5	15.7	23.6
Apportionments	1,001.0	961.5	950.2	-11.0	-1.1
Subtotals, State	\$1,073.7	\$1,034.8	\$1,039.9	\$5.1	0.5%
2. Local:					
Property Taxes	\$391.4	\$392.5	\$450.0	\$57.5	14.6%
Local Debt	22.1	21.0	21.0	—	—
Subtotals, Local	\$413.5	\$413.5	\$471.0	\$57.5	13.9%
Subtotals, State and Local	\$1,487.2	\$1,448.3	\$1,510.9	\$62.6	4.3%
3. Federal	\$104.6	\$94.1	\$94.1	—	—
4. Other	\$230.8	\$230.8	\$230.8	—	—
5. Fees	—	—	\$95.0	\$95.0	N/A
Totals	\$1,822.6	\$1,773.2	\$1,930.8	\$157.6	8.9%
General Fund	\$1,058.7	\$1,020.8	\$1,029.9	\$9.1	0.9%
Capital Outlay Fund for Public Higher Education (COFPE)	4.6	4.0	—	-4.0	-100.0
Other State/Reimbursements	10.4	10.0	10.0	—	—
Local	413.5	413.5	471.0	57.5	13.9
Federal	104.6	94.1	94.1	—	—
Other	230.8	230.8	230.8	—	—
Mandatory Fee	—	—	95.0	95.0	N/A

**BOARD OF GOVERNORS OF THE CALIFORNIA
COMMUNITY COLLEGES—Continued**

Chapter 3, Statutes of 1984 (AB 470) appropriated \$96.5 million from the General Fund to augment community college base revenues in 1983–84. This increase, which restores community college base revenues to the 1982–83 level of \$1,411.9 million, exceeds by \$46.5 million the restoration amount proposed in the Governor's Budget (as submitted to the Legislature on January 10, 1984).

Chapter 1xx, Statutes of 1984 (AB 1xx), among other things, (1) authorized a mandatory community college student fee of \$50 per semester for students enrolled in six credit units or more and \$5 per unit for students enrolled in less than six credit units, to produce an estimated \$75 million in revenue for 1984–85, and (2) appropriated \$15 million from the General Fund for student financial aid in 1984–85.

(These acts are discussed in more detail later in this analysis.)

The fiscal effect of these measures on the levels of expenditures shown in the Governor's Budget for the current and budget years is shown in Table 4.

Table 4
Board of Governors of the
California Community Colleges
Governor's Budget as Revised by Ch. 3/84 (AB 470) and Ch. 1xx/84 (AB1xx)
Total Support for Community Colleges From All Sources
(in millions)

	<i>Actual</i> 1982–83	<i>Estimated</i> 1983–84 Revised	<i>Proposed</i> 1984–85 Revised	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. State:					
State Operations	\$6.6	\$6.8	\$7.2	\$0.4	5.9%
Categoricals	66.1	66.5	97.5	31.0	46.2
Apportionments	1,001.0	1,008.1	950.2	–57.9	–5.7
Subtotals, State	\$1,073.7	\$1,081.4	\$1,054.9	–\$26.5	–2.4%
2. Local:					
Property Taxes	\$391.4	\$392.5	\$450.0	\$57.5	14.6%
Local Debt	22.1	21.0	21.0	—	—
Subtotals, Local	\$413.5	\$413.5	\$471.0	\$57.5	13.9%
Subtotals, State and Local	\$1,487.2	\$1,494.9	\$1,525.9	\$31.0	2.1%
3. Federal	\$104.6	\$94.1	\$94.1	—	—
4. Other	\$230.8	\$230.8	\$230.8	—	—
5. Fees	—	—	\$75.0	\$75.0	—
Totals	\$1,822.6	\$1,819.8	\$1,925.8	\$106.0	5.9%
General Fund	\$1,058.7	\$1,067.3	\$1,044.9	–\$22.4	–2.1%
Capital Outlay Fund for Public Higher Education (COFPHE)	4.6	4.0	—	–4.0	–100.0
Other State/Reimbursements	10.4	10.0	10.0	—	—
Local	413.5	413.5	471.0	57.5	13.9
Federal	104.6	94.1	94.1	—	—
Other	230.8	230.8	230.8	—	—
Mandatory Fee	—	—	75.0	75.0	N/A

The major differences between the Governor's Budget as introduced January 10, 1984 (Table 3), and the Governor's Budget as revised by Ch 3/84 and Ch 1xx/84 (Table 4) are as follows:

- State apportionments in 1983-84 are increased by \$46.5 million;
- State categorical aid in 1984-85 is increased by \$15 million for student financial aid; and
- Student fee revenues are decreased by \$20 million in 1984-85 from the Governor's proposed level of \$95 million, to \$75 million.

Because of these adjustments, total community college expenditures are now estimated to increase by \$106.1 million, or 5.9 percent, in 1984-85. Most of the \$106.1 million in additional expenditures will be financed from the mandatory student fee, as shown in Table 4.

The analysis and data which follow are based on the most recent estimates of community college expenditures for 1984-85, as modified by Ch 3/84 and Ch 1xx/84. Much of the data will not tie to the Governor's Budget as introduced because the budget no longer provides an accurate account of the funding picture for community colleges.

Table 5
California Community Colleges
Summary of Changes From 1983-84 to 1984-85
Per Changes Made by Ch 3/84 and Ch 1xx/84
(in thousands)

I. Local Assistance		
1983-84 Expenditures (Revised)		\$1,812,895
A. Baseline Adjustments		
1. Apportionments—Cost-of-living adjustments	\$105,614	
2. Student fees	(75,000)	
Total, Baseline Adjustments	\$105,614	
1984-85 Expenditures (Proposed)		\$1,918,599
II. State Operations		
1983-84 Expenditures (Revised)		\$6,757
A. Baseline Changes		
1. Merit increases	\$28	
2. Salary annualization	150	
3. Inflation Adjustments	87	
Total, Baseline Adjustments	\$265	
B. Workload Adjustments	-\$163	
C. Budget Change Proposals		
1. Data processing	\$54	
2. Monitoring Federal actions	21	
3. Monitoring districts	286	
Total, Budget Change Proposals	\$361	
1984-85 Expenditures (Proposed)		\$7,220
III. Total 1984-85 Expenditures (Revised Budget)		\$1,925,819
Change from 1983-84:		
Amount	\$106,077	
Percent	5.8%	
Change by Funding Source:		
General Fund	-\$22,363	
Other State Funds	-3,980	
Local Funds	57,500	
Fee Revenues	75,000	
Reimbursements	-80	

BOARD OF GOVERNORS OF THE CALIFORNIA
COMMUNITY COLLEGES—Continued

Table 6
California Community Colleges
Summary of Changes from 1983-84 to 1984-85
Reflecting Changes Made by Ch 3/84 and Ch 1xx/84

	<i>Funding Source</i>							<i>Total</i>
	<i>General Fund</i>	<i>Local Funds</i>	<i>Other</i>	<i>Mandatory Student Fee</i>	<i>Other State Funds</i>	<i>Reimbursements</i>	<i>Federal</i>	
1983-84 Base Expenditures	\$1,067.3	\$413.5	\$230.8	—	\$4.0	\$10.1	\$94.1	\$1,819.8
I. <i>Local Assistance</i>								
1983-84 Expenditures (Revised)	(1,063.4)	(413.5)	(230.8)	(—)	(4.0)	(7.2)	(94.1)	(1,813.0)
A. Baseline Adjustments: Apportionments—Cost-of-living adjustments	—22.9	57.5	—	\$75.0	—4.0	—	—	105.6
1984-85 Expenditures (Proposed)	(\$1,040.5)	(\$471.0)	(\$230.8)	(\$75.0)	(—)	(\$7.2)	(\$94.1)	(\$1,918.6)
II. <i>State Operations</i>								
1983-84 Expenditures (Revised)	(\$3.9)	(—)	(—)	(—)	(—)	(\$2.9)	(—)	(\$6.8)
A. Baseline and Workload Changes	0.1	—	—	—	—	—0.1	—	—
B. Budget Change Proposals	0.4	—	—	—	—	—	—	0.4
1984-85 Expenditures (Proposed)	(4.4)	(—)	(—)	(—)	(—)	(2.8)	(—)	(7.2)
III. Total 1984-85 Expenditures (Revised Budget)	\$1,044.9	\$471.0	\$230.8	\$75.0	—	\$10.0	\$94.1	\$1,925.8
Total Change from 1983-84:								
Amount	—\$22.4	\$57.5	—	\$75.0	—\$4.0	—	—	\$106.1
Percent	—2.1%	13.9%	—	N/A	N/A	—	—	5.8%

C. 1984-85 Budget Changes

Table 5 shows the details of the proposed changes in total community college expenditures for the budget year (as revised by Ch 3/84 and Ch 1xx/84). The changes reflect (1) an increase in *local assistance* of \$105.6 million (5.8 percent) for baseline COLA adjustments in community college apportionments, and (2) a net increase of \$463,000 in *state operations* expenditures reflecting (a) baseline changes (\$265,000), (b) workload changes (-\$163,000), and (c) budget change proposals (\$361,000). The major components of the *budget change proposals* are discussed later in the "state operations" portion of this analysis.

The full detail of the proposed changes, by funding source, are shown in Table 6. This table shows that any increase in local assistance funding for community colleges in 1984-85 over 1983-84 will come from a combination of student fees and local property taxes. State General Fund support for local assistance will, in fact, *decrease* by \$22.9 million in 1984-85 if no changes are made to the proposed Governor's Budget.

ANALYSIS AND RECOMMENDATIONS**I. LOCAL ASSISTANCE (Item 6870-101-001)****A. Overview of Local Assistance Funding Proposal**

The local assistance portion of the budget for the community colleges has two components: (1) community college apportionments and (2) categorical aid programs. The major categorical aid programs include the Extended Opportunities Program and Services (EOPs), handicapped student apportionments, deferred maintenance/special repairs, and student financial aid.

Of the total \$1.9 billion in support for community colleges shown previously in Table 6, approximately \$1 billion is provided through state appropriations for local assistance. The balance of the total is derived by the colleges from other sources, such as property taxes and student fees.

Table 7 shows the amounts appropriated for local assistance in the prior, current, and budget years, including the effects of recent legislation.

As noted earlier, the budget, as amended by Ch 3/84 and Ch 1xx/84, proposes a net *reduction* of \$22.9 million—2.2 percent below the amount provided in the current year—in the level of General Fund support for community college local assistance. The major funding changes proposed in the local assistance component include:

- a \$57.8 million (5.7 percent) decrease in base state apportionments,
- an \$11 million (44 percent) increase for the EOPs program, and
- a \$4 million (100 percent) increase in the deferred maintenance program, and
- a \$15 million increase for student financial aid.

**BOARD OF GOVERNORS OF THE CALIFORNIA
COMMUNITY COLLEGES—Continued**

Table 7
Board of Governors of the
California Community Colleges
Appropriations for Local Assistance
(dollars in thousands)

	<i>Actual</i> <i>1982-83</i>	<i>Estimated</i> <i>1983-84</i>	<i>Proposed</i> <i>1984-85</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
A. Base Apportionments.....	\$1,000,945	\$1,008,081 ^a	\$950,244	—\$57,837	—5.7%
B. Categorical Aids					
1. Apprenticeship.....	\$8,300	\$9,947	\$10,245	\$298	3.0%
2. Lease Purchase.....	4,044	—	—	—	—
3. EOPS.....	24,691	24,691	35,663	10,972	44.4
4. Handicapped.....	18,396	21,878	22,534	656	3.0
5. Academic Senate.....	68	68	70	2	2.9
6. Instructional Improvement	965	944	967	23	2.4
7. Student Affirmative Action	111	—	—	—	—
8. Vocational Education Special Projects.....	2,913	3,076	3,076	—	—
9. Deferred Maintenance and Special Repairs.....	4,572	4,000	8,000	4,000	100.0
10. Investment in People.....	2,080	1,900	1,900	—	—
11. Financial Aid.....	—	—	15,000	15,000	N.A.
Subtotals, Categorical Aids.....	\$66,140	\$66,504	\$97,455	\$30,951	46.1%
Totals, Local Assistance.....	\$1,067,085	\$1,074,585	\$1,047,699	—\$26,886	—2.5%
General Fund.....	\$1,054,758	\$1,063,425	\$1,040,539	—\$22,886	—2.2%
CC Fund for Instructional Improvement.....	316	184	184	—	—
Capital Outlay Fund for Public Higher Education (COPFHE).....	4,572	4,000	—	—4,000	—100.0
State School Fund.....	4,346	3,900	3,900	—	—
Reimbursements.....	3,093	3,076	3,076	—	—

^a Reflects appropriation of \$96.5 million in Ch 3/84.

B. Tracking the Funding Changes
1. Background

Prior law authorizing community college apportionments expired on June 30, 1983. In its place the Legislature enacted Ch 565/83 (SB 851) (discussed below) which authorized an increase in community college expenditures in 1983-84 of \$125 million, relative to the 1982-83 level, provided funding for the increase was appropriated in the 1983 Budget Act. The Legislature included this funding in the Budget Bill. However, because SB 851 did not contain a provision imposing a mandatory student fee of \$50 per semester, the Governor vetoed the \$125 million *plus* an additional amount which left community college apportionments \$96.5 million *below* the 1982-83 base level.

The Legislature and Governor did not resolve this impasse over the issues of mandatory fees and funding level until January 1984, when Ch 3/84 (AB 470) and Ch 1xx/84 (AB 1xx) were enacted. The net effect of these two pieces of legislation (which are discussed in detail below) is that (1) the community college funding base for 1983-84 was restored to the 1982-83 level through a budget augmentation of \$96.5 million, and (2) a mandatory student fee will be imposed in the fall of 1984, which is estimated to raise \$75 million. The final community college funding levels for 1984-85 were left to be determined in the 1984 Budget Act.

2. Details of Ch 565 (Senate Bill 851), Ch 3 (Assembly Bill 470), and Ch 1xx (Assembly Bill 1xx)

The material which follows highlights the major features of recent community college legislation, in the order that the various measures were enacted.

a. *Chapter 565, Statutes of 1983 (SB 851)*. Chapter 565, Statutes of 1983, establishes a mechanism to allocate community college apportionments annually through June 30, 1987. The major provisions of the act, which modified the funding components regarding inflation, enrollment growth, and equalization contained in prior law, include:

- **Base Revenues.** For 1983-84, the act establishes base revenues as the amount computed for 1982-83 with specified adjustments. In 1984-85 and thereafter, base revenues are determined on the basis of prior-year revenues.
- **Inflation.** The act bases cost-of-living adjustments (COLAs) on the Implicit Price Deflator for State and Local Government Purchases of Goods and Services. The amount allocated in any year, however, would be determined by the Chancellor and would depend on the level of funding provided in the annual Budget Act. The COLA provision in Ch 565/83 results in an estimated 5.9 percent increase for 1984-85.
- **Changes in ADA.** The act continues from prior law the incremental rate of funding for growth or decline in ADA. The total amount provided for enrollment growth would be based on the rate of growth in California's adult population as determined by the Department of Finance (estimated to be 2.2 percent in 1984-85).
- **Equalization.** The act provides a two-step mechanism to equalize revenues per ADA among districts.
- **Noncredit Courses.** The act continues the prior policy of providing state funds for noncredit courses in nine specified categories of adult education, at a base rate of \$1,100 per ADA in 1983-84. This amount would be adjusted for inflation in future years.
- **Drop Fees.** The act requires districts to raise the student fee for dropping courses to a minimum of \$10, not to exceed a maximum of \$20.

b. *Chapter 3, Statutes of 1984 (AB 470)*. This act simply appropriates \$96.5 million from the General Fund for community college apportionments in 1983-84. The appropriation is an amount sufficient to restore base revenues for community college apportionments in 1983-84 to the amount provided in 1982-83.

c. *Chapter 1xx, Statutes of 1984 (AB 1xx)*. Finally, Ch 1xx/84 revises the laws governing community college (1) student fees, (2) student financial aid, and (3) apportionment base revenue calculation adjustments related to the loss of 1983-84 ADA.

- **Student Fees.** The act requires California's 70 community college districts to charge students enrolled in credit courses a general fee each semester, as shown below:

<i>Credit Units</i>	<i>Fee Per Semester</i>
Six units or more	\$50
Less than six units	\$5 per unit

The fee assessment is subject to the following conditions:

- all persons receiving payments under the Aid to Families of Depend-

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—Continued

- ent Children (AFDC), Supplemental Security Income (SSI/SSP), and General Assistance programs at the time of their enrollment are exempt from the fee,
- ten other fees, which currently are permissive, must be discontinued,
- districts which fail to impose the fee are subject to a penalty equal to 10 percent of their apportionments,
- authorization for the fee sunsets on January 1, 1988, and
- the fee cannot be increased during the 3½ year period of its authorization.
- **Student Financial Aid.** The act appropriates \$15 million annually through 1986–87 and \$7.5 million in 1987–88 for (1) student financial aid and (2) reimbursements to districts for foregone revenue as a result of the fee exemptions.
- **Losses in ADA.** The act modifies the provisions of SB 851 regarding ADA losses. Senate Bill 851 reduced revenue associated with ADA losses at an incremental rate in the year *following* the loss, that is, under SB 851 ADA losses in 1983–84 would be deducted from apportionments for 1984–85. AB 1xx alters this provision, on a one-time basis, in 1984–85, by permitting each district to regain any current-year ADA loss up to the level of ADA it maintained in 1982–83. Districts would not receive revenue for any ADA that was not regained in 1984–85.

3. Governor's Budget for Community College Funding Must Be Revised

We recommend that by April 2, 1984, the administration submit a revised 1984–85 expenditure plan for community college apportionments which reflects the changes made by recent legislation. We withhold recommendation on \$958,489,000 from the General Fund in Item 6870-101-001(a), pending receipt of the revised expenditure plan.

a. Problems With Governor's Budget

Given the enactment of the legislation discussed above, the Governor's Budget for community colleges, as submitted on January 10, 1984, is no longer a meaningful document. For example:

- it reflects a 1983–84 base restoration of \$50 million; however, Ch 3/84 appropriates \$96.5 million for this purpose,
- it reflects a student fee revenue of \$95 million in 1984–85; however, Ch 1xx/84 provides only \$75 million in fee revenue, and
- it reflects a financial aid program of \$10 million, while Ch 1xx/84 provides \$15 million.

These elements alone require that the structure of the budget be revised. In addition, even with the recent changes made by Ch 3/84 and AB 1xx/84, the General Fund support level contained in the Governor's Budget is below the funding level authorized in statute by current law, even when the provisions of Ch 1xx/84 are taken into account.

b. Authorized Funding Level

Table 8 compares the total estimated level of community college funding authorized under the provisions of SB 851 and AB 1xx with the funding proposed in the Governor's Budget, as revised by AB 1xx. It shows that SB 851 and AB 1xx authorize a total of \$1,533.4 million for community college base apportionments in 1984–85. This amount is \$121.5 million, or 8.6 per-

Table 8
Comparison of Community College
Proposed and Authorized Base Apportionment Funding Levels*
1983-84 and 1984-85
(in thousands)

	<i>1983-84</i>		<i>1984-85</i>		<i>Differences</i>		
	<i>A.</i>	<i>B.</i>	<i>C.</i>	<i>D.</i>	<i>1984-85 Governor's Budget Revised to 1983-84 Governor's Budget As Revised (C. less B.)</i>	<i>1984-85 Current Law to 1983-84 Governor's Budget As Revised (D. less B.)</i>	<i>1984-85 Current Law to 1984-85 Governor's Budget As Revised (D. less C.)</i>
<i>Governor's Budget As Introduced</i>		<i>Governor's Budget As Revised by AB 470</i>	<i>Governor's Budget As Revised by AB 1xx</i>	<i>Current Law As Revised By AB 1xx</i>			
Expenditures:							
Base Apportionments	\$1,315.4	\$1,315.4	\$1,487.4	\$1,533.4	—	—	—
Restoration of Base	50.0	96.5	—	—	—	—	—
Total, Base Appor- tionments	\$1,365.4	\$1,411.9	\$1,487.4	\$1,533.4	\$75.5 (5.3%)	\$121.5 (8.6%)	\$46 (3.1%)
Revenue:							
General Fund	\$969.5	\$1,016.0	\$958.5	\$1,004.5	-\$57.5	-\$11.5	\$46
Local property taxes ..	392.0	392.0	450.0	450.0	58.0	58.0	—
Student fees	—	—	75.0	75.0	75.0	75.0	—
Other	3.9	3.9	3.9	3.9	—	—	—

* Base apportionments only (excludes categorical support).

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—Continued

cent, above the revised current-year funding level of \$1,411.9 million and \$46.0 million, or 3.1 percent, above the \$1,487.4 million level currently provided by the Governor's Budget, as revised by AB 1xx.

In addition, Table 8 shows that if no additional funds are provided for community colleges, there would be a \$75.5 million (5.3 percent) increase derived primarily from student fees.

The total statutorily authorized funding amount of \$1,533.4 million would be allocated to the following major components:

- \$1,411.9 million for base revenues,
- \$3.5 million for the first equalization mechanism, which raises the 10 lowest revenue districts to 91 percent of statewide revenue per ADA,
- \$86.7 million for a 5.9 percent COLA in 1984–85, which is combined with \$7.2 million for the second equalization factor, and
- \$24.1 million for enrollment growth above the 1982–83 ADA level (estimated to be 2.2 percent).

In contrast, the amount proposed by the Governor's Budget (as revised by AB 1xx)—\$1,487.4 million—would provide:

- \$1,411.9 million for base revenues,
- \$3.5 million for the first equalization mechanism, and
- \$66.0 million for a 4.7 percent COLA, which is combined with \$6 million for the second equalization factor.

Thus, if the Governor's Budget (as revised) is approved, (1) the authorized COLA would not be fully funded, (2) the second equalization factor would not be fully funded, and (3) no provision would be made for growth above 1982–83 ADA levels. If the Legislature wishes to fully fund the provisions of SB 851 in 1984–85, it would need to augment the Governor's Budget by \$46 million from the General Fund.

c. Recommendation. In conclusion, given the changes in community college funding that have occurred since the Governor's Budget for 1984–85 was submitted, the budget document is no longer meaningful. Accordingly, we recommend that by April 2, 1984, the administration submit a revised expenditure plan for community college apportionments which reflects the enactment of subsequent legislation. Pending receipt of this revised plan, we withhold recommendation on \$958,489,000 from the General Fund in Item 6870-101-001(a).

C. Apprenticeship Programs

1. Background

In California, those seeking to learn a skill or trade may receive on-the-job training through apprenticeship programs. These programs offer on-site instruction in various trades such as carpentry, plumbing, welding, and nursing. In order to be considered for an apprenticeship, the applicant, in most cases, must (1) be at least 18 years old, (2) hold a high school diploma, and (3) pass a written test and an oral interview. Once selected for an apprenticeship, the individual is expected to work full-time under the supervision of a journeyman in the trade. The apprentice usually receives a salary equal to 50 percent of the journeyman's salary or an amount specified through collective bargaining.

As part of the program, the individual is expected to complete 144 hours

of "related and supplemental" instruction for each year of the apprenticeship. This instruction is offered by school districts, community colleges, and the direct sponsors of the apprentices. In general, this component of the program provides the apprentice with textbook instruction which could not be provided effectively at the job site. In 1983-84, approximately 21,000 apprentices will receive related and supplemental instruction through community college programs.

2. Fixed Allocation for Apprenticeship Program

The Budget Act annually earmarks for the apprenticeship program a specified amount of the total available for community college apportionments. In the current year, \$9,947,000 has been allocated for apprenticeships. Programs which have been approved by the Department of Industrial Relations Division of Apprenticeship Standards are eligible to claim reimbursement at the authorized rate of \$3.25 per hour. If the total available is insufficient to provide full reimbursement for all eligible claims, a pro rata reduction is applied to all programs. In contrast, if the amount available exceeds the amount claimed, the unclaimed funds are allocated to general apportionments.

In January 1984, the Chancellor's office advised all programs that the amount available for apprenticeship programs in the current year may not be sufficient to reimburse all claims at the full rate, and that a pro rata reduction in reimbursements may be necessary. The Chancellor's Office further advises that at the current rate of hours claimed, the potential for oversubscription of the apprenticeship allocation is likely to occur in the budget year, as well.

3. California Highway Patrol Apprenticeship Program

We recommend that the Legislature adopt Budget Bill language which specifies that apportionment funds shall not be provided for apprenticeship training of California Highway Patrol Academy cadets in community colleges because a dedicated fund source is available for this purpose.

In January 1983, the California Highway Patrol (CHP) Academy entered into an apprenticeship contract with the Los Rios Community College District (LRCCD) as part of the ten-week basic training course that cadet officers are required to take. The CHP trains approximately 750 cadets annually, in five classes of approximately 150 cadets each. The CHP contract estimates that in 1983-84, the agreement will generate a total of 548,163 hours of related and supplemental instruction, at a General Fund cost of \$1,781,530. The CHP estimates that it will claim approximately the same number of hours in 1984-85.

As a result of this arrangement, community college apportionments will support training for CHP cadets in 1984-85, at a cost of approximately \$1,781,530 to the General Fund.

a. *Dedicated Fund Source Available.* Prior to 1982-83, the CHP provided full support for cadet training from the Motor Vehicle Account of the State Transportation Fund. This account is the dedicated funding source for the CHP, and provides funds for all of the Patrol's activities, including the training of CHP officers. The CHP advises that it initiated the agreement with LRCCD in order to (1) provide the "assurance" of support for its training program in the event that the Legislature reduced the amount of funds appropriated for training from the Motor Vehicle Account and (2) allow for cadets who successfully complete the program to receive academic credit toward an Associate of Arts (A.A.) degree.

**BOARD OF GOVERNORS OF THE CALIFORNIA
COMMUNITY COLLEGES—Continued**

b. *Recommendation.* Clearly, the Motor Vehicle Account, rather than the General Fund, is the appropriate source of funds for training CHP cadets. Moreover, our review of the account condition indicates that the fund balance at the end of 1984-85 is projected to be \$43.7 million, which is more than sufficient to support the full cost of training for CHP cadets in the current and budget years. Accordingly, we recommend that the Legislature adopt the following budget bill language for Section 5 of Item 6870-101-001:

“provided further than none of these funds shall be made available for apprenticeship programs conducted for the California Highway Patrol.”

This language would result in the deletion of General Fund support for CHP cadet training in 1984-85. The program would not necessarily be affected because funds are available in the Motor Vehicle Account to replace General Fund support.

Under current law, the funds made available from this recommendation would not result in a General Fund savings but would be reallocated to other eligible apprenticeship programs.

4. New “COLA” For Apprenticeship Programs Not Justified

We recommend that the Legislature adopt Budget Bill language which defines the instructional hour as 60 minutes, including passing time up to 10 minutes, for purposes of funding related and supplemental instruction for apprenticeship programs, for a General Fund savings of \$298,000. (Reduce Item 6870-101-001 by \$298,000.)

In the K-12 section of this *Analysis*, we note that prior to the enactment of SB 813, school districts and community colleges received \$3.25 for each “clock hour” of related and supplemental instruction provided to each apprentice. Senate Bill 813 required, instead, that \$3.25 be provided for each “50-minute hour” of related and supplemental instruction. This change affected apprentice programs in both K-12 schools and community colleges.

The apparent objective of this change was to eliminate confusion among some providers regarding the amount of direct instructional time which constituted a “clock hour.” In claiming reimbursements, some providers assumed that 50 minutes of instruction plus 10 minutes for passing time and breaks constituted a “clock hour,” while others assumed that a full 60 minutes of instruction was required. The reform measure attempted to put an end to the confusion by specifying that the \$3.25 reimbursement rate would be applied to a “50-minute clock hour,” presumably *excluding* passing time and breaks.

The Chancellor’s office, however, interprets this change differently. Under this interpretation, providers are entitled to claim both direct instructional time *and* passing time in determining the amount of their reimbursements. Thus, a community college which offers 50 minutes of instruction and 10 minutes of passing time is entitled, under this interpretation, to a reimbursement of \$3.90 (50 minutes at \$3.25 plus 10 minutes at \$0.65). In effect, the Chancellor’s office interprets SB 813 as having granted a 20 percent COLA to apprenticeship programs’ reimbursement rates.

We believe that the conclusion of the Chancellor’s office—that SB 813 granted apprenticeship programs a 20 percent COLA—is based on a ques-

tionable interpretation of legislative intent. Moreover, because the Labor Code already provides a means by which community college districts can secure additional funds in the event that the state apportionments are not sufficient, our analysis indicates that the proposed COLA of \$298,000 for these programs is not justified.

Specifically, if a local education agency (LEA) provides related and supplemental instruction and incurs costs greater than the \$3.25 per hour per student, it may bring its case before the Joint Apprenticeship Training Council (usually, the local program sponsor). If the LEA is able to document that its costs associated with providing instruction to the apprentices exceeds the state apportionment, the council may require the local program sponsor to reimburse the LEA for these excess costs. Funds for this purpose would be provided, in most cases, from the Joint Apprenticeship Training Council Fund, which is supported by the contributions of both apprentices and journeymen.

Accordingly, we recommend that the Legislature adopt the following Budget Bill language to eliminate the confusion surrounding the definition of the instructional hour and to eliminate the unjustified COLA provided in the budget bill:

"Notwithstanding Section 8152 of the Education Code, each 60-minute hour of teaching time devoted to each indentured apprentice enrolled in and attending classes of related and supplemental instruction as provided under Section 3074 of the Labor Code shall be reimbursed at the rate of three dollars and twenty-five cents (\$3.25) per hour. For purposes of this provision, each hour of teaching time may include up to 10 minutes for passing time and breaks."

Consistent with this language, we recommend that Item 6870-101-001 be reduced by \$298,000.

D. Cost-of-Living Adjustments—Categorical Programs and Special Projects

The budget requests \$1,766,000 to provide a 3-percent cost-of-living adjustment (COLA) to three categorical and four special apportionments programs in 1984-85, as shown in Table 9.

Table 9
Cost-of-Living Adjustments for Categorical and
Special Apportionments Programs
1984-85

	(in thousands)			
	1983-84			1984-85
	Base			Program
Program	Program	COLA		Total
		Amount	Percent	
Categorical Aid Programs:				
Extended Opportunities				
Programs and Services	\$24,691	\$747	3%	\$25,438
Handicapped	21,878	656	3	22,534
Academic Senate.....	68	2	3	70
Subtotals	\$46,637	\$1,405	3%	\$48,042
Special apportionments:				
Apprenticeship allowance.....	\$9,947	\$298	3%	\$10,245
Investment in People	1,900	57	3	1,957
Out of District Trans-				
portation	126	4	3	130
Inmate Program	70	2	3	72
Subtotals	\$12,043	\$361	3%	\$12,404
Totals	\$58,680	\$1,766	3%	\$60,446

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—Continued

The budget document contains no discussion of the underlying rationale for providing a 3-percent COLA to these categorical programs. We note, however, that this is the same COLA as that proposed for K-12 categorical programs.

Ultimately, the determination of what COLA should be provided for the categorical programs will be based on legislative priorities.

1. Cooperative Agencies Resources for Education Program Needs Review

approval of
~~We withhold recommendation on the request for \$475,000 from the General Fund to continue and expand the Cooperative Agencies Resources for Education Program, pending review of a plan for using the funds and completion of guidelines governing program administration.~~*

a. **Background.** Chapter 1029/82 (AB 3103) formally established the Cooperative Agencies Resources for Education (CARE) program as a state program. Fifteen colleges operated similar programs at the time Ch 1029 was enacted, and they were absorbed into the state's program. The purpose of the program is to identify and provide support services to community college students who are recipients of payments under the Aid to Families with Dependent Children (AFDC) program. The services are provided on a cooperative basis by local community colleges, employment services offices, and county welfare departments. The program is administered on community college campuses by the Extended Opportunities Program and Services (EOPS) program staff.

b. **Use of CARE Funds.** The CARE program received a total of \$595,000 during 1982-83. This amount included \$250,000 transferred by Ch 1029 from the Employment Development Department (EDD) to the Chancellor's Office and \$345,000 in district EOPS funds. Of the amount authorized by Ch 1029, \$25,000 was allocated for state administration and \$225,000 was made available for grants to the fifteen districts. Each district received a minimum of \$10,000. Collectively, the 15 CARE programs spent their Ch 1029 grant funds (as adjusted for \$13,800 in savings) as follows:

- \$95,500 for child care expenses (45 percent),
- \$58,300 for transportation costs (27 percent),
- \$32,700 for support services including tutoring, assessment and placement (16 percent), and
- \$24,700 for books and supplies (12 percent).

Ch 1029 provided that after 1982-83 funding for CARE would depend on future budget act appropriations. For 1983-84, the funding level remained unchanged, with \$250,000 provided by the 1983 Budget Act and the remaining support (\$345,000) coming from district funds.

c. **Performance Evaluation Completed.** Chapter 1029 required the Chancellor's Office to (1) complete a performance report on the CARE program by November 1983, which would contain strategies for program improvement and recommendations for expansion, and (2) develop program guidelines. The Chancellor's Office completed the performance report in November 1983, and plans to have the guidelines available by the end of February, 1984.

d. **Performance Report Findings.** The performance report collected

*also recommend the Legislature adopt SRL regarding the allocation of CARE funds by the Chancellor's office of the California Community Colleges.

data on programs during the spring of 1982-83—the first term in which CARE operated pursuant to Ch 1029. Client data were based on the programs as they operated prior to the receipt of the additional state funds. The findings of the report include the following:

- The average CARE participant was a 29-year old single mother of two children who had received AFDC payments for four years.
- A total of 1,301 persons had participated in CARE from 1977 through 1982. Of these, 370 (28 percent) had found full time or part-time jobs. Another 194 (23 percent) had received certificates/degrees or transferred to other institutions. A total of 346 (27 percent) had discontinued receiving AFDC payments. The report contains no data on the number of participants who continued to receive AFDC payments or the number who were dropped from the program.
- In the spring of 1982-83, the 15 programs served a total of 791 persons. Of these, 319 were served with the additional funds provided in Ch 1029. The remaining 472 were served with the local funds.
- A total of 700 persons were on waiting lists for the program as of November 1983.
- The average cost per participant was \$704 in 1982-83. This amount is \$185, or 36 percent, above the average cost of serving other EOPS eligible students (\$519). The high cost of child care expenses were primarily responsible for the difference.

e. *Additional Information Needed.* Our review of the performance report indicates that the CARE program is providing services to the AFDC recipients as specified by Ch 1029. The report, however, does not contain the kind of comparative information needed to evaluate (1) whether program expansion is warranted or (2) which program services need to be targeted to program participants in order to improve the success of the program.

In addition, the performance report contains no information on how the CARE program affects the overall EOPS program. The CARE program establishes a subcategory of EOPS eligible students who are provided additional services at a per participant cost which exceeds the standard EOPS costs. To the extent that districts set aside EOPS funds for the CARE program, there is less money available to serve other needy students.

f. *No Expenditure Plan.* The budget proposes \$475,000 from the General Fund—an augmentation of \$225,000—to continue and expand CARE in 1984-85. It is not clear, however, how the additional funds will be used. Documents which accompanied the budget request indicate that the administration proposes to expand the CARE program by providing grants at the current-year level for 15 new programs. Subsequent discussions with the Chancellor's Office indicate an interest in maintaining the same number of programs and providing additional funds to each. Thus, it is not clear how the funds would be used.

g. *Analyst's Recommendation.* We believe the Legislature needs additional information on (1) program performance and (2) the overall impact of the CARE program on the EOPS program before it can properly consider the proposal to expand CARE. Accordingly, we recommend that during budget hearings, the Chancellor's office provide to the fiscal committees an expenditure plan for the proposed expansion of CARE, including (a) criteria for establishing any new programs, (b) the impact of CARE funding on the EOPS program, (c) strategies for improving program performance, and (d) the new guidelines governing the CARE

**BOARD OF GOVERNORS OF THE CALIFORNIA
COMMUNITY COLLEGES—Continued**

program. We withhold recommendation on the \$475,000 requested for the CARE program, pending a review of this information.

2. Deferred Maintenance (Item 6870-101-146)*We recommend approval.*

Chapter 764, Statutes of 1981 (SB 841), established a funding mechanism for providing deferred maintenance at community colleges. The act contains language directing that funds be allocated to districts on a dollar-for-dollar matching basis. In the current year, \$4 million is provided for this purpose from the Capital Outlay Fund for Public Higher Education.

The Governor's Budget for 1984-85 requests \$8,000,000 from the General Fund for deferred maintenance and special repairs. Given the matching requirement contained in Ch 764, this would result in the allocation of \$16 million for deferred maintenance projects.

The Chancellor's office reports that the deferred maintenance needs of all districts total \$28.2 million. This amount includes:

- \$11.4 million for maintenance and general repairs on instructional facilities,
- \$9.4 million for health or safety projects, and
- \$7.4 million for ongoing maintenance, painting, and general repairs of roads, sidewalks, and physical education facilities.

Our review indicates that the requested funds would permit the Chancellor's office to fund districts' highest priority deferred maintenance requests. Accordingly, we recommend approval of the request.

3. Fund for Instructional Improvement (Item 6870-101-909)*We recommend approval.*

Chapter 714, Statutes of 1977 (AB 1173), created a Fund for Instructional Improvement, which provides loans and grants to districts for support of alternative educational programs and services. Both the grant and loan funds are allocated to districts on a competitive basis. In recent years, funds have been allocated for staff development programs for part-time instructors, educational programs for older adults, programs addressing the special learning needs of educationally disadvantaged students, and instructional programs which involve internships in the State Legislature and in other nonprofit, private, and public agencies.

The budget requests \$967,000 for this program in 1984-85. Of this amount, \$783,000 would be allocated for grants and \$184,000 would be used for loans. Under the provisions of AB 1173, funding for grants is derived from the General Fund, while funding for loans comes from a revolving loan account. The proposed level of support is \$23,000, or 3 percent, over the level in the current year.

Our analysis indicates that the amount requested would continue the authorized program level. Accordingly, we recommend that it be approved.

4. Control Section 24.00—Mineral Resource Revenues*We recommend approval.*

Control Section 24.00 allocates certain federal government royalty payments among the community colleges and K-12 schools. These payments are derived from mineral resource revenues paid to the state by the

federal government, and are distributed through sections A and B of the State School Fund.

Total mineral resource revenues for education are proposed at \$28.9 million in 1984-85. This is the same amount provided in the current year. The budget proposes to allocate \$3.9 million, or 14 percent, of the revenues for community college apportionments and the remaining \$25 million, or 86 percent, for K-12 apportionments. This allocation is based on the historical split between community colleges and K-12 schools. These amounts are recognized in the calculations of state aid required for K-12 and community college apportionments.

II. STATE OPERATIONS

A. Proposed Support for Administration (Item 6870-001-001)

The state operations component of the budget includes funding for the administrative functions carried out by the Chancellor's office.

The office is divided into the following three units:

- **Fiscal Services Unit.** This unit administers community college apportionment and categorical funding to districts.
- **Special Services and Operations.** This unit develops and administers regulations and program guidelines for the major categorical programs—Extended Opportunity Programs and Services, handicapped student services, vocational education, deferred maintenance, and capital outlay.
- **Administrative Unit.** This unit administers the day-to-day operation of the Chancellor's office and provides direct staff support for the Board of Governors.

Table 10
State Operations Budget

Board of Governors of the California Community Colleges
(dollars in thousands)

Activity	Actual 1982-83	Estimated 1983-84	Proposed 1984-85	Change	
				Amount	Percent
A. Fiscal Services	\$461	\$652	\$662	\$10	1.5%
B. Special Services and Operations					
1. EOPS	382	492	515	23	4.7
2. Disabled Students	117	129	140	11	8.5
3. Other Student Services	89	202	106	-96	-47.5
4. Credentials	520	507	527	20	3.9
5. District Affirmative Action	82	87	90	3	3.4
6. Program Evaluation and Approval	328	437	567	130	29.7
7. Instructional Improvement and Innovation	75	79	84	5	6.3
8. Vocational Education	1,475	1,807	1,775	-32	-1.8
9. Facilities Planning	346	257	312	55	21.4
C. Administration					
1. Board of Governors	135	94	98	4	4.3
2. Executive Office	1,049	1,356	1,495	139	10.3
3. General Administration	993	658	849	191	29.0
4. Fire Loss	521	—	—	—	—
Totals, State Operations	\$6,573	\$6,757	\$7,220	\$463	6.9%
General Fund	\$3,916	\$3,864	\$4,387	\$523	13.5%
Credentials	520	507	527	20	3.9
Fund for Instructional Improvement	6	—	—	—	—
Special Deposit Fund (Real Estate)	254	443	443	—	—
Federal Trust Fund	10	—	—	—	—
Reimbursements	1,867	1,943	1,863	-80	-4.1
Personnel-Years	134.5	141.4	139.8	-1.6	-1.1%

**BOARD OF GOVERNORS OF THE CALIFORNIA
COMMUNITY COLLEGES—Continued**

A total of 139.8 personnel years are proposed for the Chancellor's office in 1984-85. As shown in Table 10, the budget proposes a funding level of \$7,220,000 for state operations in 1984-85, which is \$463,000, or 7 percent, above the current-year level. This increase will grow by the cost of any salary or staff benefit increase approved for the budget year, prior to the allocation of any salary or benefit increases.

1. Three-Percent Reduction

The Chancellor's office proposes to eliminate 4.5 positions from its base budget to comply with the Governor's directive that departments reduce the number of authorized positions by 3 percent in 1984-85. These 4.5 positions, which have remained vacant throughout the current year, ordinarily would be deleted on June 30, 1984, under Section 20 of the Budget Act. The budget proposes instead, however, to eliminate them as of July 1, 1984, and credit the reductions to the 1984-85 year. While we believe elimination of the positions is warranted, we fail to understand why the administration has chosen to portray this action in the manner described. The effect of doing so is to create the illusion that something is happening in 1984-85 which has already occurred in 1983-84.

2. Program Changes

Partially offsetting the 4.5 position reduction in the base are several staffing increases contained in program change proposals. Specifically, the budget proposes the following significant program changes:

- \$85,000 for two professional and 0.5 clerical positions to increase the monitoring of standards and procedures for contract audits of districts. The added staff would also resolve program-related issues which are identified through fiscal audits ordered by the Department of Finance;
- \$54,000 for one professional position and related expenses to collect and analyze data and to provide follow-up and technical assistance regarding noncompliance with federal civil rights regulations covering vocational education programs;
- \$39,000 for one construction analyst position to review district plans for capital outlay and deferred maintenance projects;
- \$108,000 for two additional positions in the program administrative review unit to increase the review of district compliance with regulations regarding academic standards;
- \$29,000 for (a) 0.5 position associated with an increase in data processing activities (\$17,000) and (b) \$12,000 to provide for an increase in the office's contract with the Teale Data Center, and
- \$21,000 in contract services for monitoring activities in Washington, D.C.

Our analysis indicates that the program changes related to the needs analysis, data processing, auditing, civil rights compliance, and facilities planning are justified on a workload basis. For reasons discussed below, we find no justification, however, for one of the additional positions requested

for the program administrative review unit or for spending \$21,000 to monitor activities affecting educational interests in Washington, D.C.

3. New Positions for the Program Administrative Review Unit

We recommend deletion of one position and \$44,000 (General Fund) requested to expand the program administrative review unit because the additional position has not been justified on the basis of proposed workload. (Reduce Item 6870-001-001 by \$44,000.)

The program administrative review (PAR) unit within the Chancellor's office is responsible for reviewing academic master plans and monitoring districts to ensure compliance with regulations and legislation governing academic standards. Districts must comply with these requirements in order to claim state support. In the current year, the unit is supported by 6.3 positions, five of which are professional at a cost of \$656,000. The budget requests an additional \$108,000 to (1) restore a position lost in 1983-84 (\$44,000), (2) add an additional position (\$44,000), and (3) increase the amount available for travel (\$20,000).

a. **Proposed Activities.** In the current year, the PAR unit has curtailed its level of service due to reduced travel funds and the loss of one position.

The workload of the existing staff includes tasks such as:

- reviewing and approving new courses and programs,
- administering the unit's district questionnaire,
- responding to district compliance inquiries.

These activities are characterized by the Chancellor's office as "performing the most minimal compliance review and providing policy makers with minimal compliance information." The budget request indicates that the two new positions are proposed to address what the Chancellor's office views as increased interest on the part of the administration and the Legislature for monitoring district academic programs. The proposed activities include:

- reviewing new issues, such as district grading practices and course repetition policies,
- reviewing noncredit programs,
- conducting site reviews of district programs,
- upgrading the unit's handbook of approval requirements, and
- comparing college catalogs with state regulations.

b. **Analysis and Recommendation.** Based on our review of the proposal, we believe that the addition of one position and increased travel funds, combined with a reprioritization of the existing compliance efforts, would provide adequately for the proposed activities.

The fundamental basis of the Chancellor's request is that all current activities performed by the PAR unit have a higher priority than the proposed activities. We are unable to substantiate this. We believe that field work compliance activities would give policymakers better information than would Sacramento-based activities such as approving new courses and administering a questionnaire. With additional travel funds, some of the existing staff could do more field work.

The addition of one position would restore the unit to its previously authorized staffing level. The travel funds are necessary in order to give the position and the existing staff access to the field. The second proposed position, however, is not warranted. Our analysis indicates that by re-allocating the existing staff to the highest priority activities identified by the

**BOARD OF GOVERNORS OF THE CALIFORNIA
COMMUNITY COLLEGES—Continued**

proposal, the PAR unit could perform the proposed activities without adding the second position. Accordingly, we recommend that the position be deleted for a General Fund savings of \$44,000.

4. Monitoring Washington, D.C. Activities

We recommend the deletion of \$21,000 (General Fund) proposed to fund the costs of monitoring federal activities relating to the community colleges because (1) the districts themselves have withdrawn support for Washington representation and (2) documentation of the need for General Fund support of the activity has not been provided. (Reduce Item 6870-001-001 by \$21,000).

The budget proposes to spend \$21,000 for a contract to monitor federal legislation, such as the reauthorization of the federal Higher Education Act and the Vocational Education Act. The Chancellor's office advises that the funds probably would be used to contract for the services of a legislative advocate or an automated legislation tracking service.

We believe that these funds should be deleted because the Chancellor's office has not provided an adequate rationale for using General Fund support for this activity.

a. **Previous Office Closed.** California's community colleges maintained contract representation in Washington, D.C. from 1978-79 through 1981-82. The state General Fund did not directly contribute to the funding of the Washington, D.C. office. Total support for the contract (approximately \$80,000 annually) was provided by community college district contributions which were based on a percentage of total district revenue. The Chancellor's office advises that the office was closed in April, 1982, due to "lack of consistent financial support" from the districts.

b. **Activities Supported by Federal Funds.** The Chancellor's office estimates that the community colleges will receive approximately \$94.1 million in federal funds in the current year. The same level of support is projected for the budget year. The level of federal support is independent of state support, and there is no General Fund offset to reflect the receipt of federal funds, regardless of how much federal support is received. Federal funds flow directly to districts and not through the Chancellor's office.

Of the \$94.1 million in federal funds, \$68 million consists of grants for various purposes, including capital outlay, job training, and the purchase of instructional equipment. An additional \$26.1 million of federal money (vocational educational funds) is allocated to the community college districts by the State Department of Education (SDE). The amount received by the districts is negotiated annually. The Chancellor's office determines the individual district shares, but the allocations are made by SDE.

c. **No State Benefits.** While reauthorization of federal legislation affecting higher education in general, and vocational education in particular, will affect community college districts, we are unable to determine any direct impact on the state which would warrant the state's monitoring of federal legislation. Any benefits from this monitoring would accrue to the local districts—the same agencies which decided in 1982 to withdraw support for representation in Washington, D.C.

d. **Problems With The Proposal.** As mentioned, the Chancellor's office advises that the contract funds probably would be used to obtain the

services of a legislative advocate or link up with an automated tracking service. We note that the Chancellor's office, however, has not provided any information on (1) the cost of such services or (2) whether the budgeted amount is sufficient to obtain them. In addition, it is not clear how the contracted services would complement the level of representation for the community colleges currently available through the efforts of groups such as the National Association for Community and Junior Colleges and other national associations located in Washington, D.C., which represent the interests of all community colleges including those in California.

Based on our review, we believe that the Chancellor's office has failed to document the need for the General Fund to support the monitoring of federal legislation. Accordingly, we recommend deletion of the amount requested, for a General Fund savings of \$21,000.

5. Community Colleges Credentials Fund (Item 6870-001-165)

We recommend approval.

Community college administrators, counselors, and instructors are required to maintain a state credential as a condition of their employment. The Credentials Office is responsible for the review, approval, and revocation of credentials. The office is fully supported through a fee assessed for every application. Chapter 943, Statutes of 1981 (AB 1061), allows the Chancellor's Office to increase the credentials fee up to \$30, on a temporary basis, until July 1, 1985, when the maximum fee will revert to \$25.

The budget requests an appropriation of \$527,000 from the credentials fund, which is \$20,000 (3.9 percent) above estimated current-year expenditures. This increase is due primarily to an increase in central administrative service ("pro rata") charges imposed by certain state agencies and increased fingerprinting fees charged by the Department of Justice.

Our analysis indicates that the budget proposal is reasonable, and we recommend that it be approved.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY

Item 6870-301 from the Capital
Outlay Fund for Public Higher
Education

Budget p. E 202

Requested 1984-85	\$26,704,000
Recommended approval	17,621,000
Recommended reduction	6,166,000
Recommendation pending	2,917,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Transfer to the General Fund. Recommend that savings of \$6,166,000 resulting from our recommendations on Item 6870-301-146 be transferred from the Capital Outlay Fund for Public Higher Education to the General Fund, in order to increase the Legislature's flexibility in meeting high-priority needs statewide.
2. Removal of Architectural Barriers to the Physically Handicapped. Withhold recommendation on three projects

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

- totaling \$211,000, pending development by the Legislature of a more definitive policy regarding state support for capital outlay projects at administrative divisions of community college districts, and an assessment by the Chancellor's Office of the future cost implications of providing such support.
3. Palomar Community College District—Storm Drain Enlargement. Withhold recommendation, pending receipt of additional information from the district regarding the consultant's study of the Palomar college drainage system. 1927
 4. *San Bernardino Community College District—Energy Management System. Reduce by \$39,000.* Recommend deletion of proposed funds because the district has not adequately justified the cost-effectiveness of installing a computerized energy management system. 1929
 5. *Yosemite Community College District—Add Computer Science Lab. Reduce by \$332,000.* Recommend deletion of proposed funds because the proposed project is too costly, and the district should not construct additional laboratory space without reducing its oversupply of lecture space. 1930
 6. *Los Rios Community College District—Remodel Data Processing and Math Laboratories. Reduce by \$7,000.* Recommend reduction because the district has overbudgeted equipment costs. 1930
 7. Mendocino-Lake Community College District—Modular Buildings. Recommend that the district not relocate its modular buildings from the fairgrounds to the permanent campus site. 1931
 8. *Ventura County Community College District—Occupational Education Building. Reduce by \$121,000.* Recommend reduction because the district has included excessive amounts for site improvements and landscaping. 1932
 9. *Rancho Santiago Community College District—Orange/Canyon Campus. Reduce by \$4,372,000.* Recommend deletion of three projects related to construction of a new campus at the Orange/Canyon site because the establishment of a new campus in the district is not justified at the present time, given projected enrollments. 1933
 10. Los Angeles Community College District—Permanent Facilities, Phase I (Airport Campus). Withhold recommendation pending development by the Legislature of a more definitive policy regarding state support for capital outlay projects at administrative divisions of community college districts, and an assessment by the Chancellor's Office of the future cost implications of providing such support. 1934
 11. *Lake Tahoe Community College District—Site Development, Phase I. Reduce by \$87,000.* Recommend reduction to correct for overbudgeting of architectural and engineering services and construction contingencies. 1935
 12. Lake Tahoe Community College District—Buildings, Phase I. Withhold recommendation, pending clarification. 1935

- tion from the district regarding the size of the proposed new buildings, and the buildings' impact on the academic space needs of the district.
13. *Mendocino-Lake Community College District—Classroom and Administration Building. Reduce by \$17,000.* 1936
Recommend reduction to correct for overbudgeting of site development costs.
 14. *Imperial Community College District—Nursing Education and Health Technology Building. Reduce by \$74,000.* 1937
Recommend deletion because the district should not construct additional laboratory space without reducing its oversupply of lecture space. (Future savings: \$1,513,000).
 15. *Los Angeles Community College District—Alterations and Additions to Auto Shop. Reduce by \$788,000.* 1938
Recommend reduction because funds for construction and equipment will not be required in the budget year.
 16. *Foothill-DeAnza Community College District—Nursing Study Laboratory. Reduce by \$329,000.* 1939
Recommend deletion because the district has not justified the amount of space requested, and the district should not construct additional laboratory space without reducing its oversupply of lecture space.
 17. *Ventura County Community College District—Natural Science Building.* 1939
Recommend that the district reduce the scope of this project because additional lecture space and office space are not needed. Further, withhold recommendation on this project pending receipt of revised preliminary plans and a new project cost estimate.
 18. *Systemwide Project Planning.* 1940
Recommend enactment of Budget Bill language specifying that statewide planning funds be used only for projects that are expected to be included in the Governor's budget for 1985-86.
 19. *Systemwide Library Study.* 1942
Recommend adoption of Budget Bill language requiring the community colleges to submit the completed library study to the California Post-secondary Education Commission for review, and to submit a final report to the Legislature by February 1, 1985.

ANALYSIS AND RECOMMENDATIONS

The budget proposes a total appropriation of \$26,704,000 to fund the state's share of the California Community Colleges' capital outlay program for 1984-85. The various community college districts will provide a total of \$3,385,000 to support the proposed projects, bringing total expenditures for community college capital outlay to \$30,039,000. Thus, the state will fund 89 percent of the community colleges' 1984-85 capital outlay program, while the various districts will contribute a total of 11 percent.

Table 1 summarizes the community college capital outlay projects and our recommendation on each.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

Table 1
California Community Colleges
Capital Outlay Projects—1984-85
(in thousands)

Sub. Item/District/Project	Phase ^a	Governor's Budget		Analyst's Recommendation	
		State Share	District Share	State Share	District Share
(1-22) Various—Removal of Architectural Barriers to the Physically Handicapped.....	various	\$3,145	\$510	pending	pending
(23) Palomar CCD, Palomar College, Storm Drain Enlargement.....	wc	618	69	pending	pending
(24) Palomar CCD, Palomar College, Library Secondary Effects, Phase I	wce	1,459	162	\$1,459	\$162
(25) San Bernardino CCD, San Bernardino College, Energy Management System	wce	39	244	—	—
(26) Yosemite CCD, Modesto College, Remodel—Add Computer Science Lab	wce	332	37	—	—
(27) Los Rios CCD, American River College, Remodel for Data Processing and Math Labs.....	wce	331	112	324	110
(28) Los Rios CCD, Sacramento City College, Nursing Laboratory Remodel.....	wce	123	41	123	41
(29) Mendocino-Lake CCD, Mendocino College, Library and Alternate Learning Center	ce	3,268	84	3,268	84
(30) Mendocino-Lake CCD, Mendocino College, Initial Complement Library Books..	e	249	6	249	6
(31) Ventura County CCD, Oxnard College, Occupational Education Building	c	3,875	431	3,754	418
(32) Rancho Santiago CCD, Orange/Canyon Campus, Instructional Complex No. 1	ce	2,037	360	—	—
(33) Rancho Santiago CCD, Orange/Canyon Campus, Initial Complement of Library Books.....	e	252	45	—	—
(34) Rancho Santiago CCD, Orange/Canyon Campus, Instructional Complex No. 2	ce	2,083	368	—	—
(35) Los Angeles CCD, West Los Angeles College (Airport Campus), Permanent Facilities, Phase I	c	1,568	197	pending	pending
(36) Lake Tahoe CCD, Lake Tahoe College, Site Development, Phase I	wc	933	29	846	26
(37) Lake Tahoe CCD, Lake Tahoe College, Buildings, Phase I	w	313	10	pending	pending
(38) Mendocino-Lake CCD, Mendocino College, Classroom and Administration Building	wc	3,250	—	3,233	—
(39) Southwestern CCD, Southwestern College, Automotive Building Addition.....	wc	876	219	876	219
(40) Contra Costa CCD, Diablo Valley College, Food Service Laboratory Addition	wc	365	40	365	40
(41) Imperial CCD, Imperial College Nursing Education and Health Technology Building	w	74	8	—	—
(42) Los Angeles CCD, Los Angeles Pierce College, Alterations and Additions to Auto Shop.....	wce	828	104	40	5
(43) Foothill-DeAnza CCD, DeAnza College Nursing Study Laboratory	wc	329	266	—	—

(44) Ventura County CCD, Oxnard College, Natural Science Building.....	w	207	23	pending	pending
(45) Various CCD, Various Colleges, Project and Preliminary Planning.....	p	100	10	100	10
(46) Community College Systemwide Library Study.....	s	50	—	50	—
Totals.....		\$26,704	\$3,385	pending	pending

^a Phase symbols indicate: p = preliminary plans, w = working drawings, c = construction, e = equipment, s = studies.

District Matching Funds

Chapter 910, Statutes of 1980 (the Community College Construction Act of 1980), revised the formula governing state participation in approved community college capital outlay projects. State/district participation ratios are now based on weekly student contact hours and ending budget balances for each district relative to the statewide averages. The statute also provides for state funding up to 100 percent of the approved project costs for those districts that are unable to contribute the district matching share. Specifically, Section 81831 of the Education Code states, "If the district funds available are insufficient to provide the district matching share for the cost of the project or one or more of its phases, computed pursuant to Section 81838, the district shall provide the moneys available, as defined by the board of governors, and state funds may be requested to provide the balance of funds required."

Twelve districts are requesting additional state funding for projects in the budget year citing their inability to meet the matching share requirements. These districts are Cerritos, Chaffey, Monterey Peninsula, Yosemite, Palomar, Mendocino-Lake, Ventura, Rancho Santiago, Lake Tahoe, Southwestern, Contra Costa, and Imperial.

Transfer to the General Fund

We recommend that the savings resulting from our recommendations on Item 6870-301-146—\$6,166,000—be transferred from the Capital Outlay Fund for Public Higher Education to the General Fund, in order to increase the Legislature's flexibility in meeting high-priority needs statewide.

We recommend reductions amounting to \$6,166,000 under Item 6870-301-146. Approval of these recommendations, which are discussed individually below, would leave an unappropriated balance of tideland oil revenues in the Capital Outlay Fund for Public Higher Education, where it would be available only to finance programs and projects of a specific nature.

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

Removal of Architectural Barriers to the Physically Handicapped

We withhold recommendation on Items 6870-301-146(20), (21), (22), pending development by the Legislature of a more definitive policy regarding state support for capital outlay projects at administrative divisions of community college districts, and an assessment by the Chancellor's Office of the future cost implications of providing state funding for such divisions.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

The budget proposes the expenditure of \$3,145,000 in state funds and \$516,000 in district funds for working drawings and construction for 22 projects to remove architectural barriers to the physically handicapped. These projects are requested under Items 6870-301-146(1)-(22). The requested projects and our recommendations are shown in Table 2.

Table 2
California Community Colleges
Projects to Remove Barriers to the Physically Handicapped
1984-85
(in thousands)

Sub. Item/District/Project	Phase ^a	Governor's Budget		Analyst's Recommendation	
		State Share	District Share	State Share	District Share
(1) L.A. CCD, West L.A. College Airport Campus, Phase II	c	\$61	\$8	\$61	\$8
(2) L.A. CCD, L.A. Harbor College, Phase II	c	82	10	82	10
(3) L.A. CCD, L.A. Southwest College, Phase II ..	c	245	31	245	31
(4) L.A. CCD, L.A. Pierce College, Phase II	c	132	17	132	17
(5) L.A. CCD, West L.A. College, Phase II	c	105	13	105	13
(6) L.A. CCD, L.A. Valley College, Phase II	c	28	4	28	4
(7) Cerritos CCD, Cerritos College	wc	59	6	59	6
(8) San Bernardino CCD, Crafton Hills College ..	c	17	102	17	102
(9) L.A. CCD, L.A. City College, Phase II	c	304	38	304	38
(10) L.A. CCD, East L.A. College, Phase II	c	158	20	158	20
(11) L.A. CCD, L.A. Trade Tech College, Phase II	c	334	42	334	42
(12) Chaffey CCD, Chaffey College, Phase III	wc	184	10	184	10
(13) Monterey Peninsula CCD, Monterey Penin- sula College, Phase III	wc	274	30	274	30
(14) L.A. CCD, L.A. City College, Phase III	c	187	23	187	23
(15) L.A. CCD, West L.A. College, Phase III	c	172	22	172	22
(16) L.A. CCD, L.A. Pierce College, Phase III	c	146	18	146	18
(17) Yosemite CCD, Modesto Junior College, Phase III	wc	114	13	114	13
(18) L.A. CCD, L.A. Trade Tech College, Phase III	c	149	19	149	19
(19) L.A. CCD, L.A. Southwest College, Phase III	c	183	23	183	23
(20) San Diego CCD, Midway Adult Center	wc	34	10	pending	pending
(21) San Diego CCD, Clairemont Mesa Adult Cen- ter	wc	8	2	pending	pending
(22) San Diego CCD, Centre City Adult Center....	wc	169	49	pending	pending
Totals		\$3,145	\$510	pending	pending

^a Phase symbols indicate: w = working drawings, c = construction.

The Chancellor's Office has used the following priority criteria to rank projects calling for the removal of barriers to the physically handicapped:

- Category 1—access to the campus site and facilities on the campus.
- Category 2—access to the main level of buildings with high traffic use.
- Category 3—access to facilities within buildings to meet the basic needs of the physically handicapped.
- Category 4—access to floors above and below the entrance level of buildings.
- Category 5—all other items not included in categories 1 through 4.

Approximately one-half of the work proposed for 1984-85 falls in category 3, with the other half falling in categories 4 and 5. The proposed projects will remove architectural barriers to the physically handicapped at 15 colleges in eight districts in the state. The projects are needed to assure that mobility-impaired individuals will have access to educational programs at these community colleges.

The Chancellor's Office indicates that if these architectural barrier projects are approved, that will *complete* funding of these types of projects for all of the community colleges. With the exception of three projects, we recommend approval of the requested funds.

Architectural Barrier Removal Projects at Adult Centers. The budget includes a total of \$211,000 for the state's share of three projects to remove architectural barriers to the physically handicapped. These projects include such items as modification of restrooms, construction of handrails and access ramps, and the installation of one elevator. These modifications are proposed for three adult centers which are administrative divisions of the San Diego Community College District. In addition, the budget includes a major improvement project at the Los Angeles Community College District Airport Campus—a satellite campus—under Item 6870-301-146(35). Funding capital improvements at these facilities would represent a change from prior state policy.

The state historically has provided funding only for capital outlay projects at individual community colleges. Projects for satellite campuses, centers, and other administrative divisions traditionally have been considered the financial responsibility of the community college districts themselves and have not been supported by the state. Financing capital improvements for these facilities, therefore, would set a precedent that would have major cost implications for the future.

In our judgement, the Chancellor's Office should advise the Legislature what the long range cost implications would be if the state changes its policy and begins providing funds for capital improvements at satellite installations. The Legislature needs this information before it considers such a major change in policy. Pending receipt of information on the future cost implications of funding capital outlay projects at administrative divisions of community college districts, we withhold recommendation on the following three items:

- Midway Adult Center (\$34,000) Item 6870-301-146(20)—modify four restroom facilities for handicap access.
- Clairemont Mesa Adult Center (\$8,000) Item 6870-301-146(21)—construct exterior access ramp to main office building.
- Centre City Adult Center (\$169,000) Item 6870-301-146(22)—modify four restrooms and main entry access, and construct one elevator.

Palomar Community College District—Storm Drain Enlargement

We withhold recommendation on Item 6870-301-146(23), pending receipt of additional information from the district regarding the consultant's study of the Palomar college drainage system.

The budget requests \$618,000 under Item 6870-301-146(23) for working drawings and construction of a drainage system for the watersheds north and northeast of the Palomar College Campus.

Background. During the past seven years, the college has been damaged by flood waters three times, most recently in February-March 1983 when heavy rains caused flooding in several campus buildings. The district has twice requested funding from the Legislature (1981-82 and

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

1982–83) for improvements to its drainage system. The Legislature, however, did not approve either of these requests because the proposal was not based on an adequate engineering evaluation.

The project proposed for the budget year is based on a study conducted by an engineering consultant. The consultant proposed three alternatives for solving the drainage problems. The project proposed by the district is the alternative recommended by the consultant, and is also the most costly of the three which were proposed.

Consultant's Proposal. The district proposes to install a system of slotted corrugated metal pipe inlets in the upper student parking lot and connect them to the existing west drain. The existing east drain would be replaced with two 42-inch reinforced concrete pipes, increasing the capacity of that drain from 22 cubic feet per second (cfs) to 190 cfs.

The first two alternatives discussed in the consultant's study involve installation of the pipe inlets in the upper parking lot and the construction of a retention basin in the northeast part of the campus. Both of these alternatives would solve the drainage problem and involve less work than the project proposed in the budget. One of these alternatives would require extensive maintenance to the retention basin (alternative one—\$145,000), and in the event of a major storm could cause the deposit of large amounts of silt and heavy erosion in downstream channels. The other alternative (alternative two—\$392,000) would result in only *moderate* maintenance costs and de-silting of the retention basin.

District Should Reconsider Alternative Two. The consultant's study did not recommend these less-costly alternatives for two reasons: (1) the use of a retention basin would require de-silting and other ongoing maintenance costs, and (2) potential future development of the land north and northeast of the campus might require the relocation or elimination of the retention basin.

Our analysis indicates that alternative one would be unworkable, considering the extensive maintenance costs involved. We believe, however, that alternative two should be reconsidered by the district as a potential solution to the drainage problem. The consultant's study assumes that the installation of the retention basin would be an "interim" solution to the drainage problems because of projected future development in the area north and northeast of the college. According to the City of San Marcos, however, this area presently is undeveloped and *no* applications for building permits in this area have been filed. In addition, if future development in this area should occur, it is not clear why the retention basin would require relocation or elimination if it is located on college property.

Moreover, while the consultant's study indicates that maintenance costs for a retention basin would be high for alternative one, the study estimates only moderate maintenance costs for alternative two. Neither the consultant nor the district, however, have made an estimate of these maintenance costs. Without such an estimate, the cost-effectiveness of the retention basin alternatives, relative to the consultant's recommended alternative, cannot be determined.

Finally, in addition to installing the slotted corrugated metal pipe inlets in the upper parking lot and connecting them to the west drain, alternative two also involves the construction of one 42-inch reinforced concrete pipe to replace the existing east drain. The only difference between alternative two and alternative three, then, is that the former would construct a retention basin in place of a second 42-inch pipe for the east drain.

In summary, we do not find that the district has adequately demonstrated that the selected alternative is more cost-effective or more feasible than the second alternative proposed in the study. Accordingly, we withhold recommendation on this item, pending receipt of additional information from the district. Specifically, the district should identify (1) all maintenance costs associated with the second retention basin option, and (2) reasons for potentially relocating the retention basin and the associated cost. This information should be submitted prior to hearings on the budget.

Palomar Community College District—Library Secondary Effects, Phase I

We recommend approval of Item 6870-301-146(24).

The budget proposes \$1,459,000 under Item 6870-301-146(24) for the state's share (90 percent) to remodel the old library building at Palomar College. The district will provide \$162,000 (10 percent) towards this project, bringing total expenditures to \$1,621,000. Funds are included in the budget for working drawings, construction and equipment.

The new Palomar College library was completed in the spring of 1983. The district is now proposing to remodel the old library to centralize all student personnel services. At present, student personnel services are located in various buildings on the college campus. According to the district, student personnel facilities have remained essentially constant over the past few years, while services and personnel have continued to expand.

The project would concentrate all student personnel services in the old library and provide a common waiting lobby to serve counseling, career advising, placement and other student service functions. Also provided in the project will be a new board room which will be used for district meetings, continuing education, and educational testing. The project is justified and the requested funds are reasonable. We therefore recommend approval as budgeted.

San Bernardino Community College District—Energy Management System

We recommend deletion of Item 6870-301-146(25), because the district has not adequately justified the cost-effectiveness of installing a computerized energy management system.

The budget proposes \$39,000 under Item 6870-301-146(25) for the state's share (14 percent) of installing a computerized energy management system at San Bernardino Valley College. The district will provide \$244,000 (86 percent) towards the project, bringing the total cost for working drawings, construction, and equipment to \$283,000.

The proposed energy management system would automatically monitor and control energy use. The district estimates that the system would reduce energy consumption by 30 percent per year and have a three-year payback.

The district has not provided any data to substantiate either the estimated energy savings or the estimated project cost.

Without this information, we have no basis for determining whether this project warrants state support. Accordingly, we recommend that the funds provided under Item 6870-301-146(25) be deleted.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**Yosemite Community College District—Computer Science Laboratory**

We recommend ~~deletion~~ of Item 6870-301-146(26), because the proposed project is too costly, and the district should not construct additional laboratory space without reducing its oversupply of lecture space.

The budget proposes ~~\$332,000~~ for the state's share (90 percent) to remodel the electronics building at Modesto Junior College in order to expand the computer science program. The district will provide ~~\$37,000~~ (10 percent) towards the cost of the project, bringing total expenditures to ~~\$369,000~~. Funds are included in the budget for working drawings, construction and equipment.

The district indicates that existing computer science lab space is 1,390 assigned square feet (asf). The project would remodel 2,180 asf of existing space in the electronics building (presently occupied by media maintenance) to expand computer science laboratory capacity, and remodel 3,792 asf of ~~non-capacity~~ space in the crafts building to accommodate media maintenance, at a cost of ~~\$78,000~~.

The district should consider other less-costly alternatives to meeting its space needs in this program area. For example, ~~district lecture space~~ presently is 125 percent of projected need (approximately 10,000 asf). A project to alter this excess space for the computer science program would be less costly because there would be no need to relocate and remodel space for media maintenance. Because the proposed project is too costly, we ~~recommend deletion~~ of Item 6870-301-146(26), for a reduction of \$332,000.

Los Rios Community College District—Remodel Data Processing and Math Laboratories

We recommend that Item 6870-301-146(27) be reduced by \$7,000 for the state's share and \$2,000 for the district's share to correct for overbudgeting of equipment costs.

The budget proposes \$331,000 for the state's share (75 percent) to remodel 7,466 assignable square feet (asf) of academic space in order to expand the data processing and mathematics laboratories at American River College. Funds are included in the budget for working drawings, construction, and equipment. The district will contribute \$112,000 (25 percent) towards this project, bringing total expenditures to \$443,000.

The district is proposing to convert space vacated by the Allied Health program to data processing and math laboratories. The project will result in the addition of eight data processing labs and lab service areas, one classroom for math instruction, and math labs and lab service areas.

Although the proposed project is justified, our analysis indicates that the district has included excessive costs for Group II (moveable) equipment. The 1984-85 estimating cost guideline for Group II equipment prepared by the Chancellor's Office indicates that the unit cost for data processing space is \$44 per asf. The district's preliminary planning package, however, has budgeted \$52.01 per asf for a portion of the computer science remodeling work.

Consequently, we recommend a reduction in the state share for this project of \$7,000 and a corresponding reduction of \$2,000 in the district's share, in order to bring equipment costs into line with the Chancellor's Office guidelines.

Los Rios Community College District—Nursing Lab Remodeling

We recommend approval of Item 6870-301-146(28), nursing lab remodeling.

The budget proposes \$123,000 for the state's share (75 percent) to remodel 5,515 asf of academic space into a teaching classroom and laboratories for the Sacramento City College nursing program. Funds are included in the budget for working drawings, construction, and equipment. The district will contribute \$41,000 (25 percent) toward the project, bringing total expenditures to \$164,000.

According to the district, changes in the nursing program will result in an expansion of the program and an increase in the number of students in the classes. To meet this need, the district proposes to convert two lecture rooms and other underutilized space into four small group laboratories and a media center. Two large teaching labs also will be modified to increase their capacity.

In the year of anticipated occupancy (1985), this project will reduce the district's excess lecture space from 106 percent to 105 percent of need, increase audio-visual space from 57 percent to 62 percent of need, and increase laboratory space from 97 percent to 98 percent of need. The project is justified and the costs are reasonable. We therefore recommend that it be approved.

Mendocino-Lake Community College District—Library and Alternate Learning Center

We recommend approval of Item 6870-301-146(29) for a new Library and Alternate Learning Center. We further recommend that the district not relocate its modular buildings to the permanent campus site.

The budget includes \$3,268,000 under Item 6870-301-146(29) for the state's share (97.5 percent) of construction and equipment costs for the new Library and Alternate Learning Center at Mendocino College. The district will provide \$84,000 (2.5 percent) towards the cost of this project, bringing total expenditures to \$3,352,000.

The 18,871 assignable square foot library and alternate learning center building would be the first permanent structure on the new campus, and would provide space for the library, instructional facilities, offices and audio-visual facilities. Mendocino College currently occupies modular relocatable-type facilities at the 12th District fairgrounds, as well as nine other buildings in Ukiah. Upon completion of this project, the district will abandon six facilities in Ukiah and relocate several modular buildings to the permanent campus site.

The net effect of this project will be to increase library space from 22 to 76 percent of need, decrease laboratory space from 103 to 102 percent of need, increase lecture space from 110 to 111 percent of need, and increase office space from 71 to 74 percent of need. These capacities will be at or below 100 percent when other buildings planned for the campus are constructed and some of the modular buildings are demolished.

Use of Modular Buildings. According to the district's five-year plan, 15 modular buildings are to be relocated from the fairgrounds to the permanent site. The district proposes to use district funds (\$325,000) to relocate the buildings. These modular buildings are in various stages of deterioration and, at best, are marginal facilities. Given the cost to move these buildings plus the high ongoing maintenance and utility costs, the proposed move would not seem to be cost effective. In a short period of

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

time, the modular buildings will have to be replaced and any funds committed to the relocation will have been lost. Rather than spend district funds in this manner, it would make more sense for the district to initiate planning to construct permanent facilities at the new site. The district's \$325,000 could be used to offset costs associated with the construction of the permanent facilities. Consequently, we recommend that the district not relocate the buildings to the new site.

Mendocino Community College District—Initial Complement of Library Books

We recommend approval of Item 6870-301-146(30) for new library books.

The budget proposes \$249,000 under Item 6870-301-146(30) for the state's share (97.6 percent) of purchasing an initial complement of library books and resource materials for the new library facilities at Mendocino College. The district would contribute \$6,000 (2.4 percent) toward the project, bringing the total cost to \$255,000.

The district proposes to purchase 10,452 volumes covering the areas of science/technology, social science/technology, fine arts, literature, reference, and general information. These volumes will add to the existing collection of 9,500 volumes which the district has purchased over the past 11 years.

Funding for this project was included in the 1983 Budget Bill, but was vetoed by the Governor. Given the Legislature's past support for this project, we recommend that funding for it be approved.

Ventura County Community College District—Occupational Education Building

We recommend that Item 6870-301-146(31) be reduced by ^{12,000} \$121,000 in the state's share and by ^{108,000} \$13,000 in the district's share because the district has included excessive costs for site improvements and landscaping.

The budget proposes \$3,875,000 for the state's share (90 percent) to construct a new building for occupational education at Oxnard College. The district will provide \$431,000 (10 percent) towards the construction of this building, bringing the total construction cost to \$4,306,000.

This 22,387 asf building would be the fourth permanent building to be constructed on the campus, and would provide space for occupational education instructional facilities, offices, a multipurpose room and a print shop. Many of the college's occupational education programs currently are housed in inadequate and off-campus facilities. Upon completion of the project, the district will vacate these leased facilities, and convert 5,872 asf of academic space into additional laboratory capacity.

Although this project is justified, our analysis indicates that the proposed amount for site development is excessive. For example, the district has included development of a concrete sitting courtyard, at a cost of \$76,500. An expensive feature of this type is not warranted and we recommend that funding for it be deleted. The normal cost for site development in this area should be \$7,200, or \$69,300 less than the amount requested. This is illustrative of the proposal for approximately 30,000 square feet of site improvements and 20,000 square feet of landscaping. In sum, we find ~~\$134,000~~ in excessive costs for the proposed work.

Accordingly, we recommend that the state and district shares of Item 6870-301-146(31) be reduced by ^{120,000} \$121,000 and ^{108,000} \$13,000, respectively, to correct for overbudgeting of these site development costs.

Rancho Santiago Community College District—Orange/Canyon Campus

We recommend deletion of Items 6870-301-146(32), (33) and (34)—\$4,372,000 in state funds and \$773,000 in district funds—because the establishment of a new campus in the Rancho Santiago district is not justified at the present time.

The budget includes \$4,372,000 for the state's share (85 percent) of costs associated with the initial construction of the Orange/Canyon Campus. Specifically, \$2,037,000 is included under Item 6870-301-146(32) and \$2,083,000 is included under Item 6870-301-146(34) to cover the state's share of construction costs for the first two instructional buildings on the campus site. In addition, \$252,000 is included under Item 6870-301-146(33) for the state's share of purchasing an initial complement of library books for the new campus. The district will contribute a total of \$773,000 (15 percent) towards the cost of these projects, bringing total expenditures to \$5,145,000.

Background. In 1976, the district conducted a facilities needs study which determined that future enrollments would exceed the capacity of district facilities. Consequently, the district decided to establish a new campus to meet this projected need. The district purchased 30 acres of land for the new campus site in the Anaheim Hills area of Orange, and currently holds an option on an additional 46 acres at this site. Utilities, initial site development, and working drawings for the new campus have been completed with district funds.

The projects included in the budget would provide for the construction of two instructional complexes and the purchase of 16,500 books for the new library. Instructional Complex 1 would provide 15,598 assignable square feet (asf) for general academic classrooms, a piano lab, communications lab, library, health and food services, counseling and administrative offices. Instructional Complex 2 would provide 14,753 asf for biology, business, computer science, engineering, math and chemistry laboratories, and classroom and office space. The district's five-year capital construction plan estimates that future developments at the Orange/Canyon Campus will cost an additional \$8.1 million, bringing total planned expenditures for the Orange/Canyon Campus to \$13.1 million through 1988.

Need for a New Campus is Not Justified at This Time. We recognize that the district has, on its own, invested significant resources in the development of the Orange/Canyon site. Nevertheless, our analysis indicates that a commitment of state's funds for a new campus in the district is not justified at this time. According to Department of Finance (DOF) official population projections for state community colleges, total weekly student contact hours (WSCH) in the Rancho Santiago district increased by 27 percent between 1976 (when the facilities needs study was conducted) and 1982. Between 1983 and 1992, however, the DOF estimates only a 4 percent increase in total WSCH for the Rancho Santiago district. It is possible that the establishment of a \$50-per-semester fee at community colleges may cause WSCH to grow more slowly or not at all. Moreover, the Chancellor's Office recently indicated that community college enrollment in California dropped more than 8 percent from 1982-83—the second successive year in which enrollments had declined.

Finally, the district does not appear to have a critical capacity problem. For example, district lecture space presently is 116 percent of projected need, while laboratory and library space are 85 percent and 89 percent of projected need, respectively. The need for an additional campus in the district then, is based primarily upon projections of future growth beyond

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

the capacity of present academic space.

We also note that funding the construction of this campus in the budget year would establish a state commitment to support future projects at the Orange/Canyon Campus. As indicated above, a total of \$8.1 million in additional projects are planned for this site. The Legislature should be certain that an additional campus is justified before committing itself to provide extensive state support for such a campus.

Consequently, given (1) the marginal increase in weekly student contact hours projected for the district over the next ten years, (2) the present uncertainty that even the relatively small increase in community college WSCH will materialize, and (3) the existing capacity of the district, the need for the construction of a new campus in the Rancho Santiago district is not apparent. Accordingly, we recommend deletion of \$4,372,000 in state funds and \$773,000 in district funds for Items 6870-301-146(32), (33) and (34).

Los Angeles Community College District—West Los Angeles College (Airport Campus) Permanent Facilities, Phase I

We withhold recommendation on Item 6870-301-146(35), pending development by the Legislature of a more definitive policy regarding state support for capital outlay projects at administrative divisions of community college districts, and an assessment by the Chancellor's office of the future cost implications of providing state funding for such divisions.

The budget includes \$1,568,000 under Item 6870-301-146(35) for the state's share (89 percent) to construct the *first phase* of permanent facilities at the West Los Angeles Community College Airport Campus. The project proposes to construct five aircraft engine test cells, a paint spray facility, remodel a classroom to provide space for faculty offices and provide landscaping, fencing and lighting improvements along Sepulveda Boulevard. A total of \$104,000 has been spent previously by the district for the preparation of working drawings. The district will contribute an additional \$197,000 (11 percent) towards this project. The total cost for construction is \$1,765,000.

The Airport Campus is an *administrative division* of West Los Angeles Community College. As discussed above, under Items 6870-301-146(20), (21) and (22), the state has supported capital outlay projects for community colleges, but not for divisions of the colleges themselves. Satellite campuses and centers have been considered to be the financial responsibility of community college districts, and thus the state generally has not financed capital improvements for these facilities. Absent a more definitive policy from the Legislature regarding state capital outlay support for administrative divisions of community college districts, and an assessment of the future cost implications of providing state funding for these divisions, we withhold recommendation on this item.

Should the Legislature choose to support this project, it should be understood that the project included in the budget is only the initial phase of a *long-range plan* to provide new facilities for the Airport Campus. Future phases call for construction of a permanent building and workshops to house the aviation maintenance, aircraft electronics travel programs, and other instructional support facilities. In addition to the \$1,765,000 included in the budget for phase I, the district estimates future costs for completing all phases of this project to be \$14.5 million. Of course,

approval of phase I does not commit the state to funding the future phases.

Pending clarification by the Legislature of its policy regarding capital improvements at administrative divisions of community college districts, and an assessment of the future cost implications of providing such funding, we withhold recommendation on Item 6870-301-146(35).

Lake Tahoe Community College District—Site Development, Phase I

We recommend that Item 6870-301-146(36) be reduced by \$87,000 for the state's share and \$3,000 for the district's share because the district has overbudgeted costs for architectural and engineering services and construction contingencies.

The budget proposes \$933,000 under Item 6870-301-146(36) for the state's share (97 percent) to provide initial site preparation for the establishment of a permanent campus for Lake Tahoe College. The district will contribute \$29,000 (3 percent) towards the cost of the project, bringing total expenditures for working drawings and construction to \$962,000.

Lake Tahoe College presently is located in a converted two-story motel on Highway 50 in South Lake Tahoe. The college also leases other buildings in the area on a nighttime, joint-use basis for its various educational programs. In December 1979, the district purchased a 164-acre site in South Lake Tahoe for a permanent college campus, and a master plan for campus development was completed in March 1982.

The permanent campus site presently is undeveloped. According to the district, the cost to complete all planned projects (through 1988) for this campus totals \$27 million.

Funds included in the budget under this item would be used for the initial development of the site, including clearing and grading, construction of roadways and bicycle paths, lighting, drainage work, installation of underground electric service and conduit, and the preparation of an environmental impact report.

This project is necessary in order to prepare the site for construction of permanent campus facilities (Item 6870-301-146(37) is for construction of the initial buildings). Consequently, we believe the project is justified. Our analysis indicates, however, that the district's cost estimate includes excessive amounts for architectural and engineering fees and construction contingencies. ~~The district has budgeted 30 percent for these costs. The State Administrative Manual, however, specifies that funding for these purposes be limited to 18 percent of estimated contract costs for new construction projects.~~

Since the district has provided no justification for the higher estimate, we recommend that Item 6870-301-146(36) be reduced ^{\$22,000} \$87,000 for the state's share and ^{\$1,000} \$3,000 for the district's share of this project to correct for overbudgeting of these expenses.

Lake Tahoe Community College District—Buildings, Phase I

We withhold recommendation on Item 6870-301-146(37), pending clarification from the district regarding the size of the proposed new buildings, and the impact of new construction on the academic space needs of the district.

The budget proposes \$313,000 under Item 6870-301-146(37) for the state's share (97 percent) of working drawings for the first permanent buildings at the Lake Tahoe College campus. The district will contribute \$10,000 (3 percent) towards the project, bringing total expenditures to \$323,000. Estimated future cost for construction is \$5,825,000.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

According to the district's 1984-85 five-year construction plan, a total of \$915,000 originally was estimated as the cost for the preparation of working drawings for the campus buildings totaling 111,000 assignable square feet (asf). The budget, however, includes only \$323,000 for working drawings for 40,653 asf. The Chancellor's Office indicates that the project has been reduced in scope since the district prepared its five-year plan, but no information has been presented describing the effect of the revised project on the district's academic space needs.

For example, the original project would have increased lecture space to 163 percent of need, library space to 199 percent of need, and district laboratory space to 412 percent of projected need! Constructing new facilities to provide this much space was certainly unnecessary. The problem is that the district has not submitted any information detailing how the revised project addresses space needs. Without this information, we cannot advise the Legislature on the appropriateness of this request. Consequently, we withhold recommendation on Item 6870-301-146(37), pending clarification of these issues by the district.

Mendocino-Lake Community College District—Classroom and Administration Building

We recommend that Item 6870-301-146(38) be reduced by \$17,000 because the district has overbudgeted costs for site development work.

The budget proposes \$3,250,000 under Item 6870-301-146(38) for the state's share (100 percent) to construct the new Classroom/Administration Building at Mendocino College. The building would provide 19,391 asf of academic space and would be the second permanent structure on the new Mendocino College site. Funds are included in the budget for working drawings and construction.

The new classroom/administration building would provide space for classrooms, laboratories, offices, meeting rooms, lounges, a central duplicating room and a mailroom. In the year of anticipated occupancy (1985), this project will reduce the district's excess laboratory space from 102 percent to 96 percent of need, and increase library space from 75 percent to 82 percent of need. In addition, upon completion of the project the district will abandon nine leased facilities and portions of two other leased facilities in the Ukiah area. We believe the project is justified and that it should proceed.

Our analysis indicates, however, that the district has overbudgeted costs for the installation of storm drainage pipe as part of the site development work for this project. To bring these costs in line with current construction costs, we recommend that this project be reduced by \$17,000. We therefore recommend approval of Item 6870-301-146(38) at the reduced level of \$3,233,000.

\$7,000

Southwestern Community College District—Automotive Building Addition

We recommend approval of Item 6870-301-146(39), automotive building addition.

The budget proposes \$876,000 under Item 6870-301-146(39) for the state's share (80 percent) to construct an 8,200 assignable square foot (asf) addition to the automotive building at Southwestern College. The district will contribute \$219,000 (20 percent) to the cost of the project, bringing total expenditures to \$1,095,000. Funds are included in the budget for working drawings and construction.

The new automotive building addition would provide laboratory space for courses in automotive diesel technology, automotive electronics and service/parts merchandising, as well as additional space for storage and service. The district currently has 95 percent of laboratory space needs and this project would increase this to 98 percent of need.

The district indicates that instructional demands in automotive education have grown and require the expansion of course offerings. This project would provide the additional academic space needed for expansion of the college's automotive programs by providing space for 80 students. We therefore recommend approval.

Contra Costa Community College District—Food Service Laboratory Addition

We recommend approval of Item 6870-301-146(40), food service laboratory addition.

The budget proposes \$365,000 under Item 6870-301-146(40) for the state's share (90 percent) to construct a one-story addition to the student activities building to provide laboratory space for the Hotel and Restaurant Management Program at Diablo Valley College. The district will contribute \$40,000 (10 percent) towards the cost of the project, bringing total expenditures to \$405,000. Funds are included in the budget for working drawings and construction.

Present classroom instruction in food preparation and serving is conducted in the school cafeteria kitchen and in an adjacent lounge. The district indicates that because of recent growth in the Hotel and Restaurant Management Program, (enrollment has increased 32 percent since 1979), classroom instruction in the kitchen and the lounge is inadequate. Because of the crowded conditions in the kitchen, many students cannot see food preparation and serving demonstrations. In addition, several classes must be held at times when the kitchen is being used to prepare food for the dining room and cafeteria.

The project proposes to construct a 1,340 assignable square foot addition to the student activities building. This addition will serve as a demonstration laboratory for carving, cutting, mixing, and pastry preparation. The district's laboratory capacity currently is 80 percent of need. This project would increase laboratory capacity to 81 percent of need. We believe the requested project is justified and that the costs are reasonable. We therefore recommend approval.

Imperial Community College District—Nursing Education Building

We recommend the deletion of Item 6870-301-146(41)—\$74,000 for state's share and \$8,000 for district share, because the district should meet this need by assigning (and altering if necessary) excess lecture space to the nursing program (Future savings: \$1,513,000).

The budget proposes \$74,000 under Item 6870-301-146(41) for the state's share (90 percent) of a new Nursing Education and Health Technology Building at Imperial Valley College. The district will contribute \$8,000 (10 percent) towards the cost of the project, bringing total expenditures to \$82,000. Funds are included in the budget for working drawings only. The estimated future cost for construction is \$1,513,000.

The project would construct a new 5,846 asf building to centralize nursing programs on the main campus. The district indicates many nursing programs are conducted off campus and that this creates problems in terms of transporting equipment to and from the college. In the past, the

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

district has been able to use facilities at local hospitals. The district indicates, however, that such facilities are no longer available. To provide adequate laboratory space for the nursing program, the district proposes the construction of a new building for the nursing and health technology program.

Although the need for additional laboratory space for the nursing and health technology program may be justified, the district should consider another alternative to the problem. Our analysis indicates that, in the year of anticipated occupancy (1987), district lecture space will be 156 percent (approximately 9,000 asf excess capacity) of projected need. Before proposing the construction of additional academic space, the district should consider assigning (and altering if necessary) a portion of this excess space for the nursing program. This would be less costly and could accommodate the program more quickly. Consequently, we recommend that the funds included under this item be deleted.

Los Angeles Community College District—Alterations and Additions to Auto Shop

We recommend that Item 6870-301-146(42) be reduced by \$788,000 for the state's share and \$99,000 for the district's share, because construction and equipment funds will not be required in the budget year.

The budget proposes \$828,000 for the state's share (89 percent) for additions and alterations to the auto shop facility at Los Angeles Pierce College. The funds included in the budget are for working drawings, construction and equipment. The district will contribute \$104,000 (11 percent) towards the cost of the project, bringing total expenditures to \$932,000.

The L.A. Pierce College Auto Shop opened in 1967 with fifty students. Since that time, enrollment has grown to 376 students, and the district indicates that the growth of the program has caused overcrowding of the main auto shop facility. To provide additional space for the program, the district proposes to (1) construct a 4,248 asf enclosed addition to the main auto shop, (2) alter the existing facility, (3) provide additional space for automobile storage, and (4) purchase additional equipment.

The project would provide space for tune-up, air conditioning, automatic and standard transmission, and brake and front-end labs and demonstration. The existing facility would be remodeled to provide additional storage space and to make ventilating, lighting, and heating improvements. An additional unenclosed 4,000 asf of space would be provided for storing automobiles which are worked on by students in the program. Finally, the project proposes \$96,500 of additional equipment for the auto shop program. This equipment includes a disc brake machine, transmission dynamometer, a battery-operated hoist and electrically operated post lifts.

Although the proposed project is justified, our analysis indicates that the request for construction and equipment funds is premature. According to the district's preliminary planning package for this project, working drawings are not scheduled to be completed until February 1985, with bid advertisement for construction scheduled for July 1985. Because construction would not begin until 1985-86, construction and equipment funds are not required in the budget year. Consequently, we recommend that Item 6870-301-146(42) be reduced by \$788,000 for the state's share and \$99,000

for the district's share to eliminate funds for construction and equipment for this project. The remaining total of \$45,000 (\$40,000 state share and \$5,000 district share) should be sufficient to fund the preparation of working drawings for the project, according to the formula developed by the Chancellor's Office.

Foothill-DeAnza Community College District—Nursing Study Laboratory

We recommend deletion of Item 6870-301-146(43) because the district has not justified the additional amount of space requested, and because the district should not construct additional space without reducing its over supply of lecture space.

The budget proposes \$329,000 under Item 6870-301-146(43) for the state's share (55 percent) to construct nursing study laboratories at De Anza College. The district will contribute \$266,000 (45 percent) towards the cost of the project, bringing total expenditures to \$595,000. Funds are included in the budget for working drawings and construction.

The district indicates that additional laboratory and classroom space are needed to alleviate crowded conditions in the nursing program. Existing space assigned to the nursing program consists of one room (1,100 square feet), which is used for both laboratory demonstration and lecture seminars. A small adjoining room is used for storage of supplies and equipment.

To increase space for the nursing program, the district proposes to construct a new building. The structure would provide 2,800 asf of academic space for laboratories, a classroom, storage, and individual and group study areas. A secondary effect of the project would be to allow the physical therapy program to expand into space vacated by the nursing program, increasing total space for the physical therapy program by 100 percent.

Although the district indicates that existing space for the nursing program is inadequate, the district has not submitted adequate information to justify the amount of space it proposes to construct, or why the nursing program must vacate the 1,100 asf to provide for physical therapy.

In addition, our analysis indicates that, in the year of anticipated occupancy of the new nursing facility (1986), district lecture space will be 128 percent of projected need (approximately 24,000 asf of excess capacity). Before proposing the construction of *additional* lecture and laboratory space, the district should consider alternative solutions which would provide increased space for the nursing program by assigning (and altering, if necessary) a portion of the oversupply of lecture space to this program. Accordingly, we recommend that Item 6870-301-146(43) be deleted.

Ventura County Community College District—Natural Sciences Building

We recommend that the district reduce the scope of this project because the construction of additional lecture space and office space is not justified. We withhold recommendation on this item, pending receipt of revised preliminary plans and a new project cost estimate.

The budget proposes \$207,000 under Item 6870-301-146(44) for the state's share (90 percent) to prepare working drawings for a new 15,289 asf building at Oxnard College. The building would be the last of the first five buildings planned for the campus, and would serve natural science disciplines. The district will contribute \$23,000 towards the cost of the project, bringing total expenditures to \$230,000. Estimated future cost for construction is \$4,214,000.

The proposed building would provide approximately 12,500 asf of aca-

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

demic space for life science, physical science, and mathematics laboratories. An additional 1,200 asf would be provided for a lecture hall with a seating capacity of 75, and 1,500 asf would be provided for faculty offices.

In the year of anticipated occupancy (1986), the project will increase district laboratory space from 81 percent to 87 percent of projected need. Therefore, the additional laboratory space provided under this project is justified. The proposed office (1,517 asf) and lecture (1,185 asf) space, however, will increase these categories of space from 111 percent (approximately 18,000 asf excess space) to 112 percent of need. Consequently, the construction of *additional* district lecture space and office space is not justified.

Because the district presently is over capacity in both lecture space and office space, the construction of *additional* lecture space and office space in the new Natural Sciences Building is not justified. The district should revise its plans for this building to eliminate the additional lecture and office space, and submit a revised cost estimate for the project. Accordingly, we withhold recommendation on Item 6870-301-146(44), pending receipt of this information.

Systemwide Project Planning

We recommend that the Legislature adopt Budget Bill language specifying that statewide planning funds be used only for projects that are expected to be included in the Governor's 1985-86 budget.

The budget proposes \$100,000 under Item 6870-301-146(45) for the preparation of preliminary plans for capital outlay proposals that are expected to be included in the 1985-86 budget. The Chancellor's Office indicates that the various districts will provide a total of \$10,000 for this purpose. The proposed funds would provide for approximately \$7.5 million in construction, assuming the historical ratio of planning costs to construction costs (1.5 percent). Based on the present backlog of projects and the anticipated level of funding for community college capital outlay in 1985-86, the amount requested is reasonable and we recommend that it be approved.

Budget Act Language Should be Adopted. Prior budget acts have specified that statewide planning funds for the University of California and California State University be used only for projects expected to be included in the Governor's next budget. Our analysis indicates that this is necessary in order to ensure that these funds are allocated on the most cost-efficient basis. Accordingly, we recommend that the Legislature adopt the following Budget Bill language which has been included in prior budget acts for appropriations of this type:

"Provided that the funds appropriated in Item 6870-301-146(45) shall be available only for those major capital outlay projects for which working drawing funds or working drawings and construction funds are expected to be included in the 1985-86 Governor's Budget."

Systemwide Library Study

We recommend that the Legislature adopt Budget Bill language requiring the community colleges to submit the completed library study to the California Postsecondary Education Commission for its review, and to submit a final report to the Legislature by February 1, 1985.

The budget proposes \$50,000 under Item 6870-301-146 (46) to conduct a comprehensive study of the community college library system. According to the Governor's Budget, this study will focus on library utilization, space use and operations in order to establish criteria which will permit evaluation of capital outlay proposals related to new facilities, remodeling of existing space and equipment needs.

The operation/space utilization of library facilities varies widely among the 70 community college districts, and recent technological changes in the processing and storage of library materials may affect the facilities' requirements for library capacity and services. For example, a substantial portion of the collection of library materials on some campuses is contained on microfilm/microfiche, which reduces substantially space requirements. In addition, the installation of new automated information systems should result in a more efficient use of library space.

Considering these factors, we believe that it would be appropriate to reassess the community colleges' library space guidelines. The amount proposed should fund the necessary consultant services to thoroughly evaluate the library standards and assess the community college system's library needs. We therefore recommend approval of the study funds.

Study Results Should be Submitted to the Legislature and Postsecondary Education Commission. The library space guidelines are used by the community colleges to assess the physical facilities at each campus. Space guidelines and utilization standards of this type are generally developed in concert with the California Postsecondary Education Commission. The commission has the staff and expertise to provide an important perspective on this subject. Accordingly, we believe that it would be desirable for the Postsecondary Education Commission to review and comment on the study of the community colleges' library space guidelines. In addition, this information will be needed by the Legislature in evaluating future capital outlay proposals. We therefore recommend that the Legislature adopt the following budget act language under this item:

"Provided that prior to December 1, 1984, the California Community Colleges shall submit its completed library space study to the California Postsecondary Education Commission for review and comment. The community colleges shall, by February 1, 1985, submit a final report, including the commission's comments, to the chairperson of the committee in each house which considers appropriations and to the Chairperson of the Joint Legislative Budget Committee."

Supplemental Report Language

For purposes of project definition and control, we recommend that supplemental report language be adopted by the fiscal subcommittees which describes the scope of each of the capital outlay projects approved under this item.

In addition, because the Budget Bill does not specify what the funds included under each item for community college capital outlay will be used for, we further recommend that the Department of Finance prepare appropriate amendments to the Budget Bill specifying for each item whether the funds will be used for preliminary plans, working drawings, construction, equipment, or any combination of the above.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**Projects by Descriptive Category**

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 pay-back 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 pay-back period of greater than five years.

Table 3
California Community Colleges
Projects by Descriptive Category
Item 6870-301-146
(in thousands)

<i>Category</i>	<i>Sub-Item/Project/Location</i>	<i>Analyst's Recommendation</i>
1. None		
2. None		
3. (27) Data processing remodel—American River College		\$324
(29) Library and Alternate Learning Center—Mendocino College		3,268
(31) Occupational Education Building—Oxnard College		3,754
(38) Classroom and Administration Building—Mendocino College		3,233
(39) Automotive addition—Southwestern College.....		876
(40) Food service laboratory—Diablo Valley College.....		365
Subtotal.....		\$11,820
4. (24) Library secondary effects—Palomar College		\$1,459
(28) Nursing laboratory remodel—Sacramento City College		123
(30) Library books—Mendocino College		249
(42) Auto shop alterations and additions—L.A. Pierce College		40
Subtotal.....		\$1,871
5. None		
6. None		
7. (1)–(19) Removal of architectural barriers to the physically handicapped.....		\$2,934
(36) Site development, Phase I—Lake Tahoe College		846
(45) Systemwide planning		100
(46) Systemwide library study.....		50
Subtotal.....		\$3,930
Total		\$17,621,000

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 3 shows how we categorize the projects funded by this item that our analysis indicates are warranted.

STUDENT AID COMMISSION

Item 7980 from the General
Fund and various funds

Budget p. E 207

Requested 1984-85	\$90,316,000
Estimated 1983-84.....	81,077,000
Actual 1982-83	79,384,000
Requested increase (excluding amount for salary increases) \$9,239,000 (+11 percent)	
Total recommended reduction	3,300,076

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
7980-001-001—SAC, Commission Support		General	\$5,191,000
7980-001-951—SAC, Guaranteed Loan Program		State Guaranteed Loan Re- serve	(8,144,000)
7980-101-001—SAC, Awards		General	85,125,000
7980-101-890—SAC, Awards		Federal Trust	(11,670,000)
7980-011-890—SAC, Purchase of Defaulted Loans		Federal Trust	(77,240,000)
Total			\$90,316,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Student Award Programs. Reduce Item 7980-101-001 by \$3,041,000.* Recommend deletion of \$3,041,000 requested to increase the number of awards in the three Cal Grant programs and the Graduate Fellowship program because the administration has provided no policy basis for the increases.
Further recommend a comprehensive reevaluation of state student financial aid programs and policies during 1984-85 because traditional program objectives are not being achieved. 1953
2. *Bilingual Teacher Grant Program. Reduce Item 7980-101-001 by \$184,000.* Recommend reduction of \$184,000 in amount requested to increase number of awards in the bilingual Teacher Grant program, because the budget provides no evidence of effectiveness of the current program level. 1956

STUDENT AID COMMISSION—Continued

3. California Teacher Shortage Loan Assumption Program. 1959
Recommend adoption of Supplemental Report Language directing Student Aid Commission to report on effectiveness of California Teacher Shortage Loan Assumption Program.
4. California Student Opportunity and Assessment Program. 1961
(Cal-SOAP). Recommend Student Aid Commission report during budget hearings on the adequacy of proposed funding in the event that the number of projects is increased.
5. Guaranteed Loan Reserve Fund. Recommend deletion 1965
of proposed Budget Bill language regarding the purchase of defaulted loans because the language would delete a reporting requirement needed to keep the Legislature informed of changes in the rapidly growing Guaranteed Student Loan Program.
6. *Consultant Services for the Guaranteed Student Loan Program. Reduce Item 7980-001-951 by \$75,076.* 1966
Recommend deletion of \$75,076 from the Guaranteed Loan Reserve Fund due to lack of justification for proposed increases in interdepartmental consultant and professional services.

GENERAL PROGRAM STATEMENT

The Student Aid Commission (SAC) is composed of 11 members appointed by the Governor for four-year terms. In addition, two student members serve on the commission for two-year terms. The commission:

- administers six state financial aid programs;
- administers a program which guarantees federally insured loans to undergraduate and graduate students;
- distributes information on student aid;
- administers an outreach program (known as Cal-SOAP) designed to increase access to postsecondary educational opportunities for financially disadvantaged students; and
- administers a loan assumption program for eligible students who intend to become math and science teachers.

The financial aid grant programs which the commission administers include (1) a program that enables financially needy students to attend the California college of their choice, (2) a program that increases disadvantaged students' access to California colleges, (3) a program that enables needy students to train in skilled occupations, (4) a fellowship program for needy graduate and professional students, (5) a program that prepares K-12 bilingual teachers, and (6) a program for financially needy children of law enforcement officers killed or disabled in the line of duty.

The commission is supported by a staff of 174.8 full-time equivalent positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures by the Student Aid Commission in 1984-85 of \$187,370,000, including expenditures from federal funds. This is an increase of \$23,642,000, or 14 percent, over total current-year expenditures. Of this amount:

- \$90,316,000 (48 percent of total expenditures) is proposed from the

General Fund, an increase of \$9,239,000, or 11 percent;

- \$8,144,000 is proposed from the State Guaranteed Loan Reserve Fund, an increase of \$3,264,000, or 67 percent; and
- \$88,910,000 is proposed from the Federal Trust Fund, an increase of \$11,139,000, or 14 percent.

Table 1 shows support for the commission's activities in the prior, current, and budget years. It indicates that:

- funding for awards is proposed to increase in 1984-85 by \$10,975,000, or 13 percent,
- funding for the purchase of defaulted loans is proposed to increase by \$11,050,000, or 16 percent, and
- funding for the commission's administrative operations is proposed to increase by \$1,617,000, or 17 percent. This increase will grow by the cost of any salary or staff benefit increases that may be approved for the budget year.

Table 1
Student Aid Commission
Budget Summary
(dollars in thousands)

	<i>Actual</i> <i>1982-83</i>	<i>Estimated</i> <i>1983-84</i>	<i>Proposed</i> <i>1984-85</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
Awards.....	\$86,431	\$85,820	\$96,795	\$10,975	12.8%
Student Loans Guaranteed.....	(567,310)	(640,000)	(600,000)	—	—
Purchase of defaulted loans.....	20,000	68,371	79,421	11,050	16.2
Administrative operations.....	11,592	9,537	11,154	1,617	16.9
Total.....	\$118,023	\$163,728	\$187,370	\$23,642	14.4%
General Fund.....	\$79,384	\$81,077	\$90,316	\$9,239	11.4%
Guaranteed Loan Reserve Fund.....	1,080	4,880	8,144	3,264	66.9
Federal Trust Fund.....	37,559	77,771	88,910	11,139	14.3
Total Authorized Positions.....	160.7	180.8	180.8	—	—

Table 2 shows the details of the \$23.6 million increase proposed for the commission in 1984-85. The major changes include:

a. **Baseline adjustments.** The budget proposes a net increase in baseline expenditures of \$631,000. The major changes include:

- \$132,000 to cover the full-year cost of salary increases granted in the current year.
- \$306,000 for a 6 percent increase in operating expenses to offset the effects of inflation.
- \$510,000 for administrative services to reflect an increase in "pro rata" charges incurred by the Guaranteed Student Loan program.
- A \$420,000 decrease to reflect current-year adjustments to the state's contract with a private firm to administer the Guaranteed Student Loan program.

b. **Budget Change Proposals.** \$22,707,000 is proposed for major budget change proposals. This amount consists of:

- \$7,750,000 to increase the maximum award levels in each of the commission's five major grant programs.
- \$3,225,000 to provide 2,354 new awards in the five major grant programs.
- \$11,050,000 to redeem a larger number of defaulted student loans.
- \$682,000 to improve monitoring of the Guaranteed Student Loan program.

STUDENT AID COMMISSION—Continued

Table 2
Student Aid Commission Support
Summary of Proposed 1984-85 Changes
From 1983-84 Budget
(dollars in thousands)

<i>Program</i>		
1983-84 Expenditures.....		\$163,728
A. Awards:		
1. 1983-84 (Revised)		\$85,820
2. Adjustments:		
• Cost-of-Living Adjustment.....	\$7,750	
• New Awards	3,225	
Total Increase for Awards		<u>\$10,975</u>
3. Awards, 1984-85 (Proposed)		<u>\$96,795</u>
B. State Operations:		
1. 1983-84 (Revised)		\$9,537
2. Baseline Adjustments		
• Merit salary adjustment	\$6	
• Full-year cost of 1983-84 compensation increases....	132	
• Operating expenses and equipment inflation adjustment	306	
• Reduction of salary savings	54	
• Pro-Rata adjustment	510	
• Increase in state operations due to award increase	43	
• Contract reduction	-420	
Total, baseline adjustments		<u>\$631</u>
3. Budget change proposals (BCPs)		
• Purchase of new equipment	53	
• Facilities operation	45	
• Increased Monitoring of the loan program.....	682	
• Operating expense increases.....	206	
Total, BCPs		<u>\$986</u>
4. 1984-85 (Proposed)		<u>\$11,154</u>
C. Purchase of defaulted loans		
1. 1983-84 (Revised)		\$68,371
2. Increased purchase of defaulted loans.....		<u>11,050</u>
3. 1984-85 (Proposed)		<u>\$79,421</u>
1984-85 Expenditures		\$187,370
Change from 1983-84:		
Amount		\$23,642
Percent		14.4%
Funding Source:		
General Fund.....		\$9,239
State Guaranteed Loan Reserve Fund		3,264
Federal Trust Fund		<u>11,139</u>

A. STUDENT AWARD PROGRAMS**1. Budget Proposal**

The award programs administered by the SAC include the Cal Grant A, B, and C programs, the Graduate Fellowship program, the Bilingual Teacher Development Grant program, and the Law Enforcement De-

pendents program. Applicants for student financial aid under any of these programs must meet certain criteria in order to be eligible for an award. In addition, each program requires recipients to establish financial need. Table 3 shows expenditures for the awards program in the prior, current and budget years.

As Table 3 shows, the budget proposes \$96,795,000 for awards during 1984-85, a \$10,975,000, or 13 percent, increase over the current-year level. General Fund support is proposed at \$85,125,000, an increase of \$8,705,000, or 11 percent. Federal fund support is proposed at \$11,670,000, an increase of \$2,270,000, or 24 percent.

Table 3
Student Aid Commission Awards
(in thousands)

	<i>Actual</i> <i>1982-83</i>	<i>Estimated</i> <i>1983-84</i>	<i>Proposed</i> <i>1984-85</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Cal Grant A—Scholarships	\$55,410	\$55,480	\$62,520	\$7,040	12.7%
2. Cal Grant B—College Opportunity Grants.....	23,915	22,752	26,014	3,262	14.3
3. Cal Grant C—Occupational Education and Training Grants.....	2,182	2,535	2,746	211	8.3
4. Graduate Fellowship	2,382	2,548	2,721	173	6.8
5. Bilingual Teacher	2,531	2,497	2,786	289	11.6
6. Law Enforcement	11	8	8	—	—
7. Cost-of-living adjustments	—	—	(7,750)	(7,750)	—
Total, Awards	\$86,431	\$85,820	\$96,795	\$10,975	12.8%
General Fund	\$74,923	\$76,420	\$85,125	\$8,705	11.4%
Federal Trust Fund	11,508	9,400	11,670	2,270	24.1

2. Total Student Assistance in California

The Student Aid Commission administers most of the state-supported financial aid programs. Students attending postsecondary institutions in California, however, receive financial aid from many sources other than the commission.

Table 4 shows the total amount of financial aid funds provided to students attending postsecondary institutions in California. For 1983-84, the commission estimates that \$1.2 billion in financial aid will be made available to students at these institutions. This amount is approximately \$200 million more than the amount estimated to have been made available in 1982-83.

Table 4 also shows that:

- the state provides a little more than 9 percent (\$115.7 million) of the total amount of financial aid received by students in California institutions of higher education;
- 23 percent, or \$232 million of the funds, is provided by the postsecondary institutions themselves;
- 49 percent, or \$600 million, comes from other sources, primarily the Guaranteed Student Loan program;
- students in private colleges receive the largest share of financial aid funds—\$408.8 million, or 33 percent;
- students at the University of California and the California State University receive \$239.0 million (19 percent) and \$246.5 million (20 percent) in financial aid, respectively; and
- students at the California community colleges and the proprietary institutions receive the remaining funds, which total \$169.6 million (14 percent) and \$164.3 million (13 percent), respectively.

STUDENT AID COMMISSION—Continued

Table 4
Total Higher Education Student Assistance in California
1983-84
By Program and Segment

Segment and Program	State	Federal	Institutional	Other	Totals
<i>University of California</i>					
Cal Grants:					
a. Scholarships	\$12,340 ¹	—	—	—	\$12,340
b. College Opportunity Grants	5,623 ¹	—	—	—	5,623
Graduate Fellowships	280	\$9,000	\$16,000	\$3,900	29,180
Bilingual Teacher Grant Program	213 ¹	—	—	—	213
Pell Grant	—	20,500	—	—	20,500
Supplemental Education Opportunity Grants (SEOG)	—	5,900	—	—	5,900
Other Grants	—	125	30,000	6,500	36,625
Fee Waivers	—	—	6,800	—	6,800
National Direct Student Loans	—	3,900	10,000	—	13,900
GSL	—	—	—	83,577 ²	83,577
Other Loans	—	150	12,000	1,400	13,550
College Work Study	—	7,300	3,500	—	10,800
Totals, UC	\$18,456	\$46,875	\$78,300	\$95,377	\$239,008
<i>California State University</i>					
Cal Grants:					
a. Scholarships	\$3,129 ¹	—	—	—	\$3,129
b. College Opportunity Grants	7,943 ¹	—	—	—	7,943
c. Occupational Education and Training Grants	2 ¹	—	—	—	2
Graduate Fellowships	15 ¹	—	—	—	15
Bilingual Teacher Grant Program	2,081 ¹	—	—	—	2,081
Educational Opportunity Grants (EOP/S)	6,580	—	—	—	6,580
Pell Grants	—	\$39,485	—	—	39,485
Supplemental Educational Opportunity Grants (SEOG)	—	6,944	—	—	6,944
State University Grant Program	3,400	—	\$10,800	—	14,200
Other Grants	—	360	2,187	\$6,542	9,089
Fee Waivers	—	—	2,109	—	2,109
National Direct Student Loans	—	11,966	1,498	—	13,464
GSL	—	—	—	120,021 ²	120,021
Other Loans	—	169	21	—	190
College Work Study	—	9,003	1,616	635	11,254
Part-Time-On-Campus Employment	—	—	10,000	—	10,000
Totals, CSU	\$23,150	\$67,927	\$28,231	\$127,198	\$246,506
<i>California Community Colleges</i>					
Cal Grants:					
a. College Opportunity Grants	\$8,656 ¹	—	—	—	\$8,656
b. Occupational Education and Training Grants	588 ¹	—	—	—	588
Bilingual Teacher Grant Program	353 ¹	—	—	—	353
Educational Opportunity Grants (EOP/S)	6,786	—	—	—	6,786
Pell Grants	—	\$47,583	—	—	47,583
Supplemental Educational Opportunity Grants (SEOG)	—	8,697	—	—	8,697

Item 7980

POSTSECONDARY EDUCATION / 1949

Other Grants	—	445	\$363	\$283	1,091
Other Scholarships	—	22	1,744	1,774	3,540
National Direct Student Loans	—	2,191	243	—	2,434
GSL	—	—	—	56,184 ²	56,184
Other Loans	45	352	766	223	1,386
College Work Study (EOPS Included)	1,451	12,156	3,039	—	16,646
Part-Time-On-Campus Employment	—	—	11,962	308	12,270
Job Location/Development (Private) Off-Campus	—	—	—	3,429	3,429
Totals, CCC	\$17,879	\$71,446	\$18,117	\$62,201	\$169,643
<i>California Private Colleges</i>					
Cal Grants:					
a. Scholarships	\$43,705 ¹	—	—	—	\$43,705
b. College Opportunity Grants	4,949 ¹	—	—	—	4,949
c. Occupational Education and Training Grants	424 ¹	—	—	—	424
Graduate Fellowships	1,614 ¹	—	—	—	1,614
Bilingual Teacher Grant Program	318 ¹	—	—	—	318
Pell Grants	—	\$18,530	—	—	18,530
Supplemental Educational Opportunity Grants (SEOG)	—	5,943	—	—	5,943
Other Grants	—	—	\$87,052	—	87,052
Fee Waivers	—	—	1,049	—	1,049
National Direct Student Loans	—	14,412	1,601	—	16,013
GSL	—	—	—	\$202,076 ²	202,076
Other Loans	—	—	5,261	—	5,261
College Work Study	—	9,812	—	—	9,812
Total Institutional Work Fund for Students	—	—	12,134	—	12,134
Totals, Private Colleges	\$51,010	\$48,697	\$107,097	\$202,076	\$408,880
<i>Proprietary and Specialty Schools</i>					
Cal Grants:					
a. Scholarships	\$2,620 ¹	—	—	—	\$2,620
b. College Opportunity Grants	805 ¹	—	—	—	805
c. Occupational Education and Training Grants	1,812 ¹	—	—	—	1,812
Pell Grants	—	\$36,500 ⁴	—	—	36,500
Supplemental Educational Opportunity Grants (SEOG)	—	5,597 ⁴	—	—	5,597
National Direct Student Loans	—	3,809 ⁴	\$423	—	4,232
GSL	—	—	—	\$111,432 ²	111,432
College Work Study	—	1,008	252	—	1,260
Totals, Prop and Spec. Schools	\$5,237	\$46,914	\$675	\$111,432	\$164,258
<i>Student Aid Commission</i>					
Cal Grants:					
a. Scholarships	(\$61,794)	—	—	—	—
b. College Opportunity Grants	(27,976)	—	—	—	—
c. Occupational Education and Training Grants	(2,826)	—	—	—	—
Graduate Fellowships	(1,897)	—	—	—	—
Bilingual Teacher Grant Program	(2,965)	—	—	—	—
Totals, SAC	(97,458)	—	—	—	—
Grand Totals, All Programs and Segments	\$115,732	\$281,859	\$232,420	\$598,284	\$1,228,295 ³

STUDENT AID COMMISSION—Continued

¹ Source: Student Aid Commission, Grant Programs. Cal Grant amounts are awards offered as of October 1983; actual amounts received are about 10.5 percent less because of attrition.

² Source: CSAC, California Educational Loan Programs; Forecasted from data as of November 1983.

³ Does not reflect an estimated \$200,000,000 in Social Security Educational Benefits and Veterans Benefits.

⁴ 1982–83 amounts from the U.S. Office of Education; 1983–84 levels unavailable.

Note: For NDSL and CW-S Programs in the proprietary segment and for the NDSL Program in the independent segment, federal and institutional shares are estimated, respectively, at 90 percent, 10 percent for NDSL and 80 percent, 20 percent for CW-S. Except as noted, independent college data is based on a survey of AICCU institutions adjusted to reflect all California independent institutions. Independent college institutional share of CW-S resides in "Total institutional work fund for students."

Source: Student Aid Commission

3. Report on Comparison of Financial Aid in California to Other States

The Supplemental Report to the 1983 Budget Act directed the Student Aid Commission (SAC) to prepare a report comparing financial aid resources available in California to similar resources available in eight other states—Illinois, Indiana, Michigan, New Jersey, New York, Ohio, Pennsylvania, and Texas. The report was to have been delivered to the California Postsecondary Education Commission (CPEC) by December 15, 1983, and CPEC was to present its comments on the report to the Legislature by January 15, 1984. The SAC did not submit the report until January 9, 1984; consequently, CPEC was unable to comment on the report prior to the publication of this analysis.

a. *Report Findings.* The major finding of the report is that the seven states which responded to the survey vary considerably in (1) the manner in which eligibility for financial aid is determined and (2) the level of financial aid provided. Table 5 compares 1982–83 data on the total dollars and number of awards granted in California with comparable data for the seven responding states. It shows that:

- New York spent the most on total financial aid by providing approximately \$318.8 million for 370,992 awards in 11 programs; and
- California provided the largest average grant (\$1,508), and the largest maximum award (\$5,500.)

Table 5
Support of State Administered
Student Aid in California and Seven Other
Industrial States, 1982–83

State ^a	Total Number of Programs	Total Number of Awards	Award Amount			Total Dollars ^b
			Minimum	Maximum	Average	
California.....	6	64,090	\$100	\$5,500	\$1,508	\$96,695
Illinois	4	106,690	100	2,000	866	92,881
Indiana	3	38,371	250	1,174	575	22,081
New Jersey	6	63,353	200	4,000	608	38,515
New York	11	370,992	100	4,000	859	318,856
Ohio	3	59,556	180	2,250	677	40,327
Pennsylvania	1	119,518	100	1,500	709	84,708
Texas	5	24,939	50	1,328	885	22,061

^a Michigan did not report.

^b Includes state and federal State Student Incentive Grant dollars.

Table 6
Comparison of Student Aid Program Characteristics in
California and Seven Other Industrial States, 1982-83

<i>State</i>	<i>Number of Programs</i>				<i>Purpose</i>					<i>Selection Criteria</i>				
	<i>Graduate</i>	<i>Under Graduate</i>	<i>Graduate and Under Graduate</i>	<i>Total</i>	<i>Access for Disadvantaged Minority Students</i>	<i>Academic Discipline Specific</i>	<i>Law Enforcement Dependents</i>	<i>Scholarship Only</i>	<i>Veterans</i>	<i>Choice of Private or Public College</i>	<i>Merit only</i>	<i>Financial Need only</i>	<i>Merit and Need</i>	<i>Entitlement</i>
California.....	1	5	—	6	1	3	1	—	—	1	—	—	6	—
Illinois.....	—	3	1	4	—	—	2	—	1	1	2	—	1	1
Indiana.....	—	3	—	3	—	—	—	1	—	2	1	—	2	—
New Jersey.....	1	3	2	6	—	—	—	1	3	2	—	—	3	3
New York.....	3	5	3	11	1	4	1	—	1	4	3	3	4	1
Ohio.....	—	3	—	3	—	—	—	1	1	1	1	2	—	—
Pennsylvania.....	—	1	—	1	—	—	—	—	—	1	—	—	1	—
Texas.....	—	3	2	5	1	—	—	3	—	1	1	1	3	—

STUDENT AID COMMISSION—Continued

Table 6 compares characteristics of student aid programs in California and the seven other states. It shows that:

- All seven states offer recipients the choice of public or private college by making grants directly to individuals;
- All seven states provide targeted student aid for special purposes such as (1) academic merit, (2) specific academic disciplines, and (3) access for minority and disadvantaged students, veterans, and dependents of deceased law enforcement officers;
- All states use some mechanism for determining financial need in making awards. Only California and Pennsylvania, however, require demonstration of merit and financial need in all program; and
- Ohio, Pennsylvania, and Indiana provide no state-administered aid to graduate students.

b. *Comments of Legislative Analyst on the SAC Report.* The SAC report contains descriptive information on state-administered programs. It does not contain, however, information on total financial aid resources for each selected state, or identify institutional and federal financial aid, by source. As a result, the report shows that the objectives of California student aid programs differ from those of other states, but no information is provided to make comparisons about the allocation of student aid.

We cannot determine, for example, how the amount of *state-administered* aid in other states compares with the *total* amount of student aid in that state. In California, for example, the SAC administers approximately 10 percent of all available student aid (see Table 4). The data in the report are not sufficient to indicate whether the New York program is three times the size of the California program, or whether the New York counterpart to the SAC merely administers a larger percentage of total student aid. The SAC advises that it intends to conduct a follow-up survey to obtain this type of information.

4. Proposed General Fund Increase in Cal Grant Awards (Item 7980-101-001)

The budget proposes an appropriation of \$85,125,000 from the General Fund in the budget year for the five major programs administered by the commission. This is an increase of \$8.7 million over the current-year level. The increase consists of \$955,000 to increase the number of awards and \$7,750,000 to increase the size of the maximum awards.

In the postsecondary education overview section of this analysis, we note that the primary objectives of the SAC award programs have been (1) to provide access to postsecondary education by *reducing the cost barrier* to financially needy students and (2) to provide students the *choice* of attending a variety of postsecondary institutions. The discussion in the overview focused specifically on the Cal Grant A (scholarship) program, and found that the ability of the program to provide students the choice of attending private colleges was declining. We concluded that three factors are primarily responsible for this decline:

- increases in maximum awards have lagged behind tuition and fee increases,
- increases in the income ceiling used to determine program eligibility have not compensated for the impact of inflation on family income, and
- the lack of a clear state policy toward student aid, particularly with respect to private colleges.

These same conclusions also apply to the other SAC award programs, since no increase in either the number of awards or the maximum award has been provided since 1981-82.

After a brief description of each of the Cal Grant programs and the Graduate Fellowship program, we discuss the increases proposed by the Governor and evaluate the effect that these increases will have on the programs.

a. **Cal Grant A.** The Cal Grant A (Scholarship) program is the largest of the grant programs administered by SAC. Its primary purpose is to provide financially needy, academically able students the choice of attending public or private colleges in California. Current law authorizes SAC to make 14,900 new awards annually to students pursuing two- and four-year degrees at private and public institutions in the state. New and renewal awards will total 39,706 in 1983-84. The maximum award is \$3,400.

Applicants are screened to determine financial need, and winners are chosen on the basis of grade point average. Awards are provided for tuition and fees only. Total support for the program is \$80,767,000 in 1983-84. This includes \$74,348,000 from the General Fund and \$6,419,000 from federal State Student Incentive Grant (SSIG) funds.

b. **Cal Grant B.** While the main purpose of the Cal Grant A program is to provide financially needy students with a *choice* between public and private colleges, the Cal Grant B (College Opportunity Grants) program's purpose is to provide *access*—primarily to public higher education institutions—for low income and disadvantaged students. The Cal Grant B program provides 6,825 new awards annually. New and renewal awards will total 20,277 in 1983-84. The maximum grant is \$4,300, which includes a tuition and fee grant of \$3,200 and a living allowance of \$1,100. Total support for the Cal Grant B program is \$22,752,000 in 1983-84. This includes \$18,992,000 from the General Fund and \$3,760,000 from federal SSIG funds.

c. **Cal Grant C.** The Cal Grant C program (Occupational Training Grants) provides grants to students in occupational training programs of four months to two years in length. The awards are granted on the basis of financial need and student vocational interest. The awards may not be used for graduate study or undergraduate study leading to a four-year degree. Current law authorizes 1,337 new grants annually. New and renewal awards total 2,226 in 1983-84. Current-year support for Cal Grant C will total \$2,535,000. This includes \$2,065,000 from the General Fund and \$470,000 from federal SSIG funds. The program offers a tuition and fee award of up to \$2,000. In addition, a student may receive up to \$500 for a training allowance to offset miscellaneous educational expenses.

d. **Graduate Fellowship Program.** The Graduate Fellowship program is the only SAC program designed to assist students pursuing post-baccalaureate degrees. Current law authorizes SAC to provide a number of grants equal to 2 percent of total baccalaureate degrees granted in the state during the previous year. Over 200 new awards are provided annually. New and renewal awards will total 634 in 1983-84. In 1983-84, the level of funding is \$2,548,000 from the General Fund. The awards are available only for tuition and fees. The current maximum award is \$5,500.

5. Governor's Augmentation Proposal Lacks Analytical Basis

We recommend:

A General Fund reduction of \$3,041,000 to eliminate funds requested to increase the number of awards in the three Cal Grant programs and the Graduate Fellowship program because the increase is premature, given the absence of a clear policy toward student financial aid.

A comprehensive reevaluation of state student financial aid programs and policies during 1984-85 because program objectives are unclear. (Reduce Item 7980-101-001 by \$3,041,000.)

STUDENT AID COMMISSION—Continued

Table 7
Governor's Proposals for Programs Administered
by the Student Aid Commission
1984-85

Program	Maximum Award				Total Funding For Award Programs (thousands)				Number of New Awards			
	1983-84	1984-85	Change		1983-84	1984-85	Change		1983-84	1984-85	Change	
			Amount	Percent			Amount	Percent			Amount	Percent
Cal Grant A (Scholarship)	\$3,400	\$3,740	\$340	10.0%	\$55,480	\$62,520	\$7,040	12.9%	14,900	16,400	1,500	10.0%
Cal Grant B (Opportunity)	4,300	4,730	430	10.0	22,752	26,014	3,262	14.3	6,825	7,500	675	10.0
Cal Grant C (Occupational)	2,000	2,120	120	6.0	2,535	2,746	211	8.3	1,337	1,420	83	6.0
Graduate Fellowships	5,500	5,830	330	6.0	2,548	2,721	173	6.8	472	500	28	6.0
Totals	N/A	N/A	N/A	N/A	\$83,315	\$94,001	\$10,686	12.8%	23,534	25,820	2,286	9.7%

The Governor's Budget proposes expenditures for the three Cal Grant programs and the Graduate Fellowship program totaling \$94,001,000, of which \$82,331,000 is from the General Fund. This is \$10,686,000, or 13 percent, above current-year expenditures for these programs. The increase includes \$7,645,000 for increases in the maximum grant levels and \$3,041,000 to increase the number of awards.

We believe that the Governor's proposal to increase the maximum level of Cal Grant and Graduate Fellowship awards is reasonable since it addresses the impact of inflation on tuition costs and student expenses in programs which have not received inflation adjustments since 1981-82. While the proposed increases are inconsistent, they are not excessive, consequently we recommend approval. For reasons to be discussed below, however, we do not recommend approval of the proposed increases in the numbers of awards.

Table 7 shows the manner in which these increases will be allocated to the four programs. It shows an increase of 2,286 new awards over the 23,534 granted in the current year. Individual program increases range from 6 percent increases in both the number of awards and the maximum award level for the Cal Grant C and the Graduate Fellowship programs, to 10 percent increases in the number of awards and the maximum award level for the Cal Grant A and B programs.

a. **Big Rise in Future Costs.** We note that the administration's request for \$3 million to expand the number of awards by 2,286 creates an ongoing funding obligation which will increase dramatically over the next few years. This is because (1) 2,286 new awards would be granted each year and (2) the new award winners may be eligible to renew their awards for up to three years. The administration has provided no estimate of the future-year costs associated with its proposal. The SAC estimates, however, that by the fourth year, the 1984-85 increase in the number of awards would result in a cumulative General Fund cost of \$23,984,000. This estimate assumes current-year renewal rates for awards and no further increase in either the number of awards or the level of the maximum award.

b. **No Plan Provided.** The proposed augmentations for student aid would provide students with both increased choice and increased access to institutions of higher education in 1984-85. The administration, however, has offered no detailed policy statement in support of these augmentations. In the absence of such a statement, we have no analytical basis for evaluating the proposals, which appear to provide for increases that, essentially are arbitrary. We cannot determine, for example, on what basis the administration has proposed a 10-percent increase for the Cal Grant A and B programs, but only a 6-percent increase for the Graduate Fellowship and the Cal Grant C programs. Consequently, we cannot determine whether the proposed increases in the number of awards serve a clear policy objective.

c. **Number of Awards.** We believe that an increase in the number of student financial aid awards may be appropriate. However, we believe that a thorough reevaluation of current state policy toward student financial aid should precede any increase in the number of awards, in order to provide the Legislature with a sounder basis for determining both the

STUDENT AID COMMISSION—Continued

number of awards and the distribution of awards among programs. The reevaluation should address:

- the extent to which the programs should achieve specific goals regarding (1) access (2) choice (private versus public college attendance), and (3) incentives for study in specific disciplines, and
- the basis for determining program eligibility,
- the methodology used to establish SAC program maximum awards,
- the basis for determining the number of awards to be made.

Pending completion of such a review, we believe that an increase in the number of Cal Grant or Graduate Fellowship awards would be premature. Such a review could be conducted by the California Postsecondary Education Committee (CPEC), the SAC or a Select Committee of the Legislature.

d. **Recommendation.** In conclusion, we recommend that (1) the maximum award levels in the Cal Grant and Graduate Fellowship programs be increased to recognize the impact of inflation but (2) no increase be authorized in the number of awards at this time.

Specifically:

- We recommend:

Approval of the proposed increases in the maximum Cal Grant and Graduate Fellowship awards.

- Deletion of \$3,041,000 requested to provide an additional 2,286 awards in the three Cal Grant programs and the Graduate Fellowship program because an increase in the number of these awards at this time would be premature, given the absence of a clear policy toward state student financial aid.

- A comprehensive reevaluation of state student financial aid programs and policies be made during 1984–85 because the current program objectives are unclear.

5. Bilingual Teacher Grant Program

We recommend a General Fund reduction of \$184,000 requested to increase the number of awards in the Bilingual Teacher Grant program because the budget provides no evidence that the current program is effective in producing bilingual teachers and thus an expansion is premature (Reduce Item 7980-101-001 by \$184,000).

a. **Background.** Chapter 1261, Statutes of 1982, created the Bilingual Teacher Grant (BTG) program in the Student Aid Commission (SAC). The purpose of this program is to expedite the credentialing process for persons pursuing careers as bilingual teachers. The program is open to low-income state residents who (1) demonstrate oral proficiency in a non-English target language and (2) enroll in a four-year institution in a bilingual credential program approved by the Commission on Teacher Credentialing (CTC). In the current year, the program will provide grants to 932 participants in 62 institutions.

b. **Budget Proposal.** The budget requests a total of \$3,282,000 from the General Fund for the BTG program in 1984–85—an increase of \$324,000, or 11 percent, over the current-year expenditure level of \$2,958,000. The increased funding level will be used to increase (1) the number of new BTG awards from 340 per year to 408, an increase of 68 awards (20 percent), at a cost of \$105,000, (2) the maximum grant, from \$3,600 to \$3,816, (an increase of \$216, or 6 percent) at a cost of \$184,000, and (3)

administrative costs by \$35,000 or 2.6 percent. We recommend approval of the proposed increase in the maximum award levels. We do not, however, recommend approval of the proposed numbers of awards for reasons discussed below.

c. *Program Performance to Date Does Not Justify an Increase in the Number of Awards.* Our review indicates that the proposed increase in the number of awards is not justified by this program's performance to date.

The current year is the BTG program's third year of operation. As noted above, the purpose of the BTG program is to expedite the credentialing process. The SAC attempts to do this by ranking eligible award winners by how close they are to completing their credential. As a result, master's degree candidates have preference over college seniors, and seniors have preference over juniors. Table 8 shows program participation to date. It shows that:

- In 1982-83, 106 award winners received a bilingual emphasis credential;
- In 1983-84, 119 award winners will receive a bilingual emphasis credential;
- 304, or 31 percent, of the 1981-82 winners dropped out of the program in 1982-83; and
- 240 additional award winners dropped out in 1983-84.

No data are available to show the number of persons employed as bilingual teachers in California schools who received their bilingual credentials after participating in the BTG program.

Table 8
Bilingual Teacher Grant Program Participation
1981-82 through 1983-84

<i>Number of Grants</i>	<i>1981-82</i>	<i>1982-83</i>	<i>1983-84</i>
New grants	979	433	339 ^a
Renewals	N/A	552	593
Subtotal	979	985	932
Non-renewals	N/A	427	392
Bilingual emphasis credential holders	N/A	(106)	(119)
Degree completed ^b	N/A	(17)	(33)
Dropped from program	N/A	(304)	(240)
Totals, Grants	979	1,412	1,324

^a Includes one grant less than the total authorized (340).

^b Includes students who are in the process of obtaining a credential and students who are awaiting the results of the California Basic Education Skills Test (CBEST), which is required of all credentialed teachers in the state.

The SAC advises that it is too early to say whether the BTG program has met its intended objectives, since many of the original program participants are continuing to pursue their degrees. Our analysis of program accomplishments to date, however, indicates that it is also premature to expand the program. The administration has provided no data to support its request for an expansion in the number of awards. More importantly, given the data in Table 8, it would appear that greater emphasis on effectively utilizing the existing number of awards is needed before more awards are provided.

For these reasons, we recommend deletion of the \$184,000 proposed to provide an increase of 68 BTG awards.

STUDENT AID COMMISSION—Continued

d. *Program Reevaluation.* We believe the Bilingual Teacher Grant program warrants a thorough review. This review should seek to identify the reforms needed to increase the number of award winners who continue in the program and become bilingual teachers.

6. Federal Trust Fund (Item 7980-101-890)*We recommend approval.*

The budget proposes \$11,670,000 in federal SSIG funds to support the Cal Grant A, B, and C award programs in 1984-85. This represents an increase of \$2,270,000, or 24 percent, over the current-year level. This increase reflects the restoration of a one-time, current-year reduction in SSIG funds and returns funding to the 1982-83 level. These funds are derived from the State Student Incentive Grant (SSIG) program, which is designed to provide an incentive for states to establish or expand grant assistance programs. Our analysis indicates that the proposed appropriation is consistent with legislative intent. Accordingly, we recommend that it be approved.

C. ADMINISTRATION (Item 7980-001-001 and Item 7980-001-951)

The SAC's administration unit provides the services necessary to support the commission's programs.

Funding and Staffing

The budget proposes \$5,191,000 from the General Fund for administration of the commission's program in 1984-85. This is \$534,000, or 12 percent above current year expenditures for this purpose.

Table 9 shows support for the SAC's administrative unit in the prior, current, and budget years.

Table 9
Student Aid Commission
Administration
(dollars in thousands)

	<i>Actual</i> <i>1982-83</i>	<i>Estimated</i> <i>1983-84</i>	<i>Proposed</i> <i>1984-85</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Cal Grant A	\$1,726	\$1,761	\$2,077	\$316	17.9%
2. Cal Grant B	1,178	1,239	1,340	101	8.2
3. Cal Grant C	225	231	249	18	7.8
4. Graduate Fellowship	192	186	208	22	11.8
5. Bilingual Teacher Grant	453	461	496	35	7.6
6. Law Enforcement Personnel Dependent Grants	3	2	2	—	—
7. Cal-SOAP	320	329	348	19	5.8
8. Teacher Shortage Loan Assumption Program	—	118	116	-2	1.7
9. Guaranteed Loan	7,131	4,880	5,963	1,083	22.2
10. Financial aid information	173	147	159	12	8.2
11. Research	191	183	196	13	7.1
12. Executive administration	(922)	(910)	(1,115)	(205)	22.5
Totals	\$11,592	\$9,537	\$11,154	\$1,617	16.9%
General Fund	\$4,661	\$4,637	\$5,191	\$534	11.5%
State Guaranteed Loan Reserve Fund	7,131	4,880	5,963	1,083	22.2

The budget proposes funding for 180.8 full-time equivalent positions for this unit in 1984-85, which is the same number of positions the SAC is authorized in the current year. While the total number of positions remains constant, the budget proposes a change in the *mix* of positions. Specifically, the budget proposes to reduce 5.5 temporary help positions to comply with the Governor's directive to reduce the statewide workforce by 3 percent. This leaves the commission with 11.3 temporary help positions in 1984-85. The budget proposes to transfer funds associated with the temporary help positions (\$44,000) to the department's interdepartmental consultant and professional services budget. We can identify no significant adverse effect from the proposed reduction in positions.

At the same time, the budget proposes to *add* 5.5 new positions, including three specialists for the Guaranteed Student Loan program, one budget analyst, and one program technician for state administration. Workload adjustments add an additional 0.5 position.

2. California Teacher Shortage Loan Assumption Program

We recommend that the Legislature adopt supplemental report language directing the Student Aid Commission to report annually to the Joint Legislative Budget Committee and the legislative fiscal committees on the performance of the California Teacher Shortage Loan Assumption Program.

Chapter 498, Statutes of 1983 (SB 813), authorized the Student Aid Commission (SAC) to establish and administer a California Teacher Shortage Loan Assumption (CTSLA) program. The purpose of the program is to increase the ability of public schools to attract and retain teachers in the fields of mathematics, science, and "other critical shortage areas" as defined by the Superintendent of Public Instruction. In order to be eligible to participate in the program, applicants (1) must have a baccalaureate degree which qualifies them to teach in one of the designated areas and (2) must have received loans under the Federal Guaranteed Student Loan (FGSL) program, National Direct Student Loan (NDSL) program, or other loan programs approved by the SAC.

This program provides that, if an eligible participant teaches for three years in a school district with a shortage of teachers in one or more of the designated subject areas, the state will repay up to \$8,000 of the participant's outstanding student loans. The act authorizes the SAC to assume, (1) up to \$2,000 of the student loan after the participant completes one school year of teaching service, and (2) an additional amount of up to \$3,000 *per year* after the participant completes the remaining two years of service. Program participants who fail to complete three years of teaching service, however, are required to assume full liability for their student loans—including any portion which might have been assumed by the state.

a. **Budget Proposal.** Chapter 498 appropriated \$100,000 annually in 1983-84 and 1984-85 to the Student Aid Commission to administer the CTSLA program. The Governor's Budget reflects the \$100,000 statutory appropriation in the commission's budget for 1984-85, but provides no additional funding for program administration or for the costs of assuming student loan obligations.

Because the act requires SAC to begin assuming loan obligations only upon the completion of the teacher's first year of service, it is unlikely that the commission will incur any costs for loan assumptions prior to the 1985-86 fiscal year. The amount necessary to assume student loans will

STUDENT AID COMMISSION—Continued

depend on the number of students who successfully complete their service obligations and the value of the loans assumed.

At the time this analysis was written, SAC was drafting guidelines for the implementation of the CTSLA program, based on the assumption that selected participants would begin their first year of teaching service in September 1984.

b. *Program Data Needed.* Senate Bill 813 did not require periodic evaluation of the CTSLA program. We believe such evaluation is necessary in order to help the Legislature determine the effectiveness of the CTSLA program in increasing the numbers of teachers in critical shortage areas. Accordingly, we recommend that the Legislature adopt the following supplemental report language which directs the SAC to obtain specified information on the CTSLA program, beginning with the 1984-85 year:

"California Teacher Shortage Loan Assumption Program. The SAC shall report annually to the Joint Legislative Budget Committee and the fiscal committees on the California Teacher Shortage Loan Assumption Program. The report should contain data on:

- the number of applicants,
- the total number and value of loans assumed in each loan program,
- the subject specialty of teacher participants in the program,
- the program completion and attrition rates, and
- the loan default rate.

This information shall be provided no later than November 30, 1984, and annually thereafter, in order to assist the Legislature in evaluating the effectiveness of the program."

3. California Student Opportunity and Access Program is Continued

a. *Background.* The Student Aid Commission (SAC) established the California Student Opportunity and Access Program (Cal-SOAP) in 1979, pursuant to Chapter 113, Statutes of 1978 (AB 507). The purposes of the program are to encourage (1) academic achievement, (2) college preparation, and (3) college attendance by minority and low income high school students. This is done through intersegmental programs involving K-12 schools and the public postsecondary segments. These arrangements are intended to provide alternatives to single institution outreach programs administered by each of the public postsecondary segments.

The original legislation authorized five projects to be operated on a pilot basis through June 30, 1983, (the law's expiration date). Chapter 1199, Statutes of 1983 (SB 800), extended Cal-SOAP through January 1, 1989.

b. *Program Implementation.* The SAC has implemented Cal-SOAP through five grants to intersegmental consortia in six counties—Santa Clara, Alameda, Contra Costa, San Diego, Orange, and Solano. Alameda and Contra Costa counties share a program. (In the current year, the Orange County program was eliminated, leaving a total of four projects.) Each project provides tutoring, peer counseling, and information to high school and community college students.

c. *CPEC Evaluation.* The California Postsecondary Education Commission (CPEC) completed an evaluation of Cal-SOAP in February, 1983. The report concluded that although individual project performance varied, overall the Cal-SOAP program had effectively encouraged intersegmental cooperation in outreach and program services, particularly in the University of California and the California State University.

d. Budget Proposal

We recommend that the Student Aid Commission report to the fiscal committees during budget hearings on the impact of expanding the number of Cal-SOAP projects, given funding limitations on the program.

Chapter 1199 included no appropriation for Cal-SOAP but authorized annual funding through the Budget Act on a dollar-for-dollar matching basis. The 1984-85 budget proposes \$348,000 from the General Fund for the Cal-SOAP program. This is an increase of \$19,000, or 6 percent, over current-year support for the program. The matching funds will bring the proposed program level to \$696,000 in 1984-85.

The SAC advises that the increase will be used for additional program grants. The amount may, however, result in decreased awards for the current projects. This is because Chapter 1199, unlike the original legislation, contains no restriction on the number of projects and the SAC advises that it may fund a total of six projects, or two more than it currently funds.

The SAC will determine the total number of projects during the award process later in the spring. If SAC funds a total of six projects, individual project funding would average \$55,000, which is \$13,800, or 25 percent, below the average base funding level of \$68,800.

Existing Cal-SOAP project directors are concerned that such a reduction might adversely affect their programs. Our analysis indicates that this concern is valid. Accordingly, we recommend that the commission report during budget hearings on the program impact of expanding the number of projects, at the proposed funding level.

4. Proposed California Financial Aid Delivery System

The Student Aid Commission has approved a staff recommendation to establish a three-year, four-phase project called the California Financial Aid Delivery System (CFADS). The purpose of CFADS is to streamline the administration of institutional, state and federal student financial aid—particularly student loans—for lenders, educational institutions, students, and parents. The SAC proposes a system which, when fully operational, will consolidate, centralize, and automate various aspects of the operation of financial aid programs administered by campuses, lending institutions, and the state. The planning phase of the project began in October, 1983. The SAC anticipates that the system will be established on a pilot basis by 1985-86. The commission staff advises that SAC is seeking legislation to authorize the development of such a system.

D. STATE GUARANTEED STUDENT LOAN PROGRAM (Item 798-001-951)

The SAC administrative unit is the state guarantee agency for the Federal Guaranteed Student Loan (GSL) program, which provides low interest loans to college students. The state's responsibilities include monitoring lending institutions to assure compliance with federal policies, and providing services necessary to collect outstanding loans. These activities are conducted on a self-supporting basis. Funding is derived from (1) insurance premiums paid for each guaranteed loan and (2) administrative cost allowances provided by the federal government. There is no General Fund support provided for this program.

STUDENT AID COMMISSION—Continued**1. Background**

As noted above, the GSL program provides low interest loans to college students. Any student whose family income is less than \$30,000 per year automatically qualifies for a loan. Students from families with annual incomes exceeding \$30,000 must demonstrate financial need in order to qualify for a loan. The maximum loan is \$2,500 per year for undergraduate students and \$5,000 per year for graduate students.

To secure a loan, a student must pay the lender an origination fee equal to 5 percent of the principal. In addition, an insurance policy must be issued for the loan. An insurance premium is established by SAC and is paid by the student for the period running from the date on which the loan is disbursed to 12 months beyond the date on which the student is expected to complete his or her education. The current premium is 1 percent of the loan balance per annum.

The current interest rate on the GSL loans is 9 percent. Students are required to begin payments on their loans six months after completing their education. Table 10 shows the increase in the volume of loans guaranteed by the state during the past 4 years.

Table 10
Student Aid Commission
Volume of Loans Guaranteed
(dollars in millions)

	<i>Number</i>	<i>Dollar Volume</i>	<i>Dollar Change</i>	
			<i>Amount</i>	<i>Percent</i>
1980-81	142,341	\$469.6	—	—
1981-82	237,825	654.4	\$184.8	39.4%
1982-83	193,683	567.3	-87.1	-13.3
1983-84 (estimated)	232,727	640.0	72.7	12.8
Totals	806,576	\$2,331.3	—	—

Loan Processing Agreement. In January 1983, SAC signed a three-year \$6.9 million contract with a private contractor, Electronic Data Systems (EDS), that provides for the processing of student loans under the GSL program. Specifically, the agreement requires EDS to perform the following tasks:

- process student loan applications;
- maintain a data base which tracks the status of loans during their full term, including any default period;
- collect defaulted loans after the efforts of lenders have been exhausted; and
- purchase defaulted loans as the fiscal agent for the commission.

As a result, EDS is responsible for the day-to-day operation of the loan program while the commission staff monitors the contract, develops program and policy guidelines, and provides coordination among lenders, institutions, the federal government, and the commission.

Table 11
Default Rates in the Guaranteed Student Loan Program*
as of October 31, 1982 and November 30, 1983

<i>Default Rates</i>	<i>University of California</i>		<i>California State University</i>		<i>California Community Colleges</i>		<i>Private Two-Year</i>		<i>Private Four-Year</i>		<i>Private Vocational</i>	
	<i>1982</i>	<i>1983</i>	<i>1982</i>	<i>1983</i>	<i>1982</i>	<i>1983</i>	<i>1982</i>	<i>1983</i>	<i>1982</i>	<i>1983</i>	<i>1982</i>	<i>1983</i>
0-5.0 percent	2	5	12	2	23	4	4	1	56	50	28	13
5.1-10.0	8	5	8	15	22	11	2	8	23	42	17	23
10.1-15.0	—	—	—	3	12	30	7	4	11	15	18	40
15.1-20.0	—	—	—	—	6	28	1	3	1	3	13	23
20.1-30.0	—	—	—	—	1	21	—	2	1	3	16	42
30.1-40.0	—	—	—	—	—	2	—	—	—	—	7	26
Over 40.0	—	—	—	—	—	—	—	—	—	—	5	11
Total Institutions Reporting	10	10	20	20	64	96	14	18	92	113	104	178
Average Default Rate	2.8%	4.8%	4.7%	7.1%	8.8%	16.5%	8.0%	10.5%	4.8%	6.7%	16.3%	22.1%
Cumulative Loan Value (dollars in mil- lions)	\$225.6	\$337.8	\$288.9	\$442.4	\$155.8	\$249.7	\$23.8	\$41.1	\$432.4	\$662.5	\$155.6	\$311.9

* Applies only to those institutions with loans of at least \$25,000 in repayment status.

STUDENT AID COMMISSION—Continued**2. Loan Defaults—A Growing Problem**

Because the GSL is a relatively new program, 1981–82 was the first year in which recipients began to repay loans made under the program. Table 11 shows the default rate experience for the past two years (as of October 31, 1982, and November 30, 1983). It shows that (1) the University of California has maintained the lowest default rate—4.8 percent in 1983–84, and (2) private vocational schools have maintained the highest default rate—22 percent in 1983. The U.S. Office of Education has notified the commission of its dissatisfaction with the default rate in California. In response, the commission has requested an increase in its 1984–85 budget to address the increasing default rate in the GSL program. We discuss this proposal later in this analysis.

3. Level of Reserve Funds Declines

Table 12 shows the reserve levels for the Guaranteed Loan Reserve Fund. These funds, which are set aside to help cover the costs of defaulted loans, have been accumulated from the 1 percent insurance premiums paid by GSL recipients. The table shows that the percentage of reserve fund coverage has declined since 1981. The commission advises that this drop is primarily attributable to the increase in the default rate for student loans.

Table 12
Student Aid Commission
Status of Guaranteed Loan Reserve Fund

<i>Date</i>	<i>Reserve Fund</i>	<i>Loans Guaranteed</i>	<i>Percentage of Reserve Fund Coverage</i>
June 30, 1980.....	\$4,757,641	\$170,000,000	2.80%
June 30, 1981.....	16,273,100	640,000,000	2.54
June 30, 1982.....	28,646,741	1,328,000,000	2.16
June 30, 1983.....	30,332,774	1,797,000,000	1.69

4. Reinsurance Contract

In addition to the funds available in the reserve, the commission has a reinsurance contract with the federal government that limits its liability for defaults. This reinsurance contract enables the commission to repay only a small portion of the unpaid balance on defaulted loans, with the federal government absorbing the remaining costs. Under the terms of the contract, however, the higher the state's default rate, the greater the contribution that the state must make toward paying off the defaulted loans. Table 13 shows the reinsurance coverage and the state guarantee agency's liability for varying rates of default.

5. Change in Federal Reimbursement Budgeting Procedures

Under current practice, funds for the purchase of defaulted loans are displayed in the commission's operating expense schedule that is part of the Governor's Budget. If the amount is insufficient to cover the loans in default, SAC can request an augmentation for the deficiency under Section 28 of the Budget Act. Such an augmentation would be needed to solve the cash-flow problem created by the lag between the time the SAC purchases defaulted loans from commercial lenders and the time it is reimbursed by the federal government.

Table 13
Federal Reinsurance Coverage
and State Agency Payments
on Defaulted Loans

<i>Default Rate</i>	<i>Federal Reinsurance Coverage</i>	<i>State Guarantee Agency's Payment</i>
Up to 5 percent.....	100 percent of the amount of loans in default.	None.
5 percent to 9	Same as (1), plus 90 percent of the amount of defaulted loans for defaults in excess of 5 percent.	10 percent of the amounts in default for those defaulted loans in excess of 5 percent.
More than 9 percent	Same as (2), plus 80 percent of the amount of defaulted loans for defaults in excess of 9 percent.	Same as (2), plus 20 percent of the amounts in default for those defaulted loans in excess of 9 percent.

The budget for 1984-85 reflects a reclassification of funds proposed for the purchase of defaulted loans. Specifically, the budget shows these funds as a special item of expense, rather than as a line item in the support budget of the commission, as has been the practice in the past. In order to accomplish the change, two new accounts will be established for the commission. The *State Guaranteed Loan Reserve Fund* (GLRF—Item 7980-011-951) shows expenditures for the purchase of defaulted loans. A new federal fund item (7980-011-890) shows the federal reimbursement. Classifying the funding for the purchase of defaulted loans in this way will more clearly reflect expenditures for this purpose.

Legislative Notification Needed

We recommend deletion of proposed Budget Bill language regarding the purchase of defaulted loans because the language would delete a reporting requirement which assures that the Legislature is kept informed of changes in the rapidly growing Guaranteed Student Loan program.

The proposed appropriation of \$79,421,000 to the Guaranteed Loan Reserve Fund (GLRF) is an estimate of the amount needed to purchase defaulted loans in 1984-85. If a larger amount is needed, a deficiency will be created in the item. In order to provide funding for such a deficiency in a timely manner, the Budget Bill contains the following language in the GLRF item (7980-001-951):

“Notwithstanding the provisions of Item 9840-001-988, the Director of Finance may authorize the creation of deficiencies pursuant to Section 11006 of the Government Code, for the purposes of this item.”

The effect of this language is to eliminate a reporting requirement which would provide legislative notification of the deficiency. This is because the language in Item 9840-001-988 of the 1984 Budget Bill authorizes the Department of Finance to pay deficiencies upon approval of the Director of Finance only after 30 days notification of the action has been given to the Joint Legislative Budget Committee. In contrast, Section 11006 of the Government Code authorizes the Department of Finance to pay deficiencies with the written consent of the Governor, with no notification to the Legislature.

a. *Authority Too Broad.* Our analysis indicates that the new language is inappropriate. It authorizes significant administrative discretion to make transactions in a program which is rapidly changing. While we agree that it is difficult to estimate the funding requirements for the purchase of defaulted loans, and recognize that deficiencies should be paid

STUDENT AID COMMISSION—Continued

in a timely manner, we see no reason why this should occur without adequate legislative notification. Accordingly, we recommend that the proposed language in Item 7980-001-951 be deleted.

6. GSL Administrative Costs

The Governor's Budget proposes a funding level of \$5,963,000 for GSL administration, which is \$1,083,000, or 22 percent, above the current-year level. This increase consists of:

- \$682,000 for monitoring and lender compliance activities associated with increases in the number of defaulted loans. This amount includes \$168,924 for three additional professional positions, \$438,000 for adjustments to the loan servicing contract, and \$75,076 for additional contract services; and
- \$401,000 for operating expenses to support the commission's administrative staff.

a. *Positions for Increased Workload.* The SAC advises that the U.S. Office of Education has notified the commission of its dissatisfaction with the increasing default rate in the California loan program. As a result, the budget requests three positions and \$168,924 from the GLRF to deal with this problem. Specifically, the commission proposes three specialists to provide additional monitoring of the loan processing contractor and to increase the commission's efforts to collect on defaulted loans. The specialists would work with other state agencies, such as the Franchise Tax Board and the State Attorney General, in pursuing administrative action to collect on defaulted student loans. Our analysis indicates that the positions are needed and we recommend that they be approved.

b. *Contract Adjustments.* The budget also requests \$438,000 to cover increased costs for the loan processing contract with Electronic Data Systems. The contractor has required monthly contract adjustments to perform a variety of tasks, such as providing credit information on students and generating automated loan documents. These functions are necessary, but they were not specifically included in the request for proposal or the original contract. As a result, the cost of the contract adjustments will increase by \$420,000 in the current year and by \$438,000 in the budget year.

Our review indicates that (1) these tasks must be performed as part of the day-to-day operations of the loan program and (2) the costs are reasonable. Consequently, we recommend approval of the amount requested for contract adjustment.

7. Funds For Consultant Services Unjustified

We recommend the deletion of \$75,076 from the GLRF because SAC has provided no justification for proposed increases in interdepartmental consultant and professional services. (Reduce Item 7980-001-951 by \$75,076).

The commission is requesting \$75,076 in interdepartmental consultant services funds for GSL monitoring and lender compliance activities. Normally, staff positions would be requested to handle this workload, but SAC advises that consultant contract funds are being sought, instead, in order to comply with the Governor's decision to reduce the number of authorized positions in state government. Consequently, SAC proposes to contract with local universities to provide additional oversight of loan activities.

The budget includes no information, however, which indicates (1) why the proposed three positions (discussed previously) would not be sufficient to meet the increased workload or (2) how such an arrangement would assist the commission in carrying out any additional compliance or monitoring activities. As a result, we have no reason to believe the funds are needed and recommend deletion of \$75,076 from the GLRF requested for consultant and professional services.

General Government
OFFICE OF CRIMINAL JUSTICE PLANNING

Item 8100 from the General
Fund and various funds

Budget p. GG 1

Requested 1984-85	\$24,739,000
Estimated 1983-84	25,849,000
Actual 1982-83	11,979,000
Requested decrease (excluding amount for salary increases) \$1,110,000 (-4.3 percent)	
Total recommended reduction	1,040,000

1984-85 FUNDING BY ITEM AND SOURCE

Item	Description	Fund	Amount
8100-001-001—Support		General	\$2,437,000
8100-001-241—Support		Local Public Prosecutors and Public Defenders	68,000
		Training	
8100-001-425—Support		Victim/Witness Assistance	909,000
8100-001-890—Support		Federal Trust	(374,000)
Chaper 917/80—Support		General	35,000
8100-011-890—State Operations		Federal Trust	(1,500,000)
8100-101-001—Local Assistance		General	10,225,000
8100-101-241—Local Assistance		Local Public Prosecutors and Public Defenders	495,000
		Training	
8100-101-425—Local Assistance		Victim/Witness Assistance	10,570,000
8100-101-890—Local Assistance		Federal Trust	(4,380,000)
Totals			\$24,739,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. *Local Assistance Grants. Reduce Item 8100-101-001 by \$767,000 (General Fund).* Recommend deletion of grants to local agencies because alternate funding is available. 1973
2. *Crime Prevention Expansion. Reduce Item 8100-101-001 by \$127,000 and Item 8100-101-425 by \$46,000.* Recommend that funds requested for expanded state activity be redirected from grants to local agencies, because these activities should result in a more cost-beneficial use of state-wide resources and benefit local programs. 1975
3. *Facilities Operations. Reduce Item 8100-001-001 by \$64,000 (General Fund), and various other items by \$36,000.* Recommend deletion of \$100,000 requested for facilities operations because the amount exceeds demonstrated needs. 1976