

of substantial annual fluctuations in revenues. The Governor's Budget proposes to maintain the credential fee at the current level of \$50. Our analysis indicates that this fee level will provide for (1) a \$1.5 million (24 percent) "prudent reserve" balance in the Teacher Credentials Fund at the end of 1987-88, and (2) a \$1.1 million balance in the Test Development and Administration Account. We concur with the appropriateness of this fee level.

### CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

Item 6420 from the General  
Fund and Federal Trust Fund

Budget p. E 59

Requested 1987-88 .....	\$5,340,000
Estimated 1986-87 .....	5,859,000
Actual 1985-86 .....	7,034,000
Requested decrease (excluding amount for salary increases) —\$519,000 (—8.9 percent)	
Total recommended reduction .....	None

#### 1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6420-001-001—Main support	General	\$3,261,000
Reimbursements	—	905,000
Subtotal		\$4,166,000
6420-001-890—Program administration	Federal	\$91,000
6420-101-890—Local assistance	Federal	1,083,000
Total		\$5,340,000

#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. University of California Student/Faculty Workload Formula Study. Recommend the Legislature adopt supplemental report language directing CPEC to examine and report on the student/faculty workload formula used by the University of California.

1069

#### 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; however, representatives of postsecondary institutions provide advice to the commission through a special advisory committee.

The commission is budgeted 51.7 personnel-years in the current year.

**CALIFORNIA POSTSECONDARY EDUCATION COMMISSION—Continued****OVERVIEW OF THE BUDGET REQUEST**

The budget proposes \$5.3 million from various funds for support of CPEC in 1987-88. This is 8.9 percent (\$519,000) less than estimated current-year expenditures.

Table 1 summarizes expenditures and funding sources for the commission in the prior, current, and budget years. The table has not been adjusted to reflect any potential savings which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures. The 1987-88 budget proposes a General Fund appropriation for CPEC of \$3.3 million, a reduction of \$640,000 (16 percent).

**Table 1**  
**California Postsecondary Education Commission**  
**Expenditures and Funding**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

<i>Elements</i>	<i>Actual 1985-86</i>	<i>Est. 1986-87</i>	<i>Prop. 1987-88</i>	<i>Percent Change From 1986-87</i>
Executive .....	\$739	\$780	\$1,099	40.9%
Research and evaluation.....	1,273	2,090	1,302	-37.7
Administration and management information services .....	5,022	2,989	2,975	-0.5
Special adjustment .....	—	—	-36	NA
Totals .....	\$7,034	\$5,859	\$5,340	-8.9%
Funding Sources				
General Fund .....	\$3,187	\$3,901	\$3,261	-16.4%
Federal funds.....	2,505	1,216	1,174	-3.5
Reimbursements .....	1,342	742	905	22.0
Personnel-years .....	50.5	51.7	51.7	—

The major funding shifts in the executive and research/evaluation elements shown in Table 1 largely reflect the start or completion of special studies. In the budget year, CPEC's executive staff will begin a \$300,000 study of space standards, which accounts for the 41 percent increase shown for this unit. In the current-year, CPEC's research and evaluation unit completed two major studies at a cost of \$715,000 which accounts for the 38 percent decrease in 1987-88. Table 2 shows the budget changes proposed for 1987-88.

**Table 2**  
**California Postsecondary Education Commission**  
**General Fund 1987-88 Budget Changes**  
**(dollars in thousands)**

1986-87 Expenditures (Revised) .....	\$3,901
Proposed Changes:	
A: Workload Changes .....	-715
1. 1986 student eligibility study .....	-\$300
2. Staff development study .....	-400
3. Community college study .....	-15
B. Cost Adjustments .....	2
1. Computer equipment .....	-10

2. Commissioner stipends.....	12	
C. Program Adjustments .....		109
1. Office automation printer.....	34	
2. Student feasibility study .....	75	
D. Special Adjustment .....		-36
1987-88 Expenditures (Proposed) .....		\$3,261
Change from 1986-87:		
Amount .....		-\$640
Percent .....		-16.4%

## ANALYSIS AND RECOMMENDATIONS

We recommend approval of all of the proposed changes shown in Table 2, which include the following major item:

- An increase of \$75,000 for a student data feasibility study. This money would be used to establish an Intersegmental Task Force to develop a report on the technical and fiscal requirements needed to implement a comprehensive student information system. This study is a follow-up to CPEC's report to the Legislature on this topic submitted in March 1986 in response to Chapter 1145/85. We believe that this study will answer questions raised by the Legislature on this topic.

In addition, we recommend approval of the following amounts not discussed elsewhere in this analysis:

- **Teacher Training Program (Federal Trust Fund, Items 6420-001-890 and 6420-101-890).** The budget proposes expenditures of \$1.2 million from the Federal Trust Fund for second-year funding of a grant program designed to improve the skills of teachers and the quality of instruction in mathematics, science, critical foreign languages, and computer learning in elementary and secondary schools. Of this amount, \$1.1 million is for local grants to school districts. The commission anticipates a third year of grants for this purpose.
- **Space Standards Study.** CPEC is requesting \$300,000 for a higher education space and utilization study in 1987-88. The money would be provided by redirecting \$100,000 from the proposed budgets of each of the three segments of higher education. The Legislature approved \$257,000 for this study in the 1986 Budget Bill by appropriating \$57,000 to CPEC (an additional \$43,000 was to be provided in 1987) and directing the two senior segments (the University of California and the California State University) to redirect \$100,000 from each of their budgets in partial support of the study. The Governor vetoed the CPEC appropriation. We believe the study would aid the Legislature in reviewing capital outlay requests from the education segments. Accordingly, we support the request.

## University of California Graduate Workload Formula Needs Examination

*We recommend that the Legislature direct CPEC to examine and report on the student/faculty workload formula used by the University of California (UC) to ascertain whether the formula provides excess instructional resources at the UC campuses.*

In the University of California (UC) section of this *Analysis* (please see Item 6440-001-001), we discuss the need for a study of the student/faculty

**CALIFORNIA POSTSECONDARY EDUCATION COMMISSION—Continued**

workload formula used by the UC. Our analysis indicates that the current workload formula may result in excess instructional resources on the UC campuses which, in turn, allows academic departments to overenroll graduate students. If this is the case, the university may be able to absorb additional growth in graduate student enrollment within current budgeted resources.

While we believe a strong case can be made that the workload formula generates excess instructional resources, we realize that other factors such as a depressed job market, can contribute to overenrollment. We therefore recommend that the Legislature adopt the following supplemental report language in Item 6420-001-001 directing CPEC to examine and report on the student/faculty workload measure used by the university:

"The California Postsecondary Education Commission shall examine the student/faculty ratio workload measure used by the University of California to determine whether the formula has resulted in "excess instructional resources" on the campuses and, if excess resources are found, recommend actions to remedy that situation. This report shall be submitted to the legislative fiscal committees and the Joint Legislative Budget Committee by January 1, 1988."

**Study of Adult Education Priorities**

The Commission on the Study of the Masterplan for Higher Education has recommended that CPEC "conduct a study of the current and projected need for and funding of noncredit adult education . . . in light of the state's changing demographics." Elsewhere in the K-12 section of this *Analysis* we discuss and recommend the need for this CPEC study to assess the state's priorities in funding different categories of adult education (please see Item 6100-156-001).

**THE UNIVERSITY OF CALIFORNIA**

Item 6440 from the General

Fund and various other funds

Budget p. E 65

Requested 1987-88 .....	\$1,875,424,000
Estimated 1986-87 .....	1,801,481,000
Actual 1985-86 .....	1,672,708,000
Requested increase (including amount for salary increases) \$73,943,000 (+4.1 percent)	
Total recommended reduction .....	15,378,000
Recommendation pending .....	20,533,000

**1987-88 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
6440-001-001—Main support	General	\$1,788,422,000
6440-001-046—Research	Transportation	956,000
6440-001-144—Research	Water	100,000
6440-001-814—Lottery revenue	Lottery	15,081,000
6440-006-001—Financial aid	General	35,288,000



6440-011-001—Compensation

General

28,152,000

6440-016-001—Hospitals

General

7,425,000

6440-490—Reappropriation

General

—

Total

\$1,875,424,000

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

1. **Graduate Enrollment. Reduce Item 6440-001-001 by \$1,153,000.** Recommend deletion because student/faculty workload formula should be reexamined before the state increases support for additional graduate students. 1082
2. **Teaching Assistant Training.** Recommend adoption of supplemental report language directing UC to implement the recommendations made in its 1986 task force report on improvements in the quality of teaching assistant instruction. 1085
3. **Instructional Equipment Replacement. Reduce Item 6440-001-001 by \$4 million.** Recommend transfer of \$4 million to the California State University in order to provide more consistency in the funding of instructional equipment replacement needs of the two segments. 1086
4. **Education Abroad Program.** Withhold recommendation on \$381,000, pending review of legislatively requested report due on March 1, 1987. 1087
5. **Keck Observatory. Reduce Item 6440-001-001 by \$1 million.** Recommend deletion of proposed request because this activity primarily supports the externally funded research program and, consequently, should be funded from the Regents' Opportunity Fund. 1089
6. **Superconducting Super Collider.** Withhold recommendation on \$1 million requested for further siting studies because no decision has been made by the Congress to build the facility. 1090
7. **Pacific Rim and Toxics Research. Reduce Item 6440-001-001 by \$750,000.** Recommend deletion of requested augmentations because UC has the ability to realign its research priorities within the base budget for its existing research program. 1091
8. **Robert B. Presley Institute.** Recommend adoption of supplemental report language expressing intent that future support for this institute be located in the Youth and Adult Correctional Agency budget rather than in the UC budget. 1092
9. **Teaching Hospitals.** Recommend UC be directed to restrict the allocation of the current-year operating subsidy to the difference between net gains in 1985-86 and net losses in 1986-87. 1094
10. **Teaching Hospitals. Delete Item 6440-016-001.** Recommend deletion of \$7.4 million requested for an operating subsidy in 1987-88 because of the uncertainty of projections of net gains and losses. Further recommend adoption of Budget Bill language expressing intent to appropriate up to \$12.4 million in the 1987-88 deficiency bill to offset net losses, if any. 1094

**THE UNIVERSITY OF CALIFORNIA—Continued**

11. *Teaching Hospitals. Reduce Item 6440-001-001 by \$700,000.* Recommend the 1985-86 operating subsidy be reduced to the legislatively approved amount. 1094
12. *Pre-tenure Development Award Program. Reduce Item 6440-001-001 by \$150,000.* Recommend deletion of augmentation because the program's objectives can be achieved within existing resources. 1099
13. *President's Fellowship Program. Reduce Item 6440-001-001 by \$200,000.* Recommend deletion of augmentation because the program would only redistribute minority and women faculty among universities, rather than increase the total number of such faculty members. 1100
14. *Laurel Heights.* Recommend adoption of new policy requiring UC to submit specific information on facilities acquired with non-state resources if the university wishes to qualify for state-funded maintenance and capital improvements of the acquired space. 1101
15. *Faculty Salaries.* Withhold recommendation on \$12.3 million proposed for faculty salary increases, in order to evaluate whether it is feasible to maintain parity with UC's comparison institutions. 1103
16. *Benefits.* Withhold recommendation on \$6.8 million requested for faculty and staff benefit increases, pending additional information. 1104
17. *Revenue Estimates.* Withhold recommendation on the current-year and budget-year revenue estimates, pending further review. 1105

**Overview of the Legislative Analyst's Recommendations**

We recommend General Fund reductions to the University of California's (UC) budget totaling \$15.3 million and withhold recommendations on \$20.5 million. None of our recommendations, however, would require any reduction in the services currently provided to students.

The largest individual reduction that we recommend—\$7.4 million—would eliminate funds requested to subsidize the operations of the teaching hospitals. Given the uncertainty of projecting hospital revenues and expenses, we believe a commitment of \$7.4 million in the 1987 Budget Act may set aside more than will be needed to cover actual losses. Too much money was set aside last year and it appears that too much is again being set aside in the current year.

The second largest reduction that we recommend—\$4 million—would transfer money from UC to the California State University system in order to provide more consistency in the funding of the instructional equipment needs of the two segments. We also recommend deletion of requested funds for increased graduate enrollments because our analysis indicates that the current student/faculty workload formula needs to be reexamined.

In the area of research, we recommend deletion of the request for Keck Observatory, which is located in Hawaii, because we believe that the Regents' Opportunity Fund is a more appropriate source of support for this facility. We also recommend deletion of the Pacific Rim and Toxics Research Program requests because UC has the ability to realign its re-

search priorities within its base research budget. Our recommended reductions regarding proposed augmentations in the affirmative action area reflect our conclusion that the proposed use of these funds would not increase the pool of minority and women faculty, but merely alter the distribution of these faculty among universities.

Our recommendations on UC's budget are summarized in Table 1.

Table 1

**Summary of Changes to the UC's 1987-88 Budget  
Recommended by the Legislative Analyst**

<i>Activity</i>	<i>Program Change</i>	<i>Funding Impact General Fund</i>	<i>Recommend- ation Withheld</i>
Graduate enrollments .....	-\$1,153,000	-\$1,153,000	—
Instructional equipment .....	-4,000,000	-4,000,000	—
Education abroad program .....	—	—	\$381,000
Keck observatory .....	-1,000,000	-1,000,000	—
Superconducting super collider .....	—	—	1,000,000
Pacific Rim/Toxics research .....	-750,000	-750,000	—
Teaching hospitals—budget year .....	-7,425,000	-7,425,000	—
Teaching hospitals—past year .....	—	-700,000	—
Pre-tenure development awards .....	-150,000	-150,000	—
President's fellowship program .....	-200,000	-200,000	—
Faculty salaries .....	—	—	12,300,000
Faculty and staff benefits .....	—	—	6,852,000
Totals .....	-\$14,678,000	-\$15,378,000	\$20,533,000

### GENERAL PROGRAM STATEMENT

The University of California (UC) was established in 1868 as California's land grant university. It encompasses eight general campuses and one health science campus. UC has constitutional status as a public trust, and is administered under the authority of a 26-member Board of Regents.

**Admission.** Admission of first-year students to UC is limited to the top one-eighth (12.5 percent) of California's high school graduates. Non-resident 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. UC plans to enroll approximately 141,000 students in 1987-88.

**Curriculum.** UC offers a broadly based undergraduate curriculum leading to the baccalaureate degree at each general campus. The university is the primary state-supported academic agency for research in California, and has sole authority among public institutions to award doctoral degrees in all disciplines, although it may award joint doctoral degrees with the California State University (CSU). In addition, the university has exclusive jurisdiction within the public higher education system over instruction in the professions of law, medicine, dentistry, and veterinary medicine. The university has 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 campuses has been delegated to the chancellor of each campus. The academic senate has been delegated the authority to

**THE UNIVERSITY OF CALIFORNIA—Continued**

determine admission and degree requirements, and to approve courses and curricula.

**Faculty and Staff.** The Legislature does not exercise position control over the university. Rather, the state appropriates funds to the university based on various workload formulas, such as one faculty member for every 17.61 undergraduate and graduate students. The university then determines how many faculty and other staff will actually be employed. Thus, review of actual and budgeted position totals is not as meaningful for the university as it is for the Department of Education or other state agencies. For 1987-88, UC reports a budgeted workforce totaling 58,371 personnel-years.

**OVERVIEW OF THE BUDGET REQUEST**

**Total Expenditures.** The budget proposes total expenditures of \$6.9 billion for support of the UC system in 1987-88. This is \$318 million (4.8 percent) above estimated current-year expenditures.

Table 2 provides a budget summary for the UC system, by program, for the prior, current, and budget years. As the table shows, the budget has two components: (1) budgeted programs, and (2) extramural programs. No direct state appropriations are provided for extramural programs, although UC does receive some state support for extramural programs through state agency agreements. The table has not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

**Table 2**  
**The University of California**  
**Budget Summary**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

	Actual 1985-86	Est. 1986-87	Prop. 1987-88	Change from 1986-87	
				Amount	Percent
<b>A. Budgeted Programs:</b>					
1. Instruction.....	\$1,083,466	\$1,252,010	\$1,279,815	\$27,805	2.2%
2. Research .....	175,682	187,752	189,352	1,600	0.9
3. Public Service .....	73,687	77,417	77,417	—	—
4. Academic Support .....	284,067	298,418	305,047	6,629	2.2
5. Teaching Hospitals .....	784,616	868,750	917,664	48,914	5.6
6. Student Services .....	149,206	150,684	156,666	5,982	4.0
7. Institutional Support .....	228,650	233,669	235,624	1,955	0.8
8. Operation and Maintenance .....	196,126	232,499	240,729	8,230	3.5
9. Student Financial Aid .....	65,224	69,230	71,930	2,700	3.9
10. Auxiliary Enterprises .....	169,248	188,375	203,575	15,200	8.1
11. Special Regents' Program .....	44,070	54,200	53,400	(800)	-1.5
12. Unallocated Adjustments .....	11,029	(15,462)	51,180	66,642	NA
13. Special Adjustment .....	—	—	-18,297	-18,297	NA
Subtotals, Budgeted Programs.....	\$3,265,071	\$3,597,542	\$3,764,102	\$166,560	4.6%
<b>B. Extramural Programs:</b>					
1. Sponsored Research and Other Activity .....	\$984,990	\$1,075,350	\$1,139,850	\$64,500	6.0%
2. Department of Energy Labs .....	1,844,121	1,955,000	2,042,000	87,000	4.5
Subtotals, Extramural Programs ..	2,829,111	3,030,350	3,181,850	151,500	5.0%
Grand Totals .....	\$6,094,182	\$6,627,892	\$6,945,952	\$318,060	4.8%

## Funding Sources

## A. Budgeted Programs:

General Fund .....	\$1,641,741	\$1,788,315	\$1,859,287	\$70,972	4.0%
University general funds .....	119,936	137,843	131,291	-6,552	-4.8
Special Account for Capital Outlay..	12,445	—	—	—	—
State Transportation Fund .....	956	956	956	—	—
Environmental License Plate Fund .....	210	—	—	—	—
California Water Fund .....	100	100	100	—	—
Lottery Education Fund .....	17,256	12,110	15,081	2,971	24.5
Federal funds .....	12,273	12,179	12,179	—	—
University funds—restricted .....	1,460,154	1,646,039	1,745,208	99,169	6.0

## B. Extramural Programs:

State Agency Agreements .....	\$26,470	\$27,750	\$29,150	\$1,400	5.0%
Federal Funds.....	550,010	580,400	597,800	17,400	3.0
Private Gifts, Contracts and Grants .....	166,680	183,500	203,700	20,200	11.0
Other University funds.....	241,830	283,700	309,200	25,500	9.0
Dept. of Energy (federal) .....	1,844,121	1,955,000	2,042,000	87,000	4.5

Personnel-years.....	57,645	57,920	58,371	451	0.8%
----------------------	--------	--------	--------	-----	------

**State Support.** Table 2 shows that the budget proposes General Fund expenditures of \$1.9 billion for support of the UC system in 1987–88. This is \$70.9 million (4 percent) above estimated current-year General Fund expenditures. This increase includes \$28.1 million for salary and benefit increases in 1987–88. The table also shows that the budget includes an undesignated Special Adjustment reduction of \$18.3 million, which is approximately 1 percent of the General Fund support.

Table 2 also shows that UC's budgeted programs are divided into 13 classifications. In the analysis that follows, we discuss the budget request for the following six programs that, in our judgment, raise issues warranting the Legislature's attention for the budget year—Instruction, Research, Teaching Hospitals, Student Services, Operation and Maintenance, and Unallocated Adjustments.

**Note on "General Fund" Versus "general funds"**

The major source of general (unrestricted) revenue for UC's budgeted programs is the state General Fund. UC also receives other general revenue from nonresident tuition, the state's share of overhead receipts associated with federal grants and contracts, and some minor student fees. Table 2 shows that other university "general funds" will total \$131.3 million in 1987–88, a small amount in comparison to the \$1.9 billion requested from the state General Fund.

Because revenues from these various sources are combined with state General Fund support, it is not possible to identify expenditures by revenue source. Consequently, although the state's share is 93 percent of the total, the combined total of the state General Fund monies and the other general-purpose revenues available to the university is referred to in this analysis as "general funds".

**1987–88 Expenditures by Source of Funding**

Table 3 shows the source of funding for individual programs. For example, the table shows that general funds provide \$808 million (97 percent) of the general campus instruction budget of \$833 million. In contrast, general funds account for only \$63 million (7 percent) of the \$918 million budgeted for teaching hospitals. Patient charges for services will provide the balance—\$845 million—of the hospitals' budgets.

## THE UNIVERSITY OF CALIFORNIA—Continued

**Table 3**  
**The University of California**  
**Source of Funds by Program**  
**1987-88 Governor's Budget**  
**(dollars in thousands)**

	General Funds	Federal Funds	Student Fees and Tuition	Teaching Hospitals	Sales and Services Educational Activities	Support Services	Auxiliary Enterprises	Endow- ments	Other Sources	Totals
<b>Instruction:</b>										
General Campuses .....	\$808,280	\$50	\$1,226	—	\$3,234	—	—	\$3,151	\$17,363	\$833,304
Health Sciences .....	253,991	300	—	—	85,690	—	—	2,304	6,647	348,932
Summer Sessions .....	—	—	16,430	—	—	—	—	—	—	16,430
University Extension .....	—	—	81,000	—	—	102	—	—	47	81,149
Totals, Instruction .....	\$1,062,271	\$350	\$98,656	—	\$88,924	\$102	—	\$5,455	\$24,057	\$1,279,815
Research .....	\$165,761	\$3,161	\$31	—	\$3,411	—	—	\$8,952	\$8,036	\$189,352
<b>Public Service:</b>										
Community Services .....	\$5,725	—	\$3,544	—	\$13,337	—	—	\$1,017	\$2,521	\$26,144
Cooperative Extension .....	38,285	\$8,668	—	—	—	\$525	—	7	7	47,492
Drew Postgraduate Medical School .....	2,932	—	—	—	—	—	—	—	—	2,932
Calif. College of Podiatric Medicine .....	849	—	—	—	—	—	—	—	—	849
Totals, Public Service .....	\$47,791	\$8,668	\$3,544	—	\$13,337	\$525	—	\$1,024	\$2,528	\$77,417
<b>Academic Support:</b>										
Libraries .....	\$126,661	—	—	—	—	\$427	—	\$1,472	\$396	\$128,956
Museums and Galleries .....	3,515	—	—	—	\$100	240	—	245	—	4,100
Intercollegiate Athletics .....	—	—	\$1,532	—	—	183	—	19	158	1,892
Ancillary Support—General Campuses .....	14,583	—	1,355	—	853	3,848	—	70	3,137	23,846
Ancillary Support—Health Sciences .....	56,821	—	—	—	30,685	38,031	—	27	20,689	146,253
Totals, Academic Support .....	\$201,580	—	\$2,887	—	\$31,638	\$42,729	—	\$1,833	\$24,380	\$305,047
Teaching Hospitals .....	\$62,883	—	—	\$845,364	—	—	—	\$144	\$9,273	\$917,664
<b>Student Services:</b>										
Social and Cultural Activi- ties .....	—	—	\$28,772	—	—	\$400	\$1	\$21	\$7,232	\$36,426
Supplemental Educational Services .....	—	—	6,341	—	—	—	—	—	111	6,452
Counseling and Career Guidance .....	—	—	26,170	—	—	204	—	—	1,082	27,456

Financial Aid Administration .....	—	—	16,714	—	—	—	—	—	1,019	17,733
Student Admissions and Records .....	—	—	22,613	—	—	—	—	709	23,322	23,322
Student Health Services .....	—	—	26,480	—	—	—	21	5,091	31,592	31,592
Student Affirmative Action .....	\$1,439	—	6,403	—	—	—	—	—	—	7,842
Disabled Students .....	1,543	—	—	—	—	—	—	—	—	1,543
Provision for Cost Increase .....	—	—	4,300	—	—	—	—	—	—	4,300
Totals, Student Services ..	\$2,982	—	\$137,793	—	—	\$604	\$1	\$42	\$15,244	\$156,666
Institutional Support:										
Executive Management .....	\$53,747	—	\$543	—	—	—	—	\$663	\$5,341	\$60,294
Fiscal Operation .....	31,066	—	892	—	—	—	—	—	8,581	40,539
General Administrative Services .....	44,065	—	8,026	—	—	—	—	122	8,881	61,094
Logistical Services .....	34,594	—	817	—	—	40	—	—	12,331	47,782
Community Relations .....	19,786	—	127	—	—	—	—	1,318	4,684	25,915
Totals, Institutional Support .....	\$183,258	—	\$10,405	—	—	\$40	—	\$2,103	\$39,818	\$235,624
Operation and Maintenance of Plant .....	\$232,264	—	\$6,716	—	—	—	—	\$684	\$1,065	\$240,729
Student Financial Aid .....	\$36,352	—	\$27,698	—	—	—	\$2	\$7,451	\$427	\$71,930
Auxiliary Enterprises .....	—	—	\$2,185	—	—	—	\$205,197	\$15	—\$3,822	\$203,575
Special Regents' Programs ..	—	—	—	—	—	—	—	—	\$53,400	\$53,400
Unallocated Adjustments:										
Provisions for Allocation ....	—\$37,474	—	\$9,898	—	—\$42	—	—	\$10,587	\$17,004	—\$27
Program Maintenance:										
Fixed Costs and Economic Factors .....	51,207	—	—	—	—	—	—	—	—	51,207
Totals, Unallocated Adjustments .....	\$13,733	—	\$9,898	—	—\$42	—	—	\$10,587	\$17,004	\$51,180
Totals, Budgeted Programs ....	\$2,008,875	\$12,179	\$299,813	\$845,364	\$137,268	\$44,000	\$205,200	\$38,290	\$191,410	\$3,782,399
Special Adjustments .....	—\$18,297	—	—	—	—	—	—	—	—	—\$18,297
Adjusted Totals, Budgeted Programs .....	\$1,990,578	\$12,179	\$299,813	\$845,364	\$137,268	\$44,000	\$205,200	\$38,290	\$191,410	\$3,764,102
Sponsored Research and Other Activities .....	—	\$597,000	—	—	—	—	—	—	\$542,050	\$1,139,850
Department of Energy Laboratories .....	—	\$2,042,000	—	—	—	—	—	—	—	\$2,042,000
Totals (Budgeted and Extramural Programs) .....	\$1,990,578	\$2,651,979	\$299,813	\$845,364	\$137,268	\$44,000	\$205,200	\$38,290	\$733,460	\$6,945,952

**THE UNIVERSITY OF CALIFORNIA—Continued****General Fund Budget Changes Proposed for 1987-88**

Table 4 identifies the specific factors accounting for the net \$70.9 million increase in General Fund support proposed for 1987-88. We discuss these changes in detail, later in this analysis. Table 4 shows that:

- *Cost adjustments* result in a net increase of \$7.4 million.
- *Workload adjustments* result in a net increase of \$19.2 million.
- *Program adjustments* total \$16.1 million.
- *Employee compensation* increases total \$28.1 million.

**Table 4**  
**The University of California**  
**Proposed 1987-88 General Fund Budget Changes**  
**(dollars in thousands)**

1986-87 Expenditures (Revised) .....		\$1,788,315
Proposed Changes:		
A. Cost Adjustments .....		7,452
1. Faculty merit and promotion .....	\$16,614	
2. Instructional support and libraries .....	3,350	
3. Benefits for annuitants .....	3,111	
4. Social security increase .....	3,330	
5. Teaching hospital subsidy .....	-5,000	
6. Restoration of 1986-87 base reduction .....	5,000	
7. Budgetary savings adjustment .....	3,000	
8. UC income adjustment .....	-3,656	
9. Special adjustment .....	-18,297	
B. Workload Adjustments .....		19,212
1. Undergraduate enrollment .....	12,681	
2. Library staffing (undergraduate related) .....	789	
3. Disabled students .....	482	
4. Operation and maintenance of plant .....	5,230	
5. Lease purchase payment .....	180	
6. One-time appropriation (Ch 1288/86) .....	-150	
C. Program Adjustments .....		16,156
1. Graduate enrollments .....	1,375	
2. Teaching assistants—training .....	500	
3. Education abroad .....	381	
4. Astronomy—Keck Observatory telescope .....	1,000	
5. Research on toxics substances .....	500	
6. Pacific Rim research .....	250	
7. Teaching hospital subsidy .....	7,500	
8. Library acquisitions—Pacific Rim .....	650	
9. Affirmative action—undesignated .....	1,000	
10. Building maintenance .....	3,000	
D. Employee Compensation Increase for 1987-88 .....		28,152
1987-88 Expenditures (Proposed) .....		\$1,859,287
Change from 1986-87:		
Amount .....	\$70,972	
Percent .....	4.0%	



## ANALYSIS AND RECOMMENDATIONS

We recommend approval of all the workload and cost adjustments (excluding the operation and maintenance workload adjustment) and the following program adjustment which is not discussed elsewhere in this analysis:

- **Library Aquisitions—Pacific Rim**—\$650,000 for purchase of library materials for the new school of International Relations and Pacific Studies at San Diego. This school was authorized by the Legislature in the 1986 Budget Act.

In addition, we recommend approval of the following Budget Bill items not discussed elsewhere in this analysis:

- **California State Lottery Education Fund (Item 6440-001-814)**—\$15.1 million proposed for instructional use of computers (\$8.8 million), instructional program inflationary needs and additional support for the arts and humanities (\$3.8 million), new instructional equipment (\$1.6 million), and instructional equipment replacement (\$0.8 million). These expenditures exceed UC's estimated current-year lottery revenue by \$2.9 million (24 percent). The proposed expenditures are instructionally related and supplement the university's budget.
- **State Transportation Fund (Item 6440-001-046)**—\$956,000 for support of the Institute of Transportation Studies. This is the same as the current-year amount.
- **California Water Fund (Item 6440-001-144)**—\$100,000 to continue a special appropriation for research in mosquito control. This special appropriation was initiated in 1966-67 to supplement mosquito research funding from other sources. State General Fund support will total approximately \$1.1 million in 1987-88.

### 1. Student Fee Increase Proposed for 1987-88 (Item 6440-006-001)

Not shown in Table 4 is a student fee increase proposed for the budget year by the university's Regents. As shown in Table 5, the Regents, based on a fee setting policy adopted by the Legislature in 1985 (Ch 1523/85), propose to increase average undergraduate fees by \$130 (9.7 percent) and average graduate fees by \$70 (5.1 percent). The \$60 difference in the fee increase reflects the proposed elimination of the policy of charging graduate students a systemwide fee that was \$60 more than that charged undergraduate students. The revenue raised by the fee increase totals \$16.1 million.

We recommend approval because the proposed increases are in compliance with the fee adjustment policy established by Chapter 1523.

**Technical Error.** The Governor's Budget indicates that \$2.7 million of the increased fee revenue will be used for student financial aid. This is contrary to state policy established in Chapter 1523, which requires the state to provide financial aid to offset the increased fees for students with demonstrated financial need. The budget should show that the increased fee revenue will be applied to program areas supported by general funds. We believe this is a technical budgeting error, and have so notified both UC and the Department of Finance. Additional information will be available during budget hearings.

## THE UNIVERSITY OF CALIFORNIA—Continued

**Table 5**  
**The University of California**  
**Average Student Fee Levels**  
**1986-87 and 1987-88**

	Average Undergraduate Fees				Average Graduate Fees			
	Est. 1986-87	Prop 1987-88	Change from 1986-87		Est. 1986-87	Prop. 1987-88	Change from 1986-87	
			Amount	Percent			Amount	Percent
Systemwide.....	\$1,245	\$1,375	\$130	10.4%	\$1,305	\$1,375	\$70	5.4%
Other .....	98	98	—	—	80	80	—	—
Totals .....	\$1,343	\$1,473	\$130	9.7%	\$1,385	\$1,455	\$70	5.1%

**I. INSTRUCTION**

The Instruction program includes (1) general campus instruction, (2) health science instruction, (3) summer session, and (4) university extension. Table 6 displays the instruction budget for the university in the prior, current, and budget years. As the table shows, the budget proposes expenditures of \$1.3 billion for these programs in 1987-88, an increase of \$27.8 million (2.2 percent) above estimated current-year expenditures.

**Table 6**  
**The University of California**  
**Instruction Budget**  
**Summary of Expenditures and Funding**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

Elements	Actual 1985-86	Est. 1986-87	Prop. 1987-88	Change from 1986-87	
				Amount	Percent
General campus.....	\$703,139	\$813,359	\$833,304	\$19,945	2.5%
Health sciences .....	293,395	345,502	348,932	3,430	1.0
Summer session .....	13,205	15,500	16,430	930	6.0
University extension .....	73,727	77,649	81,149	3,500	4.5
Totals .....	\$1,083,466	\$1,252,010	\$1,279,815	\$27,805	2.2%
Funding Sources					
General funds.....	\$905,871	\$1,047,422	\$1,062,271	\$14,849	1.4%
Lottery Education Fund .....	17,256	12,110	15,081	2,971	24.5
Other restricted funds .....	160,339	192,478	202,463	9,985	5.2
Personnel-years .....	20,137	20,654	21,004	350	1.7%

**A. ENROLLMENT INCREASES PLANNED FOR 1987-88**

Budgeting for instruction is based on full-time equivalent (FTE) enrollments. A full-time undergraduate student at UC takes an average of 15 units during each of three academic 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. Table 7 shows that budgeted enrollment for 1987-88 exceeds budgeted enrollment for 1986-87 by 2,814 FTE (2 percent). When compared to *actual* enrollment

in the current year, however, the proposed level represents an increase of only 133 FTE.

Budgeted 1987-88 enrollment changes, by category, are as follows:

- **Undergraduate**—up 2,658 FTE (2.6 percent) over the current-year budgeted level, and up 1,157 FTE (1.1 percent) from the current-year revised level.
- **Graduate**—up 298 FTE (1.2 percent) over current-year budgeted level, and down 882 (3.4 percent) from the current-year revised level.
- **Health sciences**—down 142 FTE (1.2 percent) from both the current-year budgeted and revised levels.

**Table 7**  
**The University of California**  
**Full-Time Equivalent Students (FTE)**  
**(Three-Quarter/Two-Semester Average)**  
**1985-86 through 1987-88**

Campus	1985-86 Actual	1986-87		1987-88 Proposed	Change from Budgeted 1986-87	
		Budgeted	Revised		Number	Percent
<b>Berkeley</b>						
General Campus						
Undergraduate .....	19,663	19,935	19,775	19,704	-231	-1.2%
Graduate .....	7,922	7,655	8,141	7,655	—	—
Health Sciences .....	769	758	758	747	-11	-1.5
Subtotals .....	28,354	28,348	28,674	28,106	-242	-0.9%
<b>Davis</b>						
General Campus						
Undergraduate .....	13,931	14,179	13,986	14,189	10	0.1%
Graduate .....	3,262	2,954	3,236	3,009	55	1.9
Health Sciences .....	1,887	1,819	1,819	1,810	-9	-0.5
Subtotals .....	19,080	18,952	19,041	19,008	56	0.3%
<b>Irvine</b>						
General Campus						
Undergraduate .....	10,336	10,846	11,139	11,160	314	2.9%
Graduate .....	1,418	1,438	1,468	1,493	55	3.8%
Health Sciences .....	1,049	1,030	1,030	1,019	-11	-1.1
Subtotals .....	12,803	13,314	13,637	13,672	358	2.7%
<b>Los Angeles</b>						
General Campus						
Undergraduate .....	19,349	19,796	19,605	19,727	-69	-0.3%
Graduate .....	7,362	7,652	7,535	7,652	—	—
Health Sciences .....	3,728	3,820	3,820	3,739	-81	-2.1
Subtotals .....	30,439	31,268	30,960	31,118	-150	-0.5%
<b>Riverside</b>						
General Campus						
Undergraduate .....	3,496	3,779	3,880	4,168	389	19.3%
Graduate .....	1,282	1,270	1,364	1,270	—	—
Health Sciences .....	49	48	48	48	—	—
Subtotals .....	4,827	5,097	5,292	5,486	389	7.6%
<b>San Diego</b>						
General Campus						
Undergraduate .....	11,374	11,764	12,147	12,293	529	4.5%
Graduate .....	1,545	1,437	1,628	1,540	103	7.2
Health Sciences .....	1,052	1,037	1,037	1,032	-5	-0.5
Subtotals .....	13,971	14,238	14,812	14,865	627	4.4%

**THE UNIVERSITY OF CALIFORNIA—Continued**

San Francisco						
Health Sciences.....	3,562	3,618	3,618	3,593	-25	-0.7%
Santa Barbara						
General Campus						
Undergraduate .....	14,369	14,345	14,927	15,120	775	5.4%
Graduate.....	2,051	1,965	2,097	2,010	45	2.3
Subtotals .....	16,420	16,310	17,024	17,130	820	5.0%
Santa Cruz						
General Campus						
Undergraduate .....	6,874	6,921	7,607	7,862	941	13.6%
Graduate.....	598	536	618	576	40	7.5
Subtotals .....	7,472	7,457	8,225	8,438	981	13.2%
Total University						
Undergraduate .....	99,392	101,565	103,066	104,223	2,658	2.6%
Graduate.....	25,440	24,907	26,087	25,205	298	1.2
Health Sciences.....	12,096	12,130	12,130	11,988	-142	-1.2
Totals .....	136,928	138,602	141,283	141,416	2,814	2.0%

**B. GENERAL CAMPUS INSTRUCTION**

General campus instruction includes the cost of faculty, teaching assistants, and related instructional support for the eight general campus programs. Table 8 summarizes expenditures and funding sources for the general campus instruction in the prior, current, and budget years. As the table shows, the 1987-88 budget proposes a general instruction program totaling \$833 million—\$19.9 million (2.5 percent) above estimated current-year expenditures. Of this amount, the budget proposes expenditures of \$808 million from general funds—\$14.8 million (1.9 percent) above estimated current-year expenditures.

The \$14.8 million general funds increase consists of the following elements:

- **Undergraduate enrollment**—\$12.7 million to fully fund UC's estimated 1987-88 undergraduate enrollment.
- **Graduate enrollment**—\$1.3 million to provide support for an additional 298 graduate students in 1987-88.
- **Teaching assistant training**—\$500,000 to expand and improve teaching assistant training programs. Support for this purpose in 1986-87 totals \$1.1 million, of which \$874,000 is from the General Fund and \$244,000 is from other university funds.
- **Education abroad program**—\$381,000 to be used (1) for incentive grants to increase the number of students studying in Pacific Rim countries and (2) to help UC faculty change places with faculty from Pacific Rim countries for six months to a year. This amount is in addition to the \$258,000 provided for this purpose in the 1986 Budget Act.

**1. Graduate Workload Formula Needs Examination**

*We recommend deletion of \$1,153,000 requested from the General Fund for new faculty to support an additional 250 budgeted graduate students, pending reexamination of the student/faculty workload formula. (Reduce Item 6440-001-001 by \$1,153,000.)*

**Table 8**  
**The University of California**  
**Instruction—General Campus**  
**Summary of Expenditures and Funding**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

<i>Elements</i>	<i>Actual 1985-86</i>	<i>Est. 1986-87</i>	<i>Prop. 1987-88</i>	<i>Change from 1986-87</i>	
				<i>Amount</i>	<i>Percent</i>
Faculty .....	\$391,203	\$463,336	\$470,511	\$7,175	1.5%
Teaching assistants .....	38,251	46,615	47,825	1,210	2.6
Instructional support .....	216,279	245,052	256,612	11,560	4.7
Equipment replacement .....	25,230	26,543	26,543	—	—
Equipment: backlog reduction .....	10,000	10,000	10,000	—	—
Instructional computing .....	15,459	18,159	18,159	—	—
Computer equipment .....	3,000	—	—	—	—
Technical education .....	1,156	1,156	1,156	—	—
Other .....	2,561	2,498	—	—	—
Totals .....	\$703,139	\$813,359	\$833,304	\$19,945	2.5%
Funding Sources					
General funds .....	\$675,357	\$793,431	\$808,280	\$14,849	1.9%
Lottery Education Fund .....	17,256	12,110	15,081	2,971	24.5
Other restricted funds .....	10,526	7,818	9,943	2,125	27.2
Personnel-years					
Faculty .....	7,227	7,180	7,348	168	2.3%
Teaching assistants .....	1,928	2,298	2,358	60	2.6
Other .....	5,228	5,285	5,407	122	2.3
Totals .....	14,383	14,763	15,113	350	2.4%

The budget requests \$1,375,000 (\$1,287,000 in the instruction program and \$88,000 in related library support) from the General Fund to support an enrollment increase of 298 graduate students in 1987-88. The budget states that 48 of the student openings would be assigned to the new school of International Relations and Pacific Studies at San Diego and the remaining 250 would "enable the University to expand in areas of student and societal demand, primarily in the sciences, such as engineering, computer science, and related fields."

We recommend approval of the 48-student increase requested for the school of International Relations and Pacific Studies because this program was authorized by the Legislature in the 1986 Budget Act. This proposal would cost \$222,000.

With regard to the balance of the request—250 students—we recommend that the Legislature postpone this increase for one year based on our detailed analysis which follows.

**Overenrollment of Graduate Students.** Authorized enrollments represent the level of graduate students for which the state provides budget support. *Actual* graduate student enrollment is, however, quite another matter. As previously shown in Table 7 the actual level of graduate enrollment in 1986-87 is 1,180 students *above* the authorized level. During the past several years, overenrollment of graduate students at the university has been a very common practice, with the 1986-87 total of 1,180 being the highest number recorded in the last 15 years. We believe that this pattern of overenrollment may be indicative of a lack of sensitivity in the student/faculty workload formula which is used to adjust the university's budget.

**THE UNIVERSITY OF CALIFORNIA—Continued**

Specifically, it appears that the formula may provide an excess in instructional resources which, in turn, allows academic departments to overenroll graduate students.

***Do the Campuses Have Excess Instructional Resources?*** Prior to 1971, the state funded the university faculty workload on a weighted basis, adding more faculty for graduate students than for undergraduate students. Beginning in 1972, a composite index—which makes no distinction between undergraduate and graduate workload—was implemented for faculty workload adjustments. The formula simply calls for one faculty position for every 17.61 undergraduate or graduate students. Faculty workload, however, continues to be much greater at the graduate level than at the undergraduate level, as evidenced by the comparatively smaller classes and the requirements for direction of dissertation research, although we have no exact measure of how much greater.

Given this situation, if undergraduate and graduate enrollments increase at the same rate, the composite ratio stays in balance and the integrity of the overall ratio is preserved. However, if the rate of growth is different, distortions of workload will occur. For example, if graduate enrollment grows faster than undergraduate enrollment, the faculty will find it difficult to maintain the same working standard that existed when the composite ratio standard was adopted. On the other hand, if undergraduate enrollments increase faster **excess instructional resources** will result.

***Historical Growth Rates.*** Between 1972-73 and 1977-78, budgeted undergraduate enrollment at the university grew by 9.9 percent while budgeted graduate enrollment grew by 8.4 percent, keeping the composite ratio pretty much in balance. However, between 1977-78 and 1986-87, budgeted undergraduate enrollment grew by 21 percent while budgeted graduate enrollment grew by only 1.6 percent. We believe that this differential in enrollment growth over the last 9 years has caused a distortion in the workload measure, resulting in excess instructional resources on the campuses. This is because undergraduate students require less work for the faculty (and therefore less resources) than that required for graduate students. We further believe that this may be the reason why the university has been able to overenroll graduate students for the past several years.

***CPEC Should Review the Student/Faculty Formula.*** If the campuses have excess instructional resources, some growth in graduate student enrollment could be absorbed within current levels of budgeted resources. While we believe excess instructional resources traceable to the workload formula could be found throughout the university, other factors—such as a higher-than-anticipated number of students who actually enroll after being accepted—may be contributing factors of overenrollment of graduate students.

We therefore recommend postponing authorization and funding for the requested additional 250 graduate students in 1987-88 for a General Fund savings of \$1,153,000. Given that the university is currently educating 1,180 graduate students beyond its authorized level, the postponement should not affect the actual number of students enrolled during 1987-88 or the university's ability to serve them. We further recommend that the Legislature adopt the following supplemental report language in Item 6420-001-001 (CPEC main support Item) directing the California Postsecondary Education Commission (CPEC) to examine and report on the student/faculty workload measure used by the university:

"The California Postsecondary Education Commission shall determine whether the student/faculty ratio workload formula used by the University of California to measure the need for faculty has resulted in "excess instructional resources" on the campuses and, if such excess is found to exist, recommend appropriate modifications in the formula. The report shall be submitted to the legislative fiscal committees and the Joint Legislative Budget Committee by January 1, 1988."

## **2. UC Should Implement Teaching Assistant Training Recommendations**

*We recommend approval of a \$500,000 General Fund augmentation requested for training of teaching assistants but further recommend that the Legislature adopt supplemental report language directing the university to implement, during 1987-88, the recommendations made in its June 1986 task force report on improvements in the quality of teaching assistant instruction.*

The budget requests a \$500,000 General Fund augmentation to expand and enhance the university's teaching assistant (TA) training program. Funding in the current year for this program totals approximately \$1.1 million. According to the university, the \$500,000 augmentation would be used primarily to:

- provide videotaping of TAs at work for later playback and evaluation under the guidance of specially trained consultants.
- increase the number of workshops available to improve the communications skills of foreign-born TAs, who need extra help.
- support seminars to teach TAs to provide helpful instruction and critical feedback to students on writing assignments.
- increase the English language testing of foreign-born TAs.
- increase the number of experienced TAs hired to serve as pedagogical consultants to less experienced TAs.

**Report on Lower Division Education.** In June 1986, the university issued a report on *Lower Division Education in the University of California*. The report, commonly referred to as the Smelser Report (Professor Smelser was the chair of the task force that wrote the report), makes several recommendations for improving the instruction of lower division (freshman and sophomore) students. With regard to improvements in the instruction provided by TAs, the Smelser Report makes the following two recommendations:

- teaching assistants whose native language is not English should be required to pass an oral English examination in addition to the currently required written English examination.
- campuses should review and improve mechanisms for the training, supervision, and evaluation of teaching assistants, especially at the departmental level.

Concerning the first recommendation, the report states:

"A primary concern involves those instructors for whom English is a second language. In a 1979 study conducted by the Associated Students Office of Academic Affairs, on the Davis campus, 32.6 percent of the undergraduates surveyed agreed that their "TA's lack of fluency in English adversely affected their performance in the section." It has been claimed that language problems of teaching assistants constitute the most frequent single complaint among undergraduate students."

**Analysis of Budget Request.** Our analysis indicates that there is a

**THE UNIVERSITY OF CALIFORNIA—Continued**

need to improve the training of TAs and that a budget augmentation of \$500,000 for this purpose is justified. We therefore recommend approval of the request. However, we further recommend that the Legislature adopt the following supplemental report language in Item 6440-001-001 directing the university to implement in 1987-88 the recommendations made in the Smelser Report for the improvement of instruction provided by TAs:

"It is the intent of the Legislature that the University of California implement in 1987-88 the recommendations made in the Smelser Report for the improvement of instruction provided by TAs, with particular attention to improvement in the oral English skills of TAs, and report to the legislative fiscal committees and the Joint Legislative Budget Committee on this implementation by March 1, 1988"

**3. Transfer of Instructional Equipment Funding from UC to CSU is Warranted**

*We recommend transfer of \$4 million of the amount budgeted for UC instructional equipment replacement to the California State University in order to provide more consistency in funding the equipment needs of the two segments. (Reduce Item 6440-001-001 by \$4 million and Increase Item 6610-001-001 by \$4 million.)*

The budget requests \$35 million from the General Fund for instructional equipment replacement (IER) for the UC campuses—\$26.5 million for the annual replacement need and \$8.5 million to make-up for prior-year shortfalls between the amount appropriated and the calculated annual replacement need. We recommend transfer of \$4 million of this amount to the California State University (CSU).

**Background.** In order to provide consistency in funding instructional equipment replacement in UC and CSU, the Legislature—in the *Supplemental Report of the 1984 Budget Act*—directed CSU to estimate its annual needs for IER according to the funding model employed by UC. In adopting this model, both UC and CSU agreed that the annual need for instructional equipment replacement would be a function of the annual depreciation of each system's instructional equipment inventory.

Based on this model, UC will require \$31 million to replace state-funded instructional equipment in 1987-88. The UC budget requests \$35 million from the General Fund for IER consisting of the following: (1) \$26.5 million for the annual need—\$4.5 million less than the calculated amount—and (2) \$8.5 million to make-up for prior-year shortfalls between the amount appropriated and the calculated annual replacement need.

**Inconsistency in Budget Requests.** We note that, despite the legislative policy adopted in 1984, the budget is inconsistent in its treatment of UC and CSU with respect to instructional equipment replacement. As discussed in our analysis of CSU, the budget proposal for its instructional equipment replacement is \$7.1 million less than the amount required to fund CSU's annual need, according to the funding model. In addition, the budget proposes no funds for CSU to make-up for prior-year shortfalls between the amount appropriated and the calculated annual IER need.

We estimate that the backlog—or estimated shortfall in funding IER since 1976-77—is approximately the same for both UC and CSU. It is clear, therefore, that the budget, by underfunding CSU's annual need and overfunding UC's annual need, lacks consistency. If the state had sufficient resources available, it would be appropriate to increase IER funding for



CSU by \$7.1 million. However, given the state's fiscal situation in 1987-88, we are recommending that UC's funding in excess of the annual need—\$4 million—be deleted while the same amount be provided to CSU, resulting in no net change in the proposed level of funding for higher education IER.

#### 4. Education Abroad Program

*We withhold recommendation on a \$381,000 General Fund augmentation requested for the Education Abroad Program, pending review of the legislatively requested report on this program which is due March 1, 1987.*

Last year the budget requested \$258,000 to start an Education Abroad Program (EAP) in Pacific Rim countries. We recommended deletion of the request because our analysis indicated that special funding was not needed by UC to accomplish the intended objective of increasing student and faculty participation in studying Pacific Rim countries. With the growing importance of the Pacific Rim countries, we believed it was logical to expect that the number of UC faculty and students studying in these countries would increase without special financial inducements.

The Legislature approved the university's request, but expressed concerns about the program's viability and indicated its intent to review the need to continue the program during hearings on the 1987-88 budget. Toward this end, UC was directed to submit a report on March 1, 1987 on: (1) level of faculty and student participation in the program, and (2) how the budget augmentation was utilized.

**More Information Needed.** As shown in Table 9, the budget for 1987-88 requests a General Fund augmentation of \$381,000 (148 percent) for the program.

**Table 9**  
**The University of California**  
**Education Abroad Program—Pacific Rim**  
**1986-87 and 1987-88**

Elements	Est. 1986-87	Prop. 1987-88	Change from 1986-87	
			Amount	Percent
Area Scholarships.....	\$92,000	\$354,000	\$262,000	285%
Faculty Exchanges .....	166,000	285,000	119,000	72
Totals .....	\$258,000	\$639,000	\$381,000	148%

Pending review of the March 1 report, we withhold recommendation on the entire budget request for this program.

## II. RESEARCH

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 in the Instructional Program primarily through that portion of faculty salaries corresponding to the time spent on research as part of the faculty members' normal university duties.

In addition to organized research and departmental research, the university will receive an estimated \$671 million from extramural sources (primarily the federal government) for research activities in 1987-88. Consequently, total support for research is considerably larger than the amount shown in the budget for "organized research." In fact, in the latest

**THE UNIVERSITY OF CALIFORNIA—Continued**

ranking of university expenditures from all sources of funds for research, the University of California placed two campuses among the top ten in the United States and placed five campuses among the top 20. Eight of the university's nine campuses were listed among the 91 universities that spent \$30 million or more on research in fiscal 1985.

Expenditures for organized research in the prior, current, and budget years are shown in Table 10.

**Table 10**  
**The University of California**  
**Organized Research Program**  
**Summary of Expenditures and Funding**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

<i>Elements</i>	<i>Actual 1985-86</i>	<i>Est. 1986-87</i>	<i>Prop. 1987-88</i>	<i>Change from 1986-87</i>	
				<i>Amount</i>	<i>Percent</i>
General campus .....	\$47,403	\$51,810	\$53,410	\$1,600	3.1%
Health sciences.....	24,771	23,158	23,158	—	—
Agriculture .....	92,902	94,098	94,098	—	—
Marine sciences .....	10,606	12,874	12,874	—	—
Individual faculty grants .....	—	5,812	5,812	—	—
Totals.....	\$175,682	\$187,752	\$189,352	\$1,600	0.9%
Funding Sources					
General funds.....	\$147,099	\$164,161	\$165,761	\$1,600	1.0%
Restricted funds:					
State .....	1,266	1,056	1,056	—	—
Other.....	27,317	22,535	22,535	—	—
Personnel-years .....	2,895	3,050	3,050	—	—

As the table shows, the budget requests \$189 million (\$165.8 million from general funds) for organized research in 1987-88—\$1.6 million (0.9 percent) above estimated current-year expenditures. The proposed increase is entirely from the State General Fund and consists of the following elements:

- **Keck Observatory (Hawaii)**—\$1 million for the first phase of a multi-year plan to equip and operate the Keck Observatory which is being constructed on the summit of Mauna Kea in Hawaii. The university proposes to increase state funding for this project over the next two years to \$2.2 million annually.
- **Toxic Substances Research Program**—\$500,000 to expand the university's toxic substances research program. The Legislature provided \$1.5 million in the 1985 Budget Act for this program.
- **Pacific Rim Research**—\$250,000 to expand this research program designed to enhance California's economic/cultural relationship with countries bordering the Pacific Rim. The Legislature provided \$250,000 in the 1986 Budget Act with a required match of \$250,000 from the university.

These increases—which total \$1.7 million—are partially offset by the deletion of a one-time appropriation of \$150,000 made in Ch 1288/86 to establish the Robert B. Presley Institute of Corrections Research and Training.

## 1. Budgeting For Research

Determining the "appropriate" level of funding for organized research presents problems that go far beyond those we encounter in budgeting for other programs, such as instruction. In the Instruction Program, for example, there are workload measures (enrollment) and standardized unit costs (faculty, teaching assistants, library) that can be used to determine the cost of a stated program level. In contrast, research is not easy to define in terms of either workload or service level. Consequently, it is difficult to determine analytically whether the state is buying "enough" research or the right kind of research.

In 1985 the Legislature, based on our recommendation, directed the California Postsecondary Education Commission (CPEC) to prepare a report on the trends, program issues, and fiscal issues related to the growth of extramural-funded and state-funded research at UC. This report will be submitted to the Legislature in early March prior to hearings on the university's 1987-88 budget. We believe that legislative decision-making would be facilitated if the Legislature had a better policy framework for use in making decisions on research funding. Such a framework would help the Legislature avoid underfunding research or alternatively overfunding it and thereby diverting human capital away from the primary mission of higher education—the instruction of students. The CPEC report should provide this framework.

In the absence of an overall policy framework for research, our analysis of the 1987-88 funding for new or expanded organized research projects focuses on the following two issues: (1) Is the proposed augmentation reasonable? and (2) Are other funding sources available to support the proposed research project?

## 2. Keck Observatory (Hawaii)

*We recommend deletion of \$1 million from the General Fund requested for operation and instrumentation of the Keck Observatory because this activity primarily supports the externally funded research program and, consequently, should be financed from the Regents' Opportunity Fund. (Reduce Item 6440-001-001 by \$1 million.)*

As mentioned, the budget requests \$1 million from the General Fund as the first phase of a proposed multi-year plan to support the operation and instrumentation of the Keck Observatory which is under construction on the summit of Mauna Kea in Hawaii. Moreover, the university's request includes a plan to increase state funding for this project over the next two years to \$2.25 million annually, which would be matched equally with university funds. The combined state and university support—\$4.5 million—represents the projected 1989-90 annual operating and research support costs of the Keck facility. Of this amount, \$3.5 million is the estimated annual cost to operate and equip the observatory, with the balance—\$1 million—the estimated annual cost of research support for UC to use the observatory.

**Agreement with Caltech.** The Keck Observatory, which is scheduled to begin full-scale operation in 1990-91, will house the world's largest optical-infrared telescope. The UC entered into a partnership with Caltech to share the use of the telescope equally by assuming the responsibility to fund the operation and instrumentation costs of the observatory. Construction of the observatory and telescope is being funded by Caltech through a gift of \$70 million from the W. M. Keck Foundation.

According to UC, "funding for individual research projects at the ob-

**THE UNIVERSITY OF CALIFORNIA—Continued**

servatory will be sought from extramural sources, such as the federal government, corporations, and foundations, through the customary grant and contract processes”.

The UC believes that “state support for this research effort not only will contribute to the University’s excellence in astronomy research, but also will bring the State into explicit partnership in the Keck Observatory, thereby making the observatory a true collaboration between the public and private sectors”.

***Funding Should Come From Regents’ Opportunity Fund.*** When the Regents made the unilateral commitment to Caltech to finance the operating and instrumentation costs of the Keck Observatory, they had no basis to assume that the state would pick up these costs. Based on the information provided by the university, it appears that the primary benefits from the Keck Observatory would accrue to scientific researchers working on individual research projects funded from “extramural sources, such as the federal government, corporations, and foundations, through the customary grant and contract processes”. Consequently, we believe that the Regents’ Opportunity Fund, which derives its revenues from overhead charges against contracts and grants, would be a more appropriate funding source for support of all of the operating and instrumentation costs.

The state allows the Regents to retain 45 percent of the overhead charges collected on research contracts, after a deduction is made for administration and related contract costs. The budget shows that overhead contract receipts available to the Regents are estimated to increase by \$4.6 million (9.8 percent) in 1987–88. This increase would more than cover UC’s costs for the Keck Observatory.

The Regents should, if necessary, realign their priorities so that the commitment to Caltech can be funded through UC’s share of contract and grant overhead receipts. Accordingly, we recommend deletion of \$1 million requested for the Keck Observatory.

**3. Superconducting Super Collider**

***We withhold recommendation on the \$1 million General Fund amount requested for further siting studies for a superconducting super collider because no decision has been made by the Congress to build the facility.***

The budget requests \$1 million from the General Fund for use in developing additional information that might lead the federal government to locate the proposed Superconducting Super Collider (SSC) in California. The Legislature provided \$1 million in the 1986 Budget Act and \$500,000 in the 1985 Budget Act for this same purpose.

***What is a Super Collider?*** The SSC is a particle accelerator which creates collisions between counter-rotating beams of protons moving at very high speeds in a circular path. The proposed machine would be used to conduct research on the basic constituents of matter and to determine the forces acting between these fundamental building blocks. The SSC would provide collisions of proton beams at energies 20 times greater than those attainable with existing machines.

The machine would consist of a ring of superconducting magnets maintained at the temperature of liquid helium and, depending on the design finally adopted, could be as much as 52 miles in circumference. The circular ring of magnets would be buried in a tunnel just under the surface of

the ground. If Congress decides to construct an SSC, it is estimated that it would take six years to complete at a cost of \$4.4 billion. Several states, including California, are competing for the site.

According to UC, an area near the city of Stockton has been selected as the best site in California for the SSC.

**No Decision Has Been Made to Build the SSC.** During budget hearings on the university's 1986-87 budget, UC indicated that it would not use all of its 1986-87 appropriation of \$1 million for the SSC if the federal government decided not to build the facility. The university has informed us that it has spent only \$200,000 of the \$1 million appropriation in the current year for the SSC.

Because of the uncertainty surrounding the construction of the SSC, we withhold recommendation on both the current and budget-year amounts for this project. The university should submit the following information to the Legislature prior to budget hearings:

- the latest status on a federal decision to build the SSC.
- an estimate of the cost of acquiring the land necessary for the site. (The land acquisition cost would be a state responsibility.)
- an estimate of the energy that the SSC would use and the source of that energy.
- estimates of any other state costs related to locating the SSC in California.

#### **4. Pacific Rim and Toxics Research**

*We recommend deletion of a (1) \$500,000 General Fund augmentation requested for additional toxics research, and a (2) \$250,000 General Fund augmentation requested for additional Pacific Rim research because UC has the ability to realign its research priorities within the base budget for its existing research program. (Reduce Item 6440-001-001 by \$750,000.)*

The budget requests the following two augmentations from the General Fund: (1) \$500,000 for the Toxics Research Program, and (2) \$250,000 for the Pacific Rim Research Program.

**The Toxics Research Program** was initially funded by the Legislature in the 1985 Budget Act with an appropriation of \$1.5 million. This level of support was continued in the 1986 Budget Act. The proposed \$500,000 augmentation thus would bring total annual state support to \$2 million, an increase of 33 percent.

**The Pacific Rim Research Program** was initially funded by the Legislature in the 1986 Budget Act with an appropriation of \$250,000 to be matched with \$250,000 in university funds for a total program level of \$500,000 in 1986-87. The proposed \$250,000 augmentation thus would bring state support to \$500,000 and total program support to \$750,000, an increase of 50 percent.

**The University's Justification for the Requests.** Basically, UC uses the same justification for each of these requests, namely that: (1) the area of research addresses pressing problems and unique opportunities, and (2) UC has received far more high-quality research proposals than the existing budget could fund.

**Analysis of the Requests.** Both of these requests typify the difficulty, mentioned earlier in this analysis, of determining analytically whether the state is buying "enough" research. Our analysis indicates that while some state support for both of these programs is warranted because of the importance of the program areas, no analytical basis for the proposed 33 percent increase for the Toxics Program or for the 50 percent increase in

**THE UNIVERSITY OF CALIFORNIA—Continued**

funding for the Pacific Rim Program has been presented.

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. As shown previously in Table 10, the General Fund amount budgeted for research in the current year is \$164 million. This amount has increased by \$62.6 million (67 percent) since 1981–82. In contrast, over this same period of time, the General Fund support per student for the rest of the UC budget increased by 43 percent.

The request to augment funding for these two programs by \$750,000 implies that each and every dollar in the \$164 million Organized Research Program base budget will be used for research having a higher priority than the research to be undertaken in the Toxics and Pacific Rim Research Programs. Were this not the case, the university could fund the augmentation for these programs 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 organized research budget does, indeed, have a higher priority to the Legislature (or even to the university) than the work to be accomplished with the \$750,000, we are unable to say.

In sum, we have no basis for concluding that the \$750,000 augmentation is needed to expand the Toxics and Pacific Rim Research Programs. For this reason, and in view of the fact that support for the Organized Research Program has increased at a faster pace than General Fund support per student for other UC programs during the past five years, we recommend deletion of the proposed augmentation for these programs, for a General Fund savings of \$750,000. If this recommendation is adopted, annual program support for the Toxics and Pacific Rim Programs will remain at \$1.5 million and \$500,000, respectively.

**5. Robert B. Presley Institute—Technical Issue**

*We recommend that the Legislature adopt supplemental report language expressing intent that support in future budgets for the Robert B. Presley Institute of Corrections Research and Training be located in the Youth and Adult Correctional Agency rather than in the University of California.*

Chapter 1288/86 (AB 277) appropriated \$150,000 from the General Fund to establish the Robert B. Presley Institute of Corrections Research and Training for developing and enhancing research, education, and training for corrections personnel within the youth and adult corrections systems in California. The legislation directed the institute to research and recommend approaches to a variety of issues. In addition, it expressed the Legislature's intent that beginning January 1, 1987 the institute finance research on issues of interest to state and local correctional agencies, universities and colleges, and other academic or research institutions; establish a clearinghouse for correctional information and research; sponsor seminars in the conduct of corrections in California, and address issues of crime prevention, cost-effectiveness of incarceration, and reintegration of offenders into society.

The 1987–88 budget displays the institute within the University of California budget. Our analysis indicates that the Youth and Adult Correctional Agency would be a more appropriate control agency for the institute.

The issues and responsibilities of the institute fall more with that agency than with the university. Accordingly, we recommend that the Legislature adopt the following supplemental report language in Item 6440-001-001 expressing the intent that support in future budgets for the institute be appropriated in the Youth and Adult Correctional Agency item rather than in the University of California:

"It is the intent of the Legislature that support in future budgets for the Robert B. Presley Institute of Corrections Research and Training be appropriated to the Youth and Adult Correctional Agency rather than the University of California"

### III. TEACHING HOSPITALS

The university operates five hospitals—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. These hospitals:

- support the university's clinical instruction program,
- serve as a community resource for highly specialized (tertiary) care, and
- provide the clinical setting for local community and state university students in allied health science areas.

In 1987-88, the operating costs of these hospitals will amount to \$917 million, supported primarily by revenue from patient fees, insurance companies, medicare, the Medi-Cal program, and other public entities.

#### A. ACTIONS TAKEN IN RESPONSE TO PROJECTED OPERATING LOSSES

In 1985-86, the Governor and university submitted an eight-year expenditure plan to the Legislature addressing projected operating losses at the Davis, Irvine and San Diego teaching hospitals. The intent of this plan was for the state to assist the hospitals in two ways: (1) by providing funds for cost-savings/revenue-enhancing capital outlay projects and equipment purchase projects at the hospitals, and (2) by providing an operating subsidy for the hospitals which would decrease over an eight-year period.

In response, the Legislature provided contingency funding in the 1985 and 1986 Budget Acts on a year-to-year basis with no explicit commitment to a full eight-year plan. Most recently, the 1986 Budget Act provided:

- **\$7.5 million** from the General Fund to offset any net losses incurred in 1986-87 by the three hospitals.
- **Budget Act language** expressing intent to provide, in the 1986-87 deficiency bill, up to an additional \$7.5 million from the General Fund to offset net losses if the appropriated amount turned out to be insufficient.
- **\$17.8 million** for capital outlay projects at the three hospitals, payable from the Higher Education Capital Outlay Bond Fund.
- **Budget Act language** directing UC to restrict the allocation of the \$15 million operating subsidy provided in the 1985 Budget Act to actual losses in 1985-86. In the case of Irvine, the restriction was extended to also offset losses in 1983-84 and 1984-85. It further directed that any money in excess of the amount needed be reverted to the General Fund.

**THE UNIVERSITY OF CALIFORNIA—Continued****B. THE GOVERNOR'S 1987 BUDGET PROPOSAL**

The 1987 budget contains a proposal similar to that approved by the Legislature for the current year. Specifically, the budget requests:

- **\$7.4 million** from the General Fund to offset any net losses in 1987–88 at the three hospitals.
- **Adoption of Budget Bill language** expressing legislative intent to provide, in the 1987–88 deficiency bill, up to an additional \$5 million from the General Fund if the appropriated amount turns out to be insufficient to offset the net losses.
- **\$16.2 million** for capital outlay projects at the hospitals payable from the Higher Education Capital Outlay Bond Fund.

The analysis that follows focuses on the special operating subsidy (the teaching hospital capital outlay request is discussed later in this *Analysis* with the university's other capital outlay requests).

**C. ANALYSIS OF THE GOVERNOR'S PROPOSAL**

Our review of the teaching hospitals' operating subsidies for the current, budget and prior years reveals a number of problems which we address below.

**Current-year Subsidy Needs Modification.** *We recommend that UC be directed to restrict the allocation of the current-year operating subsidy to the difference between net gains in 1985–86 and net losses in 1986–87.*

**Budget-year Subsidy is Premature.** *We further recommend (1) deletion of \$7,425,000 requested from the General Fund for an operating subsidy in 1987–88 because of the uncertainty of projections of net gains and losses, and (2) adoption of Budget Bill language expressing intent to appropriate up to \$12.4 million in the 1987–88 deficiency bill to offset losses at the three hospitals. (Delete Item 6440-016-001.)*

**Prior-year Subsidy was Overallocated.** *We further recommend deletion of \$700,000 from the General Fund to adjust the 1985–86 hospital operating subsidy to the legislatively approved amount. (Reduce Item 6440-001-001 by \$700,000.)*

**1. Current-Year Subsidy**

Table 11 compares actual and estimated net gains and losses in the five teaching hospitals for the period 1983–84 through 1987–88. The table shows several estimates for 1984–85, 1985–86 and 1986–87 submitted at various times by the university. The estimates for April 17, 1986 served as the basis for the Legislature's decision to provide an operating subsidy for 1986–87. At that time, the Davis, Irvine, and San Diego teaching hospitals were projecting a loss of \$24.1 million in 1986–87. The table, however, shows that as of December 11, 1986 the three hospitals projected a **net gain of \$2 million in 1986–87**—a net gain at San Diego (\$4.5 million) offset by net losses at Davis (\$2 million) and Irvine (\$0.5 million). In addition, the table shows that while the April 17, 1986 estimates projected a net gain of only \$2.6 million for the three hospitals in 1985–86, **the actual 1985–86 (June 30, 1986) net gain for the three hospitals was \$24.6 million**, (including the \$9.6 million operating subsidy for Irvine).

We believe that any state subsidy allocated in 1986–87 should take into account the net gains realized by the hospitals in 1985–86. Our recommendation would provide a subsidy for any net loss realized by Irvine in



1986-87 because Irvine's net gain of \$12.6 million (including the \$9.6 million subsidy) was just enough to offset its 1983-84 and 1984-85 net losses. For Davis and San Diego, our recommendation provides an operating subsidy in 1986-87 to the extent that the 1986-87 loss exceeds the gain made in 1985-86. For example, in the case of Davis, because it had a net gain of \$8.3 million in 1985-86, its 1986-87 loss would have to exceed \$8.3 million to qualify for a subsidy. We believe it is sound policy to offset any 1986-87 loss with the gains realized in 1985-86.

To implement this recommendation, we recommend that the Legislature adopt the following Budget Bill language in Item 6440-001-001:

"It is the intent of the Legislature that the University of California restrict the allocation of the teaching hospital operating subsidy appropriated in Item 6440-016-001, 1986 Budget Act, to the difference between 1985-86 net gains and 1986-87 net losses. In the case of Irvine, this restriction shall apply to 1985-86 net gains and net losses in 1983-84, 1984-85 and 1986-87."

## 2. Budget-Year Subsidy

The budget requests up to \$12.4 million from the General Fund to offset losses at the three hospitals in 1987-88. Of this amount, \$7.4 million is appropriated and up to \$5 million is promised with Budget Bill language expressing intent to provide an appropriation in the 1987-88 deficiency bill. Table 11 shows that the three hospitals currently project deficits (net losses) of \$8.7 million for 1987-88. We believe, however, that there is very good reason to question the reliability of these estimates.

As shown in the table, on April 17, 1986 UC estimated that the three hospitals would have net losses of \$24.1 million in the current year. However, as of December 11, 1986 the three hospitals projected an overall *net gain of \$2 million*. The table also shows that estimates of net gain and loss are unstable during the course of the operating year, especially as the year comes to a close. For example, between April 1986 and June 1986 the estimated 1985-86 net operating gain at Davis, Irvine and San Diego improved from a projected gain of \$2.6 million to an actual gain of \$15 million (excluding the operating subsidy), an improvement of \$12.4 million over that ten week period.

Many factors, including the following, make prediction of the "bottom line" difficult:

- The volume of activity is highly unpredictable. Moreover, bottom line revenue gain is not a straight line function of volume since marginal profit increases in a non-linear fashion once a break-even volume has been achieved,
- Revenue varies by type of activity. For example, increases in obstetrics' and pediatrics' caseload may lead to losses while increases in surgery lead to gains,
- Revenue also is affected by the financial capability of the patient. For example, patients who have private insurance generally pay for their services in full, while those on Medi-Cal do not.
- Federal, state and local government reimbursement rates have not been predictable, and
- One-time adjustments to prior-year income as a result of settlements with third party sponsors, such as Medicare and Medi-Cal, are unpredictable.

## THE UNIVERSITY OF CALIFORNIA—Continued

**Table 11**  
**The University of California Teaching Hospitals**  
**Summary of Net Operating Gain (Loss), Nonoperating Income (Loss), and Net Gain (Loss)**  
**1983-84 through 1987-88**  
**(dollars in thousands)**

	1983-84	1984-85			1985-86				1986-87			1987-88
	Actual 6-30-84	Est. 10-30-84	Est. 1-14-85	Actual 6-30-85	Est. 1-14-85	Est. 1-22-86	Est. 4-17-86	Actual 6-30-86	Est. 1-22-86	Est. 4-17-86	Est. 12-11-86	Est. 12-11-86
Davis												
Operating .....	(\$1,172)	(\$4,130)	(\$4,130)	(\$3,551)	(\$11,682)	(\$5,274)	(\$5,008)	(\$4,444)	(\$8,216)	(\$9,517)	(\$4,756)	(\$8,852)
Nonoperating .....	1,169	4,130	4,130	5,816	1,862	3,098	8,008	12,750	2,212	2,712	2,712	2,512
Net Gain (Loss) .....	(\$3)	—	—	\$2,265	(\$9,820)	(\$2,176)	\$3,000	\$8,306	(\$6,004)	(\$6,805)	(\$2,044)	(\$6,340)
Irvine												
Operating .....	(\$4,384)	(\$5,142)	(\$6,706)	(\$8,759)	(\$10,871)	(\$7,746)	(\$3,518)	\$772	(\$9,375)	(\$9,974)	(\$2,123)	(\$6,964)
Nonoperating .....	1,380	—	—	(854)	—	1,545	2,240	11,859 <sup>(a)</sup>	—	1,481	1,623	126
Net Gain (Loss) .....	(\$3,004)	(\$5,142)	(\$6,706)	(\$9,613)	(\$10,871)	(\$6,201)	(\$1,278)	\$12,631 <sup>(a)</sup>	(\$9,375)	(\$8,493)	(\$500)	(\$6,838)
San Diego												
Operating .....	\$1,388	(\$2,500)	\$1,200	\$1,121	(\$3,750)	(\$452)	(\$229)	\$2,202	(\$6,113)	(\$8,831)	\$5,120	\$4,612
Nonoperating .....	6,034	—	763	5,428	—	2,062	1,130	1,452	—	—	(598)	(117)
Net Gain (Loss) .....	\$7,422	(\$2,500)	\$1,963	\$6,549	(\$3,750)	\$1,610	\$901	\$3,654	(\$6,113)	(\$8,831)	\$4,522	\$4,495
Subtotals, Davis, Irvine and San Diego												
Operating .....	(\$4,168)	(\$11,772)	(\$9,636)	(\$11,189)	(\$26,303)	(\$13,472)	(\$8,755)	(\$1,470)	(\$23,704)	(\$28,322)	(\$1,759)	(\$11,204)
Nonoperating .....	8,583	4,130	4,893	10,390	1,862	6,705	11,378	26,061 <sup>(a)</sup>	2,212	4,193	3,737	2,521
Net Gain (Loss) .....	\$4,415	(\$7,642)	(\$4,743)	(\$799)	(\$24,441)	(\$6,767)	\$2,623	\$24,591 <sup>(a)</sup>	(\$21,492)	(\$24,129)	\$1,978	(\$8,683)
Los Angeles												
Operating .....	\$5,670	\$7,973	\$4,753	\$20,998	(\$580)	\$10,650	\$11,622	\$11,338	\$5,688	\$8,265	\$13,133	\$9,338
Nonoperating .....	436	—	—	(1,215)	—	2,420	361	1,033	—	473	759	1,415
Net Gain (Loss) .....	\$6,106	\$7,973	\$4,753	\$19,783	(\$580)	\$13,070	\$11,983	\$12,371	\$5,688	\$8,738	\$13,892	\$10,753
San Francisco												
Operating .....	\$5,012	\$2,700	\$5,175	\$6,427	\$3,125	\$2,000	\$6,874	\$8,015	\$2,125	\$3,358	\$7,066	\$5,943
Nonoperating .....	10,515	5,035	5,035	553	882	2,800	5,000	4,494	—	860	1,303	960
Net Gain (Loss) .....	\$15,527	\$7,735	\$10,210	\$6,980	\$4,007	\$4,800	\$11,874	\$12,509	\$2,125	\$4,218	\$8,369	\$6,903
Totals												
Operating .....	\$6,514	(\$1,099)	\$292	\$16,236	(\$23,758)	(\$822)	\$9,741	\$17,883	(\$15,891)	(\$16,699)	\$18,440	\$4,077
Nonoperating .....	19,534	9,165	9,928	9,728	2,744	11,925	16,739	31,588 <sup>(a)</sup>	2,212	5,526	5,799	4,896
Net Gain (Loss) .....	\$26,048	\$8,066	\$10,220	\$25,964	(\$21,014)	\$11,103	\$26,480	\$49,471 <sup>(a)</sup>	(\$13,679)	(\$11,173)	\$24,239	\$8,973

<sup>(a)</sup> These amounts include the \$9.6 million state operating subsidy appropriated in 1985-86. The intent of this operating subsidy was to offset the combined net loss at Irvine for the 1983-84, 1984-85 and 1985-86 fiscal years. Thus, the \$9.6 million is equal to the \$12.6 million of net losses incurred in 1983-84 and 1984-85 offset by a net gain of \$3 million realized in 1985-86.

Consequently, our analysis indicates that given past experience and the uncertainty of projecting hospital net gains (losses), an appropriation of \$7.4 million in the 1987 Budget Act may set aside too much funding to offset actual losses. Accordingly, we believe it would be more appropriate to defer the subsidy issue until action is taken on the 1987-88 deficiency bill, at which time more reliable information will be available.

We note that deferring the subsidy does not diminish the state's commitment to provide the teaching hospitals with up to \$12.4 million to offset any loss that they might experience in 1987-88. Moreover, the advantage of this course of action is that the \$7.4 million General Fund appropriation would not be committed prematurely, thus allowing alternative uses of those funds in the budget year.

**Recommendation.** We therefore recommend that the Legislature delete Item 6440-016-001 and adopt the following Budget Bill language in Item 6440-001-001 expressing intent to provide up to \$12.4 million in the 1987-88 deficiency bill to offset 1987-88 net losses at the three hospitals provided that these losses exceed net gains realized in 1985-86 and 1986-87:

"It is the intent of the Legislature that up to \$12,425,000 be appropriated in the 1987-88 deficiency bill for transfer to the University of California, upon the order of the Director of Finance, to offset net losses incurred at the Irvine, Davis and San Diego teaching hospitals, for the 1987-88 fiscal year, provided that the net losses exceed net gains realized in 1985-86 and 1986-87. In the case of Irvine, any net loss in 1987-88 must exceed the net loss incurred during the four-year period 1983-84 through 1986-87."

### **3. Prior-Year Subsidy**

We also recommend deletion of \$700,000 from Item 6440-001-001 to adjust the 1985-86 hospital operating subsidy to the legislatively approved amount of \$9.6 million. The Director of Finance incorrectly advanced the university \$10.3 million for the 1985-86 subsidy—an overpayment of \$700,000.

## **IV. STUDENT SERVICES**

The Student Services program encompasses several functions, such as counseling, health services, and affirmative action programs that are complementary to, but not part of, the Instruction Program.

### **A. AFFIRMATIVE ACTION PROGRAMS**

UC operates a number of affirmative action programs that seek to increase the enrollment of students and the number of faculty from under-represented groups. Some of these programs are budgeted in the Student Services Program; others are budgeted in the Institutional Support Program. We have chosen to discuss these programs as a group in this section, rather than separate the discussions of essentially the same issue into two parts.

The university proposes expenditures of \$11.7 million in 1987-88 for the affirmative action programs, an increase of \$1 million (9.3 percent) from the current level. The source of this increase is the state General Fund, but this is not apparent in the budget document because of modifications in the manner in which support for these programs is shown. Traditionally, the state's contribution to these programs is placed in the university's

**THE UNIVERSITY OF CALIFORNIA—Continued**

"general funds" category. This funding category, assisted by a smaller allocation from "restricted funds", has been the major source of support for the affirmative action programs. As shown in Table 12, however, "general funds" support is dwindling, while support from "restricted funds" is surging.

**What is Happening to "general funds" Support?** Despite the state's significant support for affirmative action programs in the past, current and budget years, Table 12 shows an 83 percent *decrease* in general funds and an increase of 195 percent in restricted funds support for these programs in 1987-88. ***This funding shift is due entirely to a budget display decision made by UC.*** We are concerned that this change misrepresents the state's commitment to these programs and therefore have asked UC to advise the Legislature of the reason for this budgetary modification. More information will be available during budget hearings.

**Table 12**  
**The University of California**  
**Affirmative Action Programs**  
**Summary of Expenditures**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

Elements	Actual 1985-86	Est. 1986-87	Prop. 1987-88	Change from 1986-87	
				Amount	Percent
Undergraduate student					
Early outreach .....	\$3,429	\$4,041	\$4,041	—	—
Immediate outreach .....	912	857	857	—	—
Support services .....	1,765	2,565	2,905	\$340	13.3%
Grants-in-aid .....	866	807	807	—	—
Central coordination .....	339	379	379	—	—
Subtotals .....	\$7,311	\$8,649	\$8,989	\$340	3.9%
Graduate student					
Outreach .....	\$261	\$350	\$350	—	—
Research assist/mentorships .....	500	500	610	\$110	22.0%
Dissertation-year fellowships .....	—	200	400	200	100.0
Subtotals .....	\$761	\$1,050	\$1,360	\$310	29.5%
Faculty					
Pre-tenure .....	—	\$250	\$400	\$150	60.0%
President's fellowships .....	\$527	770	970	200	26.0
Subtotals .....	\$527	\$1,020	\$1,370	\$350	34.3%
Totals, all programs .....	\$8,599	\$10,719	\$11,719	\$1,000	9.3%
Funding Sources					
General funds .....	\$6,012	\$7,164	\$1,225	—\$5,939	—82.9%
Restricted funds .....	2,587	3,555	10,494	6,939	195.2

**The 1987 Budget Request.** We discuss the Pre-tenure Award Program and the President's Fellowship Program in the following section. We recommend approval of the other changes shown in Table 12 which include the following:

- **Undergraduate support services**—\$340,000 to expand services to additional students and increase the number of students who will qualify for graduate study.

- **Research assistantships/mentorships**—\$110,000 to fund a total of approximately 61 awards (an increase of 11 from the current year).
- **Dissertation-year fellowships**—\$200,000 to fund a total of approximately 32 awards (an increase of 16 from the current year).

#### **1. Pre-tenure Development Awards**

*We recommend deletion of \$150,000 requested from the General Fund for the Pre-tenure Development Awards Program because the program's objectives can be achieved within existing resources. (Reduce Item 6440-001-001 by \$150,000.)*

Last year the Legislature appropriated \$125,000 from the General Fund to be matched equally from university sources to establish a Pre-tenure Development Award Program. Recipients under this program receive (1) release time (up to one-year leave with pay) from normal university duties and (2) small research grants to help them achieve tenure. The combination of release time and grants could cost up to \$30,000 per awardee.

The premise of the program is that minority and women faculty need some relief from "the inordinate time they spend advising minority and women students, in committee work, and in other university and community service activities."

**Augmentation Request Not Justified.** The budget requests a General Fund augmentation of \$150,000 (a 60-percent increase) for this program.

We do not believe that additional funding is necessary to reduce workload pressure on minority and women faculty members because a less costly alternative—an administrative policy change—could achieve the same results. Given the very small number of untenured UC minority and women faculty—only 452 (out of 7,049 total faculty)—the university could develop a less demanding workload schedule for such faculty. Thus, reasonable restrictions should be placed on the amount of time they devote to counseling students, to serving on committees, and to participating in community activities. UC already has available in its base budget individual faculty research grants that could be used to meet the research needs of minority and women faculty members.

Accordingly, we recommend that the request for an additional \$150,000 be denied.

Independent of the decision made on this request, however, we recommend that UC be directed to reduce administratively the inordinate workload burdens on minority and women faculty and report on actions taken. To this end, we recommend that the Legislature adopt the following supplemental report language in Item 6440-001-001:

"It is the intent of the Legislature that the University of California implement administrative measures in 1987-88 to reduce the inordinate workload burdens on minority and women faculty. The objective of these measures, which could include reductions in non-key committee assignments and community service activities, among others, is to equalize the workload of UC faculty. The university shall report on the measures implemented to carry out this directive to the legislative fiscal committees and the Joint Legislative Budget Committee by March 1, 1988."

**THE UNIVERSITY OF CALIFORNIA—Continued****2. President's Fellowship Program**

*We recommend deletion of \$200,000 requested from the General Fund for the President's Fellowship Program because the program is unlikely to increase the number of minority and women faculty members but simply change the distribution of schools that employ these faculty members. (Reduce Item 6440-001-001 by \$200,000.)*

Last year the Legislature appropriated \$100,000 from the General Fund to be matched equally from the university sources to augment the President's Fellowship Program. This program was established by UC in 1985-86 to provide postdoctoral stipend and research awards ranging from \$26,000 to \$32,000 per awardee. The premise of this program is that it is needed to allow UC to be "more competitive with other postdoctoral programs which target the same small population of minority and women Ph.D.s in fields where they are underrepresented."

**Augmentation Not Justified.** The budget requests a General Fund augmentation of \$200,000 (an increase of 26 percent) for this program.

We recommend that the request be denied because the program has little effect on the *number* of minorities and women who become university professors. Instead, the program influences primarily *where* in higher education those choosing such careers are located.

The state can do more to rectify the problem of underrepresentation by devoting its limited resources to programs that will *increase the number* of minority or women graduates in doctoral programs, such as the dissertation-year fellowship program. To this end, we have recommended approval elsewhere in this *Analysis* of the following augmentation requests—totaling \$650,000—for 1987-88: (1) \$340,000 (a 13 percent increase) for undergraduate student support services, (2) \$200,000 (a 100 percent increase) for the Dissertation-year Fellowship Program, and (3) \$110,000 (a 22 percent increase) for the Research Assistantship/Mentorship Program.

Because our analysis indicates that the President's Fellowship Program would not increase the number of minority and women university professors, we recommend that the proposed augmentation be denied for a General Fund savings of \$200,000.

**V. OPERATION AND MAINTENANCE OF PLANT**

Operation and maintenance of plant includes activities such as building maintenance, janitorial services, and utility purchases. Table 13 summarizes expenditures and funding sources for this program in the prior, current, and budget years.

The budget proposes total support of \$241 million—\$8.2 million (3.5 percent) above estimated current-year estimated expenditures. The increase occurs throughout most of the program elements and consists of the following two general components:

- **Workload**—\$5.2 million from the General Fund for increased workload relating to 916,000 square feet of additional state-maintained building area.
- **Standards Improvements**—\$3 million from the General Fund for building maintenance standards improvements.

We recommend approval of the improvement in building maintenance standards because it is based on findings in UC's ongoing study of these needs. The workload request is discussed next.

**Table 13**  
**The University of California**  
**Operation and Maintenance of Plant**  
**Summary of Expenditures and Funding**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

Elements	Actual 1985-86	Est. 1986-87	Prop. 1987-88	Change from 1986-87	
				Amount	Percent
Plant administration .....	\$6,353	\$8,172	\$8,381	\$209	2.6%
Building maintenance .....	38,152	48,432	52,670	4,238	8.8
Grounds maintenance .....	11,338	12,566	12,648	82	0.7
Janitorial services .....	34,179	40,475	41,494	1,019	2.5
Utilities purchases .....	75,355	86,846	89,055	2,209	2.5
Utilities operations .....	11,005	12,962	13,298	336	2.6
Refuse disposal .....	2,788	3,079	3,159	80	2.6
Fire protection .....	1,824	2,282	2,339	57	2.5
Deferred maintenance .....	14,065	15,324	15,324	—	—
Special repairs .....	1,067	2,361	2,361	—	—
Totals .....	\$196,126	\$232,499	\$240,729	\$8,230	3.5%
Funding Sources					
General funds .....	\$183,214	\$224,034	\$232,264	\$8,230	3.7%
Restricted funds .....	12,912	8,465	8,465	—	—
Personnel-years .....	2,949	3,208	3,275	67	2.1%

### 1. Change Needed in Qualification for Maintenance Workload Adjustments

*We recommend adoption of a new policy requiring UC to submit specific information on facilities acquired with non-state resources if the university wishes to receive state support for maintenance and capital improvements of the acquired space. We further recommend that the Legislature provide direction on how this change in policy should affect the phase-in of maintenance support for UC's recent \$75 million purchase and renovation of a 385,000 square foot building in San Francisco.*

Under current practice, when UC purchases or otherwise acquires additional space which is used for instructional or research needs, the maintenance of that space becomes a state General Fund obligation. Until recently, the incremental addition of this type of space has been minor.

In 1985, however, without administrative or legislative approval, UC used a bank loan of \$75 million to acquire and renovate a 385,000 square foot building in San Francisco (the Laurel Heights building). In 1985-86, \$427,000 was included in UC's maintenance support budget for this building, and these costs are projected to total \$1 million by 1990-91. Because of the magnitude of this purchase and its resultant demand for state-supported maintenance, we believe the Legislature should reconsider the current budget practice.

**New Policy Needed.** At present, when the university requests a facility to be constructed with state funds, it must submit a project planning guide (PPG) to the state, which includes a description of the project, the problem that the project is designed to overcome, and how the project ties into the current space needs of the campus. The PPG is reviewed by the Department of Finance, our office and the legislative fiscal committees before a decision is made whether to fund the project. It is not uncommon

**THE UNIVERSITY OF CALIFORNIA—Continued**

for the scope of a project to be altered during the course of this review process. Once a project is approved by the Legislature, the request for maintenance support and minor capital improvements for the facility is generally provided in accordance with current workload standards. A review of the need for the space is not warranted because it already has been justified in the PPG process.

In the case of facilities acquired by UC with non-state sources, such as the Laurel Heights building, there is no PPG review by the state. Yet, currently, the university can expect to receive state-supported maintenance and minor capital outlay funds for the building.

Based on our review, we believe that the current practice needs to be changed. Specifically, the need for state-supported maintenance should be justified on the same basis, regardless of how the space was obtained. We therefore recommend adoption of the following supplemental report language in Item 6440-001-001 directing UC to submit PPG information if the university wishes to obtain state maintenance support for a facility acquired with non-state resources:

"It is the intent of the Legislature that, beginning on July 1, 1987, PPG information must be submitted by UC and approved by the Legislature prior to the state's assuming an obligation to provide maintenance (or capital improvement assistance) for facilities purchased/acquired with non-state resources."

**Direction Needed for Laurel Heights.** We recognize that our recommended policy change comes in "mid-stream" of UC's request for maintenance support of the Laurel Heights building. As Table 14 shows, \$427,000 was made available for Laurel Heights in 1985-86 and continued in 1986-87. The 1987-88 budget requests an additional \$141,500, which would bring total support to \$568,500. The university currently plans to increase its request for Laurel Heights to a level of \$1 million by 1989-90. While UC plans no further increase in such support until sometime beyond 1994-95, the \$1 million would provide support for only 54 percent of the building because the remainder of the building is leased to non-UC tenants. The potential annual maintenance cost when UC ultimately occupies the entire facility is \$1.9 million.

**Table 14**  
**The University of California**  
**State-supported Maintenance for the Laurel Heights Building**  
**1985-86 through 1990-91**

	Laurel Heights Building Space				Annual State Maintenance Cost
	Total Space	Non-state Supported	State-Supported		
			Amount	Percent	
1985-86.....	384,870	299,470	85,400	22%	\$427,000
1986-87.....	384,870	299,470	85,400	22	427,000
1987-88.....	384,870	271,170	113,700	30	568,500
1988-89.....	384,870	201,455	183,415	48	917,075
1989-90.....	384,870	201,455	183,415	48	917,075
1990-91.....	384,870	178,215	206,655	54	1,033,275

We offer the following three alternatives for consideration by the Legislature for the budget year:

- Delete all state support for the building—\$568,500—until UC submits PPG information for legislative approval.



- Approve the requested amount but require UC to submit PPG information in 1987-88 for the base amount and any amount above that level.
- Approve the requested amount but require UC to submit PPG information in 1987-88 for any amount above that level.

Because we believe that an appropriate course of action on Laurel Heights is a policy question, we make no recommendation.

## VI. UNALLOCATED ADJUSTMENTS

The Unallocated Adjustments Program serves as a temporary holding account for appropriations which eventually will be allocated by the system to the campuses, and by the campuses to the operating programs. This program, as shown in Table 15, includes funds for (1) allocation to other programs, (2) faculty merit salaries, and (3) employee compensation increases.

We recommend approval of the changes shown in Table 15, with the exception of the employee compensation proposal which we discuss next.

**Table 15**  
**The University of California**  
**Unallocated Adjustments**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

<i>Elements</i>	<i>Est. 1985-86</i>	<i>Est. 1986-87</i>	<i>Prop. 1987-88</i>	<i>Change from 1986-87</i>
1. Provisions for Allocation:				
Instructional support and libraries .....	—	—	\$3,350	\$3,350
Budgetary savings target .....	—	-\$69,557	-\$66,557	3,000
Other provisions .....	\$11,029	\$54,095	63,180	9,085
Subtotals .....	\$11,029	-\$15,462	-\$27	\$15,435
2. Fixed Costs and Economic Factors:				
Faculty merit salary increase .....	—	—	\$16,614	\$16,614
Annuitants' benefit increase .....	—	—	3,111	3,111
Social security .....	—	—	3,330	3,330
Employee compensation increase .....	—	—	28,152	28,152
Subtotals .....	—	—	\$51,207	\$51,207
Totals .....	\$11,029	-\$15,462	\$51,180	\$66,642
Funding Sources				
General funds .....	\$11,029	-\$47,896	\$13,733	\$61,629
Restricted funds .....	—	32,434	37,447	5,013

### A. FACULTY AND STAFF COMPENSATION (Item 6440-011-001)

The UC budget proposes an expenditure of \$28.1 million to increase employee compensation in 1987-88. Of this amount, \$6.8 million is for benefits, while the balance of \$21.3 million is for salary increases based on the assumption of a 3 percent adjustment for faculty (\$12.3 million) and staff (\$9 million) on January 1, 1988.

#### 1. Faculty Salary Proposal Would Not Achieve Parity

*We withhold recommendation on the proposed UC faculty salary increase until the May Revision is available, in order to evaluate whether it is feasible to provide faculty salary increases to maintain parity with UC's comparison institutions.*

**THE UNIVERSITY OF CALIFORNIA—Continued**

Pursuant to SCR 51 of 1965, the California Postsecondary Education Commission (CPEC) annually submits to the Legislature an analysis comparing UC faculty salaries and fringe benefits to an agreed-upon group of prestigious universities with which UC competes for faculty. The comparison group is intended to provide a benchmark for the Legislature to use in determining what salaries UC should offer. Since 1972-73, the group of other universities, commonly referred to as the "comparison eight", has consisted of:

Harvard University	University of Illinois-Urbana Campus
Stanford University	University of Michigan-Ann Arbor
Yale University	University of Wisconsin-Madison
Cornell University	State University of New York at Buffalo

Table 16 shows the CPEC data which indicate that a full-year faculty salary increase of 2.1 percent would be needed in 1987-88 for UC to achieve parity with its comparison institutions. As mentioned, however, the budget proposes \$12.3 million for faculty salary increases, which would provide, on an annual basis, an increase of only 1.5 percent. This is \$4.9 million less than the amount required for a 2.1 percent increase for the full year.

**Table 16**  
**The University of California**  
**Average Salary Comparison in 1986-87**

<i>Academic Rank</i>	<i>UC Average Salaries 1986-87</i>	<i>Comparison Group Salaries<sup>a</sup></i>		<i>Percentage Change Required in Salaries</i>	
		<i>Actual 1986-87</i>	<i>Est. 1987-88</i>	<i>Actual 1986-87</i>	<i>Est. 1987-88</i>
Full Professor .....	\$61,983	\$58,896	\$63,103	-5.0%	1.8%
Associate Professor .....	41,010	40,275	43,273	-1.8	5.5
Assistant Professor .....	36,126	33,204	35,752	-8.1	-1.0
All Ranks Average.....	\$54,164	\$51,563	\$55,295	-4.8%	2.1%

<sup>a</sup> Comparison group salary average by rank is an unweighted average. The all-ranks average for the comparison group is based on the following UC staffing patterns for 1987-88: professors 66 percent (3,346), associate professors 20 percent (996), and assistant professors 14 percent (724).

In the past, we have consistently recommended a parity-level salary increase. We continue to believe that salary parity is an appropriate method to determine annual salary levels. Because of the state's fiscal situation, however, this may not be possible. Consequently, we withhold recommendation until the "May Revision" budget update. The updated revenue and expenditure data which will be available at that time will provide the Legislature a better framework for considering the question of salary parity.

## **2. Benefits May Be Overbudgeted**

*We withhold recommendation on the requested \$6.8 million for faculty and staff benefit increases, pending additional information from the university.*

Table 17 shows that since 1983-84 the university's maximum monthly

health insurance benefit per employee has been higher than the amount for state civil service and California State University employees. We have asked the university to advise the Legislature on how it has been able to finance this benefit differential. Pending further review, we withhold recommendation.

**Table 17**  
**The University of California**  
**Maximum Monthly Employee Contribution for Health Insurance**  
**Comparison of State Civil Service<sup>a</sup>**  
**and University of California Employees**

	<i>Employee</i>			<i>Employee + 1</i>			<i>Employee + 2</i>		
	<i>Civil Service and CSU</i>	<i>UC</i>	<i>Compared to State</i>	<i>Civil Service and CSU</i>	<i>UC</i>	<i>Compared to State</i>	<i>Civil Service and CSU</i>	<i>UC</i>	<i>Compared to State</i>
1979-80.....	\$43	\$43	—	\$79	\$79	—	\$102	\$102	—
1980-81.....	49	49	—	90	90	—	117	117	—
1981-82.....	58	58	—	107	107	—	138	138	—
1982-83.....	71	71	—	133	133	—	168	168	—
1983-84 July .....	76	88	\$12	148	160	\$12	185	191	\$6
December....	76	101	25	148	214	66	185	282	97
1984-85 July .....	86	101	15	167	214	47	209	282	73
December....	86	136	50	167	279	112	209	366	157
1985-86 July .....	85	136	51	158	279	121	211	366	155
December....	85	114	29	158	237	79	211	312	101
1986-87 July .....	88	114	26	163	237	74	219	312	93
December....	88	128	40	163	263	100	219	346	127

<sup>a</sup> Including California State University Employees

## B. REVENUE ESTIMATES MAY BE UNDERSTATED (Item 6440-490)

*We withhold recommendation on the current-year and budget-year UC revenue estimates, pending further review.*

Table 18 shows that there are several sources of reimbursements to the General Fund in the UC budget. As shown in the table, there was a substantial difference—an increase of \$15.6 million (13 percent)—between budgeted and actual revenues for 1985-86. Increases in contract overhead receipts accounted for about 57 percent of the difference. As a result of this difference, the university received \$15.6 million more from the General Fund than was actually needed.

We note that the estimates for the current year have not been revised since last year when they were first presented. Accordingly, we have asked the university to provide the Legislature with an update of the 1986-87 revenue estimates and are withholding recommendation pending review of the revision.

## THE UNIVERSITY OF CALIFORNIA—Continued

Table 18  
The University of California  
Income Available to Offset the General Fund  
1985-86 through 1987-88  
(dollars in thousands)

	1985-86		Est. 1986-87	Prop. 1987-88	Change from 1986-87	
	Budgeted	Actual			Amount	Percent
Contract and Grant Overhead:						
Federal overhead .....	\$51,284	\$58,975	\$54,242	\$59,540	\$5,298	9.8%
Neuropsychiatric .....	377	377	377	377	—	—
Department of Energy labs .....	3,044	3,044	3,300	3,502	202	6.1%
State Agency agreements .....	1,700	2,912	1,900	2,900	1,000	52.6%
Nonresident tuition .....	41,300	45,768	49,529	51,185	1,656	3.3%
Application and other fees .....	7,600	6,967	8,100	8,100	—	—
Interest on General Fund balances .....	3,500	5,997	3,500	4,000	500	14.3%
Other sources .....	1,500	1,875	1,400	1,400	—	—
Prior year balances .....	6,000	6,000	5,000	—	-5,000	NA
Other balances .....	130	130	287	287	—	—
Totals .....	\$116,435	\$132,045	\$127,635	\$131,291	\$3,656	2.9%

## UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY

Item 6440-301 from the High  
Technology Education Bond  
Fund, the Public Buildings  
Construction Fund (bonds)  
and the Higher Education  
Capital Outlay Bond Fund

Budget p. E 86

Requested 1987-88 .....	\$139,542,000
Recommended approval .....	7,630,000
Recommended reduction .....	3,470,000
Recommendation pending .....	128,442,000

## SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- |  |                  |
|--|------------------|
|  | Analysis<br>page |
| 1. Revenue Bond Financed Project. Recommend that the Legislature no longer finance higher education facilities from revenue bonds to be paid from the General Fund.  | 1109             |
| 2. Seismic Safety Corrections—Berkeley and Santa Cruz. Withhold recommendation on \$1,094,000 in construction funds for seismic safety corrections to Wheeler Hall, Berkeley, and \$1,475,000 for working drawings and construction for seismic safety corrections, Mt. Hamilton Observatory, pending receipt of preliminary plans and cost estimates. | 1113             |
| 3. <i>Seismic Safety Corrections, California Hall—Berkeley. Reduce Item 6440-301-782(6) by \$184,000.</i> Recommend that the request for preliminary plans and working drawings be reduced because (1) the proposed work needs to  | 1113             |

- be revised to eliminate work that is not needed to meet life safety requirements and (2) the working drawing request is premature. (Future savings: \$600,000.)
4. **Electrical Distribution System Improvements, Berkeley.** 1114  
Withhold recommendation on \$5,466,000 requested in Item 6440-301-782(5) for working drawings and construction pending receipt of preliminary plans and cost estimates.
  5. **Equipment-New Facilities.** Withhold recommendation 1114  
on \$5,692,000 requested for four equipment projects pending receipt of the university's certification that the equipment to be purchased has a useful life of at least ten years, as required by the general obligation bond act proposed to finance these projects (please see Table 5, page 1114).
  6. **Graduate School of International Relations and Pacific Studies, San Diego.** Withhold recommendation on \$7,820,000 requested in Item 6440-301-660(2) for construction, pending receipt of preliminary plans. 1115
  7. **Physical Sciences Building—Santa Barbara. Reduce Item 6440-301-782(21) by \$800,000.** Recommend that preliminary planning funds be deleted because the campus has sufficient instructional and research space in physical sciences according to state space guidelines. (Future savings: \$25.7 million.) 1115
  8. **Computer Science Renovations—San Diego. Reduce Item 6440-301-782(17) by \$47,000.** Recommend that the request for preliminary plans and working drawing funds be reduced because the working drawing portion of the request is premature. 1116
  9. **New Libraries—Davis and San Francisco.** Withhold recommendation on \$23,743,000 requested in Item 6440-301-660(1) for construction of the Shields Library Expansion, Davis and \$22,600,000 requested in Item 6440-301-782(18) for Campus Library, San Francisco, pending receipt of the university's response to Budget Bill language directing UC to identify cost saving measures implemented on these two projects. 1117
  10. **Northern Regional Library Facility, Phase 2—University-wide. Reduce Item 6440-301-782(2) by \$353,000.** Recommend that the request for preliminary plans and working drawing funds be reduced because the working drawing portion of the request is premature. 1118
  11. **Central Library Addition—San Diego. Reduce Item 6440-301-782(15) by \$350,000.** Recommend that preliminary planning funds for an addition to the main library be reduced to reflect (1) a reduction in the project cost and (2) deletion of the proposed alterations to the existing library facility. (Future savings: \$16.2 million.) 1119
  12. **Science Library—Santa Cruz. Reduce Item 6440-301-782(23) by \$642,000.** Recommend that the request for preliminary plans and working drawing funds be reduced because (1) the project should be revised in scope to provide an addition to the central library at a reduced cost rather than a new science library and (2) the working

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**

- drawing portion of the request is premature. (Future savings: \$5.2 million.)
13. Science Research Buildings—Irvine and Los Angeles. 1121  
Withhold recommendation on \$40,792,000 requested under Item 6440-301-525 (2) for the Biological Sciences Unit 2, Irvine, and on \$1,486,000 requested under Item 6440-301-782 (13) for Chemistry and Biological Sciences Addition, Los Angeles, pending receipt of preliminary plans.
  14. Asmundson and Mann Laboratory Remodel—Davis. 1122  
Withhold recommendation on \$230,000 requested in Item 6440-301-782 (7) for working drawings pending receipt of preliminary plans.
  15. *Physical Sciences Unit 1 Renovation—Irvine. Reduce Item 6440-301-782 (11) by \$368,000.* 1122  
Recommend that the request for preliminary plans and working drawing funds be reduced because the working drawing portion of the request is premature.
  16. *Urey Hall Renovation—San Diego. Reduce Item 6440-301-782 (16) by \$66,000.* 1122  
Recommend that the request for preliminary plans and working drawing funds be reduced because the working drawing portion of the request is premature.
  17. *Natural Sciences Alteration—Santa Cruz. Reduce Item 6440-301-782 (24) by \$470,000.* 1122  
Recommend that the request for preliminary plan and working drawing funds be reduced because the working drawing portion of the request is premature.
  18. Animal Care Facilities—Berkeley, San Francisco and Santa Barbara. 1124  
Withhold recommendation on \$1,468,000 requested for three projects for new and remodeled animal care facilities pending receipt of additional information.
  19. *College Eight Academic Unit—Santa Cruz. Reduce Item 6440-301-782 (25) by \$190,000.* 1124  
Recommend that the request for preliminary plan and working drawing funds be reduced because the working drawing portion of the request is premature.
  20. Utility Projects—Davis. 1125  
Withhold recommendation on \$156,000 requested for working drawings for Central Plant Chilled Water Expansion and \$233,000 requested for Electrical System Modifications pending receipt of additional information.
  21. Recommend adoption of Budget Bill language specifying 1126  
that high technology education revenue bond funding for hospital projects shall be repaid from hospital funds over a term consistent with the "payback" period for the proposed project.
  22. Hospital Improvements—Davis, Irvine and San Diego. 1126  
Withhold recommendation on \$16,187,000 requested for cost savings/revenue enhancement improvements at the hospitals pending receipt of preliminary plans and cost estimates.

### ANALYSIS AND RECOMMENDATIONS

The budget includes \$139.5 million for the University of California's (UC) capital outlay projects in 1987-88. The proposed amount includes (1) \$51 million under Item 6440-301-782 from the Higher Education Capital Outlay Bond Fund, from proceeds derived from general obligation bonds authorized at the November 1986 election, (2) \$31.6 million under Item 6440-301-660 for two projects to be financed from the proceeds of revenue bonds to be sold by the State Public Works Board, and (3) nearly \$57 million under Item 6440-301-525 from the High Technology Education Revenue Bond Fund.

#### Revenue Bond Financing

*We recommend that the Legislature eliminate revenue bond financing of higher education facilities.*

**Background.** Beginning in 1983, the Legislature authorized a new method of financing capital outlay facilities for the University of California, the California State University, the California Maritime Academy and the California Community Colleges. Under this financing plan, the State Public Works Board is authorized to issue certificates, revenue bonds, negotiable notes and negotiable bond anticipation notes to construct various types of facilities including high technology facilities, library facilities, and instructional related facilities. The board then lease-purchases (or in the case of segments of higher education other than the university, lease or lease purchases) the facilities to the system. The lease payments which the educational institutions pay the Public Works Board are used to pay the principal and interest on the instruments issued by the board, and serve as the security for these instruments. These lease payments are derived from the General Fund.

**Current Status.** Since their initial authorization in 1983, the use of revenue bonds to finance higher education facilities has expanded dramatically. Table 1 shows the proposed funding for higher-education capital outlay projects in the 1987-88 budget. Of the \$299 million requested for capital outlay, nearly half (\$142.4 million) is proposed to be financed from revenue bond programs.

**Table 1**  
**Higher Education Capital Outlay**  
**Funding Summary 1987-88**  
**(dollars in thousands)**

	<i>Higher Education Capital Outlay Bond Act</i>	<i>Revenue Bond Program</i>	<i>Future Cost to Complete<sup>a</sup></i>
University of California .....	\$51,000	\$88,542	\$206,892
California State University .....	73,000	35,793	217,490
Community Colleges .....	31,562	18,075	—
California Maritime Academy .....	185	—	—
Unallocated Capital Outlay .....	800	—	—
Totals .....	\$156,547	\$142,410	\$424,382

<sup>a</sup> Department estimates.

In addition to authorizing revenue bond programs in higher education, the Legislature has also approved use of this financing method for construction of new prison facilities. At the time this analysis was prepared,

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**

the Legislature had authorized issuance of up to \$975 million in revenue bonds to finance various prison projects. These projects will also rely on annual lease payments to retire the debt instruments issued by the Public Works Board.

Table 2 summarizes the current status of all higher-education revenue bond programs, including previously authorized amounts as well as amounts proposed in the 1987–88 Budget Bill. The table reveals that total debt issued under these programs will approach \$1.5 billion. Based on an average debt service cost of 7 percent interest over a 20 year term, the annual amount needed to service the debt would be \$140 million. The 1987–88 budget includes an appropriation of \$12.2 million from the General Fund for “lease payments” on the first “revenue” bond financed prison, the southern Maximum Security Complex at Tehachapi. In addition, \$180,000 is proposed from the General Fund under the University of California’s budget for the initial payment under the lease-purchase agreement for a high-technology-revenue-bond-financed project at Irvine.

**Table 2**  
**Revenue Bond-Financed Projects**  
**Authorized and Proposed Debt**  
**(dollars in millions)**

	<i>Debt Issued</i>	<i>Additional Debt Authorized</i>	<i>Proposed 1987–88<sup>a</sup></i>	<i>Total Debt</i>	<i>Annual Cost<sup>b</sup></i>
High Technology Revenue Bonds					
UC Projects.....	\$170.1	\$145.3	\$71.2	\$386.6	\$36.2
CSU Projects.....	62.2	—	—	62.2	5.8
CCC Projects.....	—	—	—	—	—
Library Facilities Revenue Bonds					
UC Projects.....	—	—	29.6	29.6	2.8
CSU Projects.....	—	2.4	44.7	47.1	4.4
CCC Projects.....	—	—	—	—	—
Instructional Facilities Revenue Bonds					
UC Projects.....	—	—	9.7	9.7	0.9
CSU Projects.....	—	—	—	—	—
CCC Projects.....	—	—	22.5	22.5	2.1
Subtotals, Higher Education.....	\$232.3	\$147.7	\$178.0	\$558.0	\$52.3
Department of Corrections.....	612.6	325.0	—	937.6	87.8
Totals, Revenue Bonds.....	\$844.9	\$472.7	\$178.0	\$1,495.6	\$140.1

<sup>a</sup> Amount includes proposed appropriation plus 25 percent for financing cost and reserve.

<sup>b</sup> Based on an average interest cost of 7 percent per annum over a 20 year term.

**Revenue Bond Payments From General Fund Reduce Legislature’s Flexibility.** If the Legislature continues its present policy of financing debt service for revenue bond programs from the support budgets of the respective departments, we estimate that the required General Fund payments for current and proposed appropriations will reach \$140 million per year. This will reduce the amount available to support existing and new General Fund programs. These debt service payments moreover, would count towards the state’s constitutional appropriations limit established by Article XIII B. Unlike debt service on general obligation bonds, debt service on these “revenue” bonds would have to be counted towards



the limit *because the bonds are not voter approved*. Thus, the debt service payments from the General Fund will have to be taken "off the top" before the Legislature considers its own spending priorities. In fact, depending on the changes in the limit from year-to-year, this funding arrangement may require the Legislature to make cuts in existing General Fund programs in order to "make room" within the spending limit to pay debt service on these "revenue" bonds.

**Recommendation.** Given the significant annual debt service requirements and the present spending limit, the Legislature should no longer finance capital projects from revenue bonds. As an alternative, the Legislature should consider continuation of the general obligation bond financing for higher education facilities. This would require that projects included in the budget be evaluated, and lower priority projects be deferred until adequate funds are available. If needed, additional general obligation bonds could be proposed at the next general statewide election in June 1988.

General obligation bond financing has two advantages over revenue bond financing. First, the debt service requirements for general obligation bonds *do not* count toward the constitutional appropriations limit. Therefore, assuming adequate revenues are available, other General Fund programs would not be jeopardized in order to accommodate the debt service requirements. Second, we estimate that the effective interest rate on general obligation bonds would be lower than revenue bonds because general obligation bonds pledge "the full faith and credit" of the state to repay the debt. Accordingly, the financial community would view the bonds as being somewhat more secure than the revenue bonds which are dependent on lease or lease-purchase agreements between state agencies. (Based upon recent experience interest rate on revenue bonds are about one-quarter to three-quarters of one percent higher than general obligation bonds.)

On this basis, we recommend that the Legislature assess the priority of the projects included in the 1987-88 budget with the intent of providing full funding exclusively from the funds remaining from the general obligation bond act approved in 1986. This may also require that the Legislature reassess the priority of previously approved projects. Regardless of the Legislature's decision concerning continued use of "revenue" bond financing, this analysis evaluates each project on its merit without regard to the proposed funding source.

#### **1987-88 UC Capital Outlay Program**

For discussion purposes we have divided the university's program into the ten descriptive categories detailed in Table 3. Where projects include space for a variety of purposes, we have included the project in the appropriate category based on the primary purpose of new/remodeled space included in the project. The projects and the proposed funding source, by category, also are summarized in Table 3.

#### **A. MITIGATE HAZARDS**

The budget includes \$2.8 million for three projects that would correct seismic safety deficiencies on the Berkeley and Santa Cruz campuses. The projects requested in this category, and our recommendations are summarized in Table 4.

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**

**Table 3**  
**University of California**  
**1987-88 Capital Outlay Program**  
**Funding Summary by Project Category**  
**(dollars in thousands)**

<i>Project Category/ Item (Fund Source)</i>	<i>Budget Bill Amount</i>	<i>Est. Future Cost<sup>a</sup></i>
A. Mitigate Hazards		
Item 6440-301-782 (General Obligation Bonds) .....	\$2,820	\$2,587
B. Complete Newly Constructed Facilities		
Item 6440-301-782 (General Obligation Bonds) .....	11,158	—
C. Additional Instructional Space		
Item 6440-301-660 (Instructional Revenue Bonds) .....	7,820	585
Item 6440-301-782 (General Obligation Bonds) .....	800	25,709
D. Upgrading Instructional Space		
Item 6440-301-782 (General Obligation Bonds) .....	84	1,316
E. Library Space		
Item 6440-301-660 (Library Revenue Bonds) .....	23,743	9,629
Item 6440-301-782 (General Obligation Bonds) .....	24,955	55,695
F. New Research Space		
Item 6440-301-525 (High-Technology Revenue Bonds) .....	40,792	3,476
Item 6440-301-782 (General Obligation Bonds) .....	1,486	33,568
G. Upgrading Research Space		
Item 6440-301-782 (General Obligation Bonds) .....	1,913	28,589
H. New Support Space		
Item 6440-301-782 (General Obligation Bonds) .....	1,771	18,830
I. Other Projects		
Item 6440-301-782 (General Obligation Bonds) .....	5,813	2,728
J. Hospital Projects		
Item 6440-301-525 (High-Technology Revenue Bonds) .....	16,187	24,180
Item 6440-301-782 (General Obligation Bonds) .....	200	—
Totals .....	\$139,542	\$206,892

<sup>a</sup> UC estimate.

**Table 4**  
**University of California**  
**1987-88 Capital Outlay Program**  
**A. Mitigate Hazards**  
**Item 6440-301-782**  
**(dollars in thousands)**

<i>Subitem</i>	<i>Project</i>	<i>Campus</i>	<i>Phase<sup>a</sup></i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>	<i>Est. Future Cost<sup>b</sup></i>
(4)	Seismic Safety Corrections, Wheeler Hall .....	Berkeley	c	\$1,094	pending	—
(6)	Seismic Safety Corrections, Cali- fornia Hall .....	Berkeley	pw	251	\$67	\$2,587
(26)	Mt. Hamilton Observatory Seis- mic Correction .....	Santa Cruz	wc	1,475	pending	—
	Totals .....			\$2,820	\$67	\$2,587

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

**Seismic Safety Corrections—Berkeley and Santa Cruz**

*We withhold recommendation on \$2,569,000 requested for seismic safety corrections pending receipt of additional information.*

We have withheld recommendation on seismic safety corrections to Wheeler Hall on the Berkeley campus pending receipt of preliminary plans and cost estimates which are to be available prior to legislative hearings on the budget. The UC has also allocated funds for preliminary plans for seismic safety corrections to the Mt. Hamilton Observatory, operated by the Santa Cruz campus. We also withhold recommendation on this project pending receipt of preliminary plans and cost estimates which detail the anticipated costs for the dome facility and visitor center portion of the building.

**Seismic Safety Correction, California Hall—Berkeley**

*We recommend a reduction of \$184,000 in the amount proposed for preliminary plans and working drawings for seismic safety corrections to California Hall on the Berkeley campus, because (1) the project scope should be reduced to work required for life-safety and (2) the working drawing portion of the request is premature. (Reduce Item 6440-301-782(6) by \$184,000. Future savings: \$600,000.)*

The budget includes \$251,000 for preliminary planning and working drawing funds for seismic safety corrections to California Hall on the Berkeley campus. This 30,000 asf building was constructed in 1905 and houses campus administrative units. The building has been identified as seismically deficient and could collapse in the event of a major earthquake. The proposed project provides for installation of new reinforced concrete footings and new columns to strengthen the structure. The estimated future cost for construction and relocating building occupants during construction is \$2.6 million.

**Project Scope Exceeds Life-Safety Requirements.** Our analysis indicates that a degree of structural renovation of California Hall is needed. In a 1981 survey, the Seismic Safety Commission identified this building as a high statewide priority for seismic correction. The proposed improvements would bring the building into conformance with the "acceptable degree" of life safety recommended by UC's consultant.

The project, however, also includes additional work to reduce structural damage in an earthquake. This additional work would not affect life safety. Given the vast number of buildings throughout the state that currently need to be upgraded to meet life-safety requirements, the additional improvements at California Hall should not be undertaken. Based on UC's estimate, this will reduce the construction cost by about \$600,000 or 34 percent. Moreover, this reduction could result in additional savings if the revised project can be completed without moving all building occupants to leased space. The UC has estimated that temporary leased space for building occupants would cost \$670,000.

Finally, the amount requested for working drawings is premature. Until adequate information is available to substantiate the construction estimate, working drawings should not be approved. This is because the Department of Finance and Public Works Board have adopted a policy of utilizing working drawing funds even when projects exceed legislatively approved scope and cost. We therefore have consistently recommended

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**

throughout this analysis that working drawing funds not be appropriated unless preliminary plans and associated cost estimates have been completed.

On this basis, we recommend (1) that the preliminary plan amount be reduced to \$67,000 to fund work needed for life safety and (2) the working drawing funds be deleted from Item 6440-301-782 (6), for a reduction of \$184,000. (Future savings: \$600,000.)

**B. COMPLETE NEWLY CONSTRUCTED FACILITIES**

*We withhold recommendation on \$11,158,000 requested for five projects to complete newly constructed facilities pending receipt of (1) preliminary plans for the electrical distribution system improvements on the Berkeley campus and (2) certification from the university that all equipment items to be purchased from the \$5,692,000 appropriated from general obligation bond funds for equipping new buildings have a useful life of at least ten years in compliance with provisions of the bond measure.*

The budget includes \$11.2 million for five projects that are intended to complete newly constructed facilities. The proposed projects in this category are summarized in Table 5.

The proposed Electrical System Improvements, Step 2, on the Berkeley campus is required in order to provide electrical service to the Genetics and Plant Biology Building which is currently under construction. The UC is preparing the preliminary plans and cost estimates for this project. This information should be available prior to legislative hearings on the Budget Bill. Consequently, we withhold recommendation on the \$5.5 million requested for working drawings and construction.

The balance of funds requested in this category is for equipment related to new facilities.

Table 5  
University of California  
1987-88 Capital Outlay Program  
**B. Complete Newly Constructed Facilities**  
Item 6440-301-782  
(dollars in thousands)

Subitem	Project	Campus	Phase <sup>a</sup>	Budget Bill Amount	Analyst's Recom- mendation	Est. Future Cost <sup>b</sup>
(5)	Electrical Distribution System, Step 2.....	Berkeley	wc	\$5,466	pending	—
(12)	Law School Addition and Altera- tions .....	Los Angeles	e	609	pending	—
(14)	Engineering Building Unit 1 .....	San Diego	e	3,926	pending	—
(20)	Biotechnology Seawater Labora- tory .....	Santa Barbara	e	927	pending	—
(27)	Kearney Agriculture Center Deve- lopment .....	Systemwide	e	230	pending	—
Totals .....				\$11,158	pending	—

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

<sup>b</sup> UC estimate.

**Bond Act Limitation on Equipment Funding.** The Higher Education Capital Outlay Bond Act of 1986 specifies that the general obligation bond funds are available for equipping new/renovated buildings *provided* the equipment to be purchased has a useful life of at least ten years. The UC has not provided information to substantiate that the individual items of equipment proposed to be purchased with these funds have a useful life of at least ten years. Accordingly, we withhold recommendation on the funds requested for equipment pending receipt of the university's certification for the various items of equipment.

### C. NEW INSTRUCTIONAL SPACE

The budget includes \$8.6 million for two projects that primarily provide new instructional space. Table 6 summarizes our recommendations on the projects in this category.

Table 6  
University of California  
1987-88 Capital Outlay Program  
C. New Instructional Space  
(dollars in thousands)

Item (Fund)				Budget Bill Amount	Analyst's Recom- mendation	Est. Future Cost <sup>b</sup>
Subitem	Project	Campus	Phase <sup>a</sup>			
Item 6440-301-660 (Revenue Bonds):						
(2)	International Relations and Pacific Studies .....	San Diego	c	\$7,820	pending	\$585
Item 6440-301-782 (General Obligation Bonds):						
(21)	Physical Sciences Building .....	Santa Barbara	p	800	—	25,709
Totals .....				\$8,620	—	\$26,294

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

<sup>b</sup> UC estimate.

### Graduate School, International Relations/Pacific Studies—San Diego

*We withhold recommendation on \$7,820,000 requested under Item 6440-301-660(2) for construction funds pending receipt of additional information.*

One request in this category is for construction funds of \$7.8 million for the Graduate School of International Relations and Pacific Studies on the San Diego campus. We withhold recommendation on this amount pending receipt of preliminary plans and cost estimates which should be available prior to legislative hearings on the budget.

### Physical Sciences Building—Santa Barbara

*We recommend deletion of \$800,000 for preliminary planning for the Physical Sciences Building on the Santa Barbara campus because this campus has sufficient instruction and research space according to state space guidelines. Consequently, the campus needs to undertake a project to remodel existing space rather than construct new space to meet demonstrated space needs in the programs. (Reduce Item 6440-301-782(21) by \$800,000. Future savings: \$25.7 million.)*

The budget includes \$800,000 for preliminary planning for a new 77,970 assignable square foot (asf) Physical Sciences Building on the Santa Bar-

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**

bara campus. The proposed building would provide undergraduate class laboratories and support space in Chemistry and Geological Sciences (27,300 asf), specialized research laboratories in Chemistry (17,040 asf), research support space including laser facilities and nuclear magnetic resonance facilities (7,440 asf), academic and administrative offices (8,190 asf) and centralized shops for Chemistry and Physics (18,000 asf). Upon completion of this project, approximately 29,000 asf in three existing buildings would be renovated for Chemistry, Geological Sciences and Physics. The estimated cost for the new construction is \$26.5 million with proposed renovations estimated to be \$3.4 million, indicating a total project cost of \$29.9 million.

The proposed building will replace and expand undergraduate instructional laboratories for Chemistry and Geological Sciences. The campus, however, already has sufficient space available for physical sciences based on state space guidelines. In the current year, the campus space needs in Physical Sciences amount to 144,395 asf while the campus has 161,563 asf assigned to this area of study. Based on current enrollment projections, the 1991-92 space needs in physical sciences amount to 164,219 asf, while the actual space available, without this new building is 161,563 asf. Approval of the proposed project would increase the amount of available space by over 60,000 asf, and push available space to 38 percent over the amount needed based on state space guidelines.

The UC data show that the campus needs to assign additional space to instructional laboratories in the physical sciences. Rather than construct the new building, however, UC should evaluate ways to improve utilization of existing space.

On this basis, we recommend deletion of the \$800,000 requested for preliminary plans for the new building.

**D. UPGRADING INSTRUCTIONAL SPACE**

The budget includes \$84,000 for one project, the Computer Science Renovations, San Diego, that primarily upgrades instructional space.

**Computer Science Renovations—San Diego**

*We recommend that \$84,000 requested for preliminary planning and working drawings for renovations for computer science programs on the San Diego campus be reduced by \$47,000, because the working drawing request is premature. (Reduce Item 6440-301-782(17) by \$47,000.)*

The budget includes \$84,000 for preliminary plans and working drawings to renovate 23,600 asf in two buildings for computer science programs. The space to be remodeled is to be vacated by electrical engineering once the new Engineering Building Unit 1 is completed. The proposed project will consolidate computer science undergraduate class laboratories on three floors and provide new research laboratories. The estimated future cost for construction of the proposed improvements is \$1.3 million.

The proposed project is consistent with the plans submitted by the university when the Legislature approved funds for construction of the Engineering Building Unit 1 project. We therefore recommend approval of the project. The working drawing portion of the request, however, is premature given the administration's current policy with respect to proceeding with development of working drawings regardless of the Legislature's action on the scope/cost of the project. Therefore, in accordance

with our recommendation on all other funding requests of this type in the budget, we recommend deletion of the working drawing funds.

### E. LIBRARY SPACE

The budget includes \$48.7 million for projects to expand and provide new library facilities on various campuses. The requested projects and our recommendation on each are summarized in Table 7.

**Table 7**  
**University of California**  
**1987-88 Capital Outlay Program**  
**E. Library Space**  
**(dollars in thousands)**

Subitem	Project	Campus	Phase <sup>a</sup>	Budget Bill Amount	Analyst's Recom- mendation	Est. Future Cost <sup>b</sup>
Item 6440-301-660 (Revenue Bonds):						
(1)	Shields Library Expansion .....	Davis	c <sup>c</sup>	\$23,743	pending	\$9,629
Item 6440-301-782 (General Obligation Bonds):						
(2)	Northern Regional Library Facility, Phase 2 .....	Universitywide	pw	628	\$275	7,727
(15)	Central Library Addition .....	San Diego	p	880	350	35,568
(18)	Campus Library .....	San Francisco	c	22,600	pending	500
(23)	Science Library .....	Santa Cruz	pw	847	205	11,900
Totals .....				\$48,698	\$830	\$65,324

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

<sup>b</sup> UC estimate.

<sup>c</sup> Partial construction.

### New Libraries—Davis and San Francisco

*We withhold recommendation on \$23,743,000 requested for construction of the Shields Library Expansion, Davis, and \$22,600,000 requested for construction of the Campus Library, San Francisco, pending receipt of UC's report to the Legislature on its efforts to reduce the cost of these projects.*

The budget includes construction funds for two major new library facilities. Item 6440-301-660 (1) proposes \$23.7 million in construction funds for an addition to the Shields Library on the Davis campus. The estimated future cost for alterations of the existing library and equipment is \$9.6 million. Item 6440-301-782 (18) proposes \$22.6 million for a new 88,300 asf library on the San Francisco campus. The estimated future cost for equipment is \$500,000.

In the 1986 Budget Act, the Legislature adopted language directing UC, upon completion of working drawings, to report to the Legislature on its efforts to reduce the costs of several projects including the Davis and San Francisco Library projects. The language specifies that if savings cannot be achieved, the report is to indicate the reasons for maintaining the current project cost.

Preliminary plans for these projects were recently completed by UC. The estimated cost of construction for the 131,400 asf Shields Library Addition is \$108.71 per gross square foot. This represents the *same cost* that UC indicated when the Legislature approved the budget language and working drawing funds for this project in the 1986 Budget Act.

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**

The San Francisco Campus Library building is estimated to cost \$159.00 per gross square foot. The amount budgeted for construction has been reduced by \$1.5 million. The UC, however, has *increased* the amount budgeted for other costs by \$900,000 for a net reduction of \$600,000 in the total project cost. Although the State Public Works Board has approved preliminary plans for the project, the information submitted by UC provided no explanation of the reason for the increases. Prior to hearings, UC should advise the Legislature of why these costs have increased substantially.

The proposed cost for these two facilities still far exceeds the comparable costs for construction of library facilities on CSU campuses. The Shields Library Addition at Davis is 41 percent over the CSU guideline, and the San Francisco proposal is 103 percent more than the cost of a CSU library. Our review of the preliminary plans indicate that there are numerous opportunities for UC to reduce the cost of these projects. There is no analytical basis for the Legislature to provide a higher construction budget for UC libraries than for similar CSU facilities. We therefore withhold recommendation on the funds requested for these two projects pending UC's response to the language adopted in last year's Budget Bill. The university should provide the needed report prior to budget hearings.

**Northern Regional Library Facility**

*We recommend that \$628,000 requested for preliminary plans and working drawings for the Northern Regional Library Facility, Phase 2 be reduced by \$353,000 because the working drawing request is premature. (Reduce Item 6440-301-782(2) by \$353,000.)*

The budget includes \$628,000 for preliminary plans and working drawings for a 67,150 asf addition to the Northern Regional Library Facility located at Richmond. The purpose of this facility is to store, preserve and provide access for library materials that have low use and therefore can be stored more economically in this facility rather than in conventional library facilities on UC campuses. A similar facility to serve southern California, located on the UCLA campus, is to be completed soon.

Based on current library holdings, and anticipated additional deposits from the campuses, the 3 million-volume-capacity Northern Regional Facility will be full by January 1988. The proposed project would expand the facility's capacity by 2.4 million volumes. The UC estimates that this capacity will be sufficient to meet scheduled deposits from the campuses through the year 1996-97. The estimated future cost for construction of the expansion is \$7.7 million.

Our analysis indicates that the university needs to have adequate capacity in its regional facilities in order to maintain the most economical system for storing library materials on a long-term basis. Given the deposits to date, and the scheduled deposits over the next few years, expansion of the northern facility is justified. We therefore recommend approval of the project. The working drawing request however, is premature. Consistent with our recommendation on other projects where both preliminary plans and working drawings have been requested, we recommend deletion of the working drawing funds because of the Department of Finance's policy with regard to allocating working drawing funds regardless of legislative approved scope and cost. On this basis, we recommend a reduction of \$353,000 to Item 6440-301-782(2).



**Central Library Addition—San Diego**

*We recommend a reduction of \$350,000 in the amount budgeted for preliminary plans for an addition to the Central Library on the San Diego campus because (1) the amount budgeted for new construction should be reduced consistent with the costs of similar library facilities funded by the state and (2) funds for renovation work are not justified. (Reduce Item 6440-301-782(15) by \$350,000. Future savings: \$16.2 million.)*

The budget includes \$880,000 for preliminary planning for an addition to the Central Library on the San Diego campus. The 136,850 asf addition would more than double the space available in the existing 122,000 asf central library. In addition, the project would provide centralization of library services by relocating the science and engineering library from laboratory space to the central library. Construction of the new addition is estimated to cost \$28.1 million. In addition, UC's proposal would require another \$8.3 million to renovate the existing central library. Thus, the estimated total project cost is \$36.4 million.

Based on state space guidelines, projected enrollment and library collection growth, the additional library space is justified. The proposed project, however, is substantially overbudgeted.

**Cost of New Space Should be Scaled Back.** The proposed new library space is based on a building cost of \$111.50 per gross square foot (gsf). In comparison, the state has funded construction of new libraries for the CSU system at \$78.50 per gsf (at a comparable cost index). Thus, UC's proposed cost is 42 percent higher than the comparable cost for a CSU facility.

There is no basis for providing more funds for UC libraries than for CSU libraries. Consequently, we recommend that the amount budgeted for new construction of this facility be reduced by \$7.9 million, from \$28.1 million to \$20.2 million, which represents estimated costs based on the CSU guideline. The equivalent amount needed for preparation of preliminary plans for the reduced cost proposal would be \$530,000.

**Substantial Renovation Work Not Justified.** The UC also proposes that the existing central library be renovated at an estimated cost of \$8.3 million. The proposed work includes renovations to accommodate administrative functions, addition of a third public elevator, renovations to the air distribution system, improvements to the electrical system, bracing of stacks and installation of fire sprinklers.

The library will most likely require some modifications in order to assure efficient operation once the addition is completed. The UC, however, has not identified the work necessary to accomplish this objective. Rather, UC has proposed a major renovation of the *entire* library at a cost equivalent to 40 percent of the cost of a new building.

We recommend that the Legislature direct UC to reassess its overall space requirements in the existing library and develop a revised renovation project—to be considered for funding as a subsequent phase—that addresses the essential work needed to allow the existing building to function efficiently when the new addition is operational. On this basis, we recommend deletion of planning funds for the \$8.3 million portion of this project.

In sum, we recommend approval of \$530,000 for preliminary planning funds for the full scope of the 136,850 asf library addition. We recommend, however, that the budgeted amounts for the addition be reduced, consistent with CSU cost guidelines, and that the renovation project be deferred pending UC's reevaluation of the scope of this work. Accordingly, we recommend that Item 6440-301-782(15) be reduced by \$350,000.

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued****Science Library—Santa Cruz**

*We recommend a reduction of \$642,000 to the request for preliminary plans and working drawings for a science library on the Santa Cruz campus because (1) the project should be revised in scope to provide an addition to the central library, (2) the proposed construction budget is excessive in comparison to typical state costs for library facilities and (3) the working drawing request is premature. (Reduce Item 6440-301-782 (23) by \$642,000. Future savings: \$5.2 million.)*

The budget includes \$847,000 for preliminary plans and working drawings for a new 52,000 asf science library on the Santa Cruz campus. The proposed facility would replace an existing 10,150 asf facility that is too small to accommodate the science collection. Currently, the science collection is housed in two locations—the science library and the central library facility. Upon completion of the new larger science library, the existing science library facility is to be reassigned to administrative functions. Thus, the new building would provide a net increase of 41,850 asf in library space, bringing the campus total to 157,150 asf.

Based on projected enrollment and library collection growth, the library space deficit on this campus will be 43,755 asf in 1990 and 80,654 asf in 1996. This project therefore, will provide 99 percent of the projected amount of library space needed in 1990. The estimated future cost for construction and equipment of the new facility is \$11.9 million.

Our analysis indicates that while the amount of space is justified, the proposed project should be revised to better meet campuswide library space needs. Specifically, we recommend that the project include construction of a 52,000 asf building addition to expand the centrally located library by an equivalent amount of space rather than construction of a separate science library. The advantages of this alternative project include:

- It would permit the library collection to be centralized in a single building, offering maximum flexibility for future collection growth and space assignments.
- It would allow retention of the existing 10,150 asf science library which could continue to function as a remote satellite library facility or reading room.
- It would provide more library space (52,000 asf in the addition plus retention of the 10,150 asf library reading room).

In addition, we note that the campus' calculation of proposed space is based on providing one reader station for every four students or 25 percent of the total enrollment. As recently as 1980, the campus' space plan assumed that reader stations would be provided equivalent to 15 percent of the planned enrollment. Our analysis indicates that, based on the Santa Cruz campus' organizational structure of individual colleges, provisions for reader stations equivalent to 20 percent of the projected enrollment would provide a *reasonable* amount of space. This level of reader stations in the library would take into consideration and recognize the availability of study space within the individual colleges. This would reduce the projected campuswide space deficit by 14,750 asf. Consequently, a revised proposal for an addition to the existing library, coupled with the revised calculation of space needs for reader stations, would provide 100 percent

of library space needs through 1993.

Finally, we note that the amount budgeted for this project should be revised for two reasons.

**First**, the amount requested for working drawings is premature. We have consistently recommended in this *Analysis* that the Legislature not approve working drawing funds until preliminary plans have been completed. This is based on the Department of Finance's policy of allocating working drawing funds regardless of the legislatively approved scope and cost.

**Second**, the proposed costs of the new science library is \$135.90 per gsf. In comparison, the amount budgeted for new library facilities at the CSU total \$78.50 per gsf. There is no analytical basis for budgeting library facilities at this UC campus at a level that is *73 percent higher than the amount that would be budgeted for a CSU campus*. Accordingly, we recommend that the amount budgeted for the project be based on a revised project cost consistent with the CSU guideline. This would reduce the overall project cost from \$12.7 million to \$7.5 million for a future savings of \$5.2 million.

In sum, we recommend approval of additional library space for the Santa Cruz campus by providing an addition to the existing central library at a reduced cost, and deferral of the working drawing request. An appropriation of \$205,000 for preliminary plans should be adequate for the revised project. We therefore recommend a reduction of \$642,000 in Item 6440-301-782(23). (Future savings: \$5.2 million.)

## F. NEW RESEARCH SPACE

### Science Research Buildings—Irvine and Los Angeles

*We withhold recommendation on \$42,278,000 for two projects that primarily provide new research space, pending receipt of additional information.*

The budget includes \$42.3 million for two projects that will provide space for the Biological Sciences on the Irvine campus and Chemistry and Biological Sciences on the Los Angeles campus. We have withheld recommendation on the requested projects pending receipt of preliminary plans. The projects are summarized in Table 8.

**Table 8**  
**University of California**  
**1987-88 Capital Outlay Program**  
**F. New Research Space**  
**(dollars in thousands)**

Item (Fund)				Budget	Analyst's	Est.
Subitem	Project	Campus	Phase <sup>a</sup>	Bill Amount	Recommendation	Future Cost <sup>b</sup>
Item 6440-301-525 (High Technology Revenue Bonds):						
(2)	Biological Sciences Unit 2 .....	Irvine	c	\$40,792	pending	\$3,476
Item 6440-301-782 (General Obligation Bonds):						
(13)	Chemistry And Biological Sciences Addition.....	Los Angeles	w	1,486	pending	33,568
Totals.....				\$42,278	pending	\$37,044

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

<sup>b</sup> UC estimate.

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued****G. UPGRADE RESEARCH SPACE**

The budget includes four projects totaling \$1,913,000 that primarily upgrade existing space for research. The projects in this category and our recommendations on each are summarized in Table 9.

**Table 9**  
**University of California**  
**1987-88 Capital Outlay Program**  
**G. Upgrade Research Space**  
**Item 6440-301-782**  
**(dollars in thousands)**

Subitem	Project	Campus	Phase <sup>a</sup>	Budget Bill Amount	Analyst's Recom- mendation	Est. Future Cost <sup>b</sup>
(7)	Asmundson and Mann Laboratory Remodel .....	Davis	w	\$230	pending	\$4,671
(11)	Physical Sciences Unit 1 Renovation.....	Irvine	pw	725	\$357	10,840
(16)	Urey Hall Renovations .....	San Diego	pw	118	52	2,482
(24)	Natural Sciences Alteration.....	Santa Cruz	pw	840	370	10,596
Totals.....				\$1,913	\$779	\$28,589

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

<sup>b</sup> UC estimate.

**Asmundson and Mann Laboratory—Davis**

*We withhold recommendation on \$230,000 requested for working drawings to remodel the Asmundson and Mann Laboratory on the Davis campus pending receipt of preliminary plans.*

We have withheld recommendation on the proposed project for the remodeling of Asmundson and Mann Laboratory on the Davis campus pending receipt of preliminary plans.

**Science Building Renovations/Alterations—Irvine, San Diego, Santa Cruz**

*We recommend that preliminary plans and working drawing funds for three projects to upgrade research space on the Irvine, San Diego and Santa Cruz campuses be reduced by \$904,000 because the amount requested for working drawings is premature. (Reduce Item 6440-301-782(11) by \$368,000, reduce Item 6440-301-782(16) by \$66,000 and reduce Item 6440-301-782(24) by \$470,000.)*

The budget includes \$1.7 million for three projects that are intended to renovate or upgrade existing space for research purposes. All three projects represent alterations/renovations of space that has been vacated because of occupancy of new buildings previously approved by the Legislature. These projects were proposed as an integral part of UC's initial proposal for the related new buildings. The total estimated future cost for these projects is \$23.9 million.

**Physical Sciences Unit 1 Renovation—Irvine.** This project upgrades approximately 50,800 asf to improve chemistry, physics and mathematics

research laboratories, teaching laboratories and faculty offices when the new Physical Sciences Unit 2 is completed. The project also includes upgrading the building's mechanical and electrical systems. The estimated future cost for construction and equipment is \$10.8 million.

**Urey Hall Renovations—San Diego.** This project alters 24,500 asf that consists mostly of space that will be vacated when programs in applied mechanics and engineering sciences move into the new Engineering Building Unit 1 facility. The space will be renovated primarily for research laboratories in chemical engineering, engineering physics and chemistry. The estimated future cost for construction and equipment is \$2.5 million.

**Natural Sciences Alteration—Santa Cruz.** Upon completion of the new Natural Sciences 3 Building, a total of 53,184 asf will be available for reassignment in three buildings on the Santa Cruz campus. This project alters the vacated space for instruction and research in various sciences plus construction of greenhouse and animal facilities. The estimated future cost for construction and equipment is \$10.6 million.

Our analysis indicates that these alterations are needed in order to fulfill space alteration requirements that were identified when the new major buildings were approved on these campuses. The working drawing request for the three projects, however, is premature. We have consistently recommended in this *Analysis* that working drawing funds not be approved because of the policies established by the Department of Finance with regard to expenditure of project working drawing funds, regardless of the legislatively approved project scope/cost. Therefore, we recommend deletion of \$904,000 for the working drawing portion of these projects.

## H. NEW SUPPORT SPACE

The budget includes \$1.8 million for four projects that primarily provide new support facilities on four campuses. The projects in this category and our recommendations are summarized in Table 10.

Table 10  
University of California  
1987-88 Capital Outlay Program  
H. New Support Space  
Item 6440-301-782  
(dollars in thousands)

Subitem	Project	Campus	Phase <sup>a</sup>	Budget Bill Amount	Analyst's Recom- mendation	Est. Future Cost <sup>b</sup>
(3)	Northwest Animal Facility....	Berkeley	w	\$752	pending	\$13,098
(19)	SFGH Animal Care Improve- ments.....	San Francisco	c	646	pending	—
(22)	Animal Care Facility Im- provements .....	Santa Barbara	p	70	pending	1,725
(25)	College Eight Academic Unit	Santa Cruz	pw	303	\$113	4,007
Totals .....				\$1,771	\$113	\$18,830

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

<sup>b</sup> UC estimate.

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued****Animal Care Facilities—Berkeley, San Francisco, Santa Barbara**

*We withhold recommendation on \$1,468,000 requested for new and remodeled animal care facilities on three campuses pending receipt of additional information.*

The budget proposes \$1.5 million for three animal facilities—Northwest Animal Facility at Berkeley, Animal Care Improvements at San Francisco General Hospital, and Animal Care Facility Improvements at Santa Barbara. The estimated future cost of these projects totals \$14.8 million. We have withheld recommendation on the Berkeley and San Francisco projects pending receipt of preliminary plans and cost estimates. We have withheld recommendation on the Santa Barbara project pending UC's assessment that all animal care facilities and programs operating on this campus will meet accreditation requirements once this project is completed.

**College Eight Academic Unit—Santa Cruz**

*We recommend a reduction of \$190,000 to the amount budgeted for preliminary plans and working drawings for College Eight Academic Unit on the Santa Cruz campus because the working drawing request is premature. (Reduce Item 6440-301-782(25) by \$190,000.)*

The budget includes \$303,000 for preliminary plans and working drawings for construction of a 17,200 asf building to house academic and administrative functions of College Eight on the Santa Cruz campus. This campus is organized in eight distinct colleges that consist of a set of physically integrated classrooms, faculty offices, administrative offices, student housing and support facilities needed to maintain the emphasis on undergraduate education. The proposed project, coupled with nonstate funded projects that will provide space for student activities and special support facilities, will provide the basic core facilities for the College Eight Academic Unit. The estimated future costs for construction and equipment of the state-funded portion is \$4 million. Upon completion of the project, approximately 10,000 asf in Kerr Hall will be released to permit consolidation and expansion of teaching/research space for psychology.

Our analysis indicates that approval of the proposed project will provide adequate space consistent with state space guidelines in support of College Eight programs. We therefore recommend approval of the project. We further recommend, however, that the proposed working drawing request be deferred consistent with our recommendation on other projects. We therefore recommend a reduction of \$190,000 in the amount budgeted for this project under Item 6440-301-782(25).

**I. OTHER PROJECTS**

The budget includes three projects we have categorized as "other" projects. The requested projects in the category and our recommendations on each are summarized in Table 11.

**Table 11**  
**University of California**  
**1987-88 Capital Outlay Program**  
**I. Other Projects**  
**Item 6440-301-782**  
**(dollars in thousands)**

Subitem	Project	Campus	Phase <sup>a</sup>	Budget Bill Amount	Analyst's Recom- mendation	Est. Future Cost <sup>b</sup>
(1)	Minor Capital Outlay.....	Universitywide	pwc	\$5,424	\$5,424	—
(8)	Central Plant Chilled Water Expansion .....	Davis	w	156	pending	—
(9)	Electrical System Modifica- tion and Expansion .....	Davis	pw	233	pending	\$2,728
	Totals .....			\$5,813	\$5,424	\$2,728

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

<sup>b</sup> UC estimate.

### **Minor Capital Outlay**

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

We recommend approval of the \$5.4 million for UC's minor capital outlay program. This program consists of a series of projects costing \$200,000 or less per project. The UC is required to provide a post-audit report on the expenditure of these funds. Based on past reports, UC's use of these funds has been appropriate. Continued availability of minor capital outlay funds should assist UC in meeting the changing needs of the academic programs.

### **Utility Improvements—Davis.**

***We withhold recommendation on \$156,000 requested for working drawings for the Central Plant Chilled Water Expansion project on the Davis campus pending receipt of UC's evaluation of alternative means of financing this project through energy conservation bond funds. Further, we withhold recommendation on \$233,000 requested for expansion of the electrical system at the Davis campus pending receipt of additional information on energy conservation work at this campus.***

***Central Plant, Davis.*** We have withheld recommendation on the \$156,000 proposed for working drawings for the Central Plant Chilled Water Expansion, Davis, pending a determination as to whether or not this project would qualify for funding under energy conservation revenue bond financing available through the State Public Works Board. These bonds are financed through project savings.

***Electrical Systems, Davis.*** We have withheld recommendation on the \$123,000 requested for preliminary plans and working drawings to modify/expand the primary electrical system on the Davis campus pending UC's evaluation of the effect of energy conservation projects on the projected electrical demand at the campus.

### **J. HOSPITAL PROJECTS**

The budget includes \$16.4 million for capital outlay improvements and acquisition funds for hospitals operated by UC. The projects in this category and our recommendations on each are summarized in Table 12.

## UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

Table 12  
University of California  
1987-88 Capital Outlay Program  
J. Hospital Projects  
(dollars in thousands)

Subitem	Project	Campus	Phase <sup>a</sup>	Budget Bill Amount	Analyst's Recom- mendation	Est. Future Cost <sup>b</sup>
Item 6440-301-525 (High-Technology Revenue Bonds):						
(1)	Purchase Digital Telephone System, UCDCM.....	Davis	a	\$1,750	pending	—
(3)	Cancer Center Module, UCIMC	Irvine	c	9,247	pending	\$975
(4)	Outpatient Tower Completion UCDCM.....	San Diego	wc	5,190	pending	23,205
Item 6440-301-782 (General Obligation Bonds):						
(10)	UCDCM Acquisition.....	Davis	wc	200	\$200	—
Totals .....				\$16,387	\$200	\$24,180

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

<sup>b</sup> UC estimate.

## Final Acquisition Payment—UCD Medical Center, Sacramento

*We recommend approval.*

We recommend approval of \$200,000 proposed from general obligation bond funds for the tenth and final payment towards acquisition of the UCD Medical Center in Sacramento. Under the terms of the current agreement with the county, after UC makes the final payment, and if the university continues to provide patient services for ten years beyond June 30, 1988, the county's interest in the medical center will be transferred to UC at no additional cost.

## Revenue Bond Funded Projects Should Be Financed From Hospital Revenue Increases

*We recommend that the Legislature adopt Budget Bill language specifying that the funds appropriated from revenue bond proceeds for cost savings/revenue enhancing capital outlay projects at the Davis, Irvine and San Diego teaching hospitals shall be repaid from hospital funds over a term equivalent to the "payback" period of the proposed improvements.*

*Further, we withhold recommendation on \$16,187,000 requested for these projects pending receipt of preliminary plans and/or cost estimates.*

The budget includes \$16.2 million for improvements to the teaching hospitals operated by the university at Davis, Irvine and San Diego. The estimated future cost of these projects totals \$24.2 million.

Beginning in 1985-86, UC requested funds to offset their anticipated operating losses at the Davis, Irvine and San Diego teaching hospitals. The Legislature responded to this anticipated problem by providing (1) contingency funding in the 1985 and 1986 Budget Acts to offset UC's anticipated losses and (2) capital outlay funds to undertake projects that UC expected to result in cost savings/revenue enhancements.



There are a number of problems with the state's current financing subsidy to UC's teaching hospitals. Accordingly, in our analysis of the university's support budget, we have recommended deletion of the \$7.4 million subsidy from the General Fund for 1987-88 (please see Item 6440).

The budget also proposes to continue providing funds for those capital improvements in 1987-88 that UC believes will reduce costs or enhance revenues. For 1987-88, however, the budget proposes to finance these proposed projects from high technology education "revenue" bonds:

**Purchase Digital Telephone System, UCDMC—Davis.** Item 6440-301-525(1) includes \$1.8 million for the second phase of funding for acquisition of a digital electronic telephone system at the UCD Medical Center in Sacramento. The proposed project would provide state-of-the-art service for voice, data and video transmission for 4,000 lines serving the facility. The estimated total project cost, including \$1.3 million appropriated in the 1986 Budget Act from general obligation bonds and \$200,000 allocated by the university from hospital funds, is \$3.2 million. The project will result in a one-time savings of \$270,000 and an on-going savings of \$580,000 per year. Thus, according to UC's estimated savings from the total project, the revenue bonds could be repaid in under three years.

**Cancer Center Module, UCIMC—Irvine.** Item 6440-301-525(2) proposes \$9.2 million for a 35,100 asf building to consolidate out-patient cancer services and provide offices and computer rooms for the Department of Information Services. Prior funding for this project includes \$100,000 from hospital funds and \$1.1 million appropriated for preliminary plans and working drawings in the 1986 Budget Act from general obligation bond funds. The estimated future cost for equipment is \$975,000. According to UC, this \$11.5 million project will result in increased annual revenues of \$5 million. After taking into account additional expenses related to operation of the center, UC indicates that the net revenue gain attributable to the project is \$2.5 million. Thus, based on UC's anticipated increased revenues from the project, the revenue bonds could be repaid within four years.

**Inpatient Tower Completion and Modernization, UCSDMC—San Diego.** Item 6440-301-525(4) proposes \$5.2 million for working drawings and partial construction of improvements at the San Diego Medical Center. The requested amount represents a portion of a \$29.5 million project to upgrade various aspects of the hospital and provide an addition of 82,000 asf. Future estimated costs are \$23.2 million for construction. The university indicates that the completed project will result in a net annual revenue gain of \$5.2 million. Thus, the revenue bonds could be repaid in less than six years.

**Revenue Produced Should Pay Off Revenue Bonds.** Approval of these proposed projects from high technology education "revenue" bonds will require the university to enter into lease agreements with the State Public Works Board. The lease agreement will become the security for the bond debt issued by the board for construction of the proposed improvements.

Under previous agreements of this type for non-hospital projects, the "lease" payments have been proposed to be financed from the General Fund. In view of the fact that UC proposes to undertake these projects with the specific objective of reducing costs/increasing revenue, the hospital projects are by definition "self-financing". Consequently, the lease agreement between the board and the university should specify that the

**UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**

annual lease payment is to come from hospital funds *rather than from the General Fund*. Moreover, the term of the revenue bonds should be consistent with the anticipated "payback" specified by the University. For example, installation of the digital telephone system at the Davis hospital will result in annual savings of \$560,000. Consequently, the project will generate sufficient savings in 3 years to pay for the proposed improvements. On this basis, the revenue bonds issued by the board and the lease-purchase agreement with UC should be for a term of no more than 3 years. Once leased payments have been completed, the project will result in a "net revenue gain" for the hospitals.

We see two major advantages to financing these hospital improvements from revenue bonds to be repaid from hospital funds:

- It will eliminate the need for any General Fund monies being diverted to subsidize these projects. Consequently, this will give the Legislature additional flexibility in meeting other General Fund obligations in the budget.
- The responsibility for making lease payments will fall to the administrative unit—i.e. the hospital—that is responsible for ensuring that the cost savings/revenue producing aspect of the project is achieved.

We recommend therefore that the Legislature adopt Budget Bill language specifying that revenue bond financed projects at university hospital shall be repaid from hospital reserve funds over a term equivalent to the estimated payback period specified by the university in requesting the projects. Specifically, we recommend the following language under Item 6440-301-525:

"Provided that the State Public Works Board shall issue debt instruments and enter into lease agreements with the university for payments to be derived from hospital funds. The issuance of debt instruments and the corresponding lease agreement for the Davis Telephone Acquisition project shall not exceed a term of 3 years from the date of completion of the project. Terms of the lease agreement and debt financing issued for the Cancer Center Module at Irvine shall not exceed a term of 4 years from the completion date of the project. The lease agreement and debt financing for the Inpatient Tower Completion and Modernization at San Diego shall not exceed a term of 6 years from the date of completion of the project."

Finally, pending receipt of the preliminary plans and/or cost estimates substantiating the specific amounts proposed in the budget, we withhold recommendation on funds requested for these projects.

**Supplemental Report Language**

For purposes of project definition and control, we recommend that supplemental report language be adopted by the fiscal committees which describes the scope of each of the capital outlay projects approved under this item.

---

**UNIVERSITY OF CALIFORNIA, HOSPITAL RESERVE  
FUNDS—CAPITAL OUTLAY**

Item 6440-401 from Health  
Sciences Hospital Reserve  
Funds

Budget p. E 86

**ANALYSIS AND RECOMMENDATIONS**

*We recommend deletion of this item because the Legislature has no control over the expenditures of these funds.*

*Further, we recommend adoption of supplemental report language requiring the UC to provide an annual post-audit report detailing expenditures from the Health Sciences Hospital Reserve Fund.*

This item requires that the University of California's capital outlay projects costing over \$200,000 and funded from the Health Sciences Hospital Reserve Fund (funds generated from depreciation charges to hospital operations) be approved by the Director of Finance and reviewed by the Legislature. This item also requires that the university certify to the Director of Finance that each project or group of projects will reduce operating expenses by an amount equal to 20 percent of the cost of the project on an annual basis or that operating revenues will increase by an amount equal to 20 percent of the cost of the project. Projects costing less than \$200,000 must be identified in an annual report submitted to the Chairman of the Joint Legislative Budget Committee.

Over the years, the UC has routinely submitted proposed improvements to be financed from hospital reserve funds. The proposed projects vary from remodeling projects costing less than \$500,000 to the proposed \$138 million expansion of the UCLA Medical Center submitted for a 30-day review in October 1986.

Although the Legislature has 30 days to review these projects, it can neither approve nor disapprove any of the proposed expenditures. This is because the Legislature has no control over the expenditures of hospital reserve funds. Thus, the Legislature's only impact under this review procedure is if the Department of Finance and/or UC concur in any comments from the Joint Legislative Budget Committee. Consequently, while the review procedure in this section implies a degree of legislative control, in practice it does not provide the Legislature with any meaningful participation in the process. Moreover, a 30-day review period for complex/costly projects, such as the \$138 million expansion at UCLA, is too short a time frame to allow meaningful review.

Our analysis indicates that the Legislature will receive adequate information (short of review/approval of these projects through the normal budget process) if the university provides the Legislature with an annual post-audit report. This report should detail expenditures by project along with the anticipated reductions in operating expenses or increases in revenues anticipated from the project. On this basis, we recommend deletion of Item 6440-401 and adoption of the following supplemental report language under Item 6440-301-782, the main UC capital outlay appropriation item:

"Beginning on October 1, 1987 and annually thereafter, the University of California shall report to the Chairman of the Joint Legislative Budget Committee and the chairman of the fiscal committees on the actual capital outlay expenditures from the Health Sciences Hospital Reserve Fund for the prior fiscal year. The report shall identify the reductions in operating expenses or increases in operating revenue attributable to the specific projects, if any."

### HASTINGS COLLEGE OF THE LAW

Item 6600 from the General  
Fund and various funds

Budget p. E 98

Requested 1987-88 .....	\$15,200,000
Estimated 1986-87 .....	15,294,000
Actual 1985-86 .....	14,316,000
Requested decrease (including amount for salary increases) — \$94,000 (—0.6 percent)	
Total recommended reduction .....	None
Recommendation pending .....	183,000

#### 1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6600-001-001—Main support	General	\$10,776,000
6600-001-814—Lottery	Lottery Education	151,000
6600-006-001—Student aid	General	516,000
6600-011-001—Compensation	General	183,000
6600-490—Reappropriation	—	—
Federal—Student aid	Federal Trust	625,000
Reimbursements	—	2,949,000
Total		\$15,200,000

#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Enrollment Reduction Plan. Recommend the Legislature adopt supplemental report language (1) approving Hastings' plan to reduce enrollment to a total 1,200 students by 1989-90 and (2) directing Hastings to submit a plan to reduce its faculty to reflect the decline in enrollment. 1132
2. Employee Compensation. Withhold recommendation on \$183,000 for employee compensation until the current-year budget update is available. 1134
3. Auditor General Report. Recommend during 1987-88 budget hearings that Hastings respond to the recent Auditor General report on the colleges' management of real property. 1134

#### 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.

The college is budgeted 211.7 personnel-years in the current year.

### OVERVIEW OF THE BUDGET REQUEST

The budget proposes a total of \$15.2 million from all funding sources for support of Hastings in 1987-88. This is 0.6 percent (\$94,000) below estimated current-year expenditures.

Table 1 summarizes expenditures and funding sources for Hastings in the prior, current, and budget years. The table has not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures. The budget proposes a General Fund appropriation of \$11.5 million a reduction of \$333,000 (2.8 percent). The budget includes funds to provide a 3 percent salary increase and related benefits for faculty and staff on January 1, 1988.

**Table 1**  
**Hastings College of the Law**  
**Expenditures and Funding**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

	<i>Actual</i> 1985-86	<i>Est.</i> 1986-87	<i>Prop.</i> 1987-88	<i>Percent Change From 1986-87</i>
<i>Programs</i>				
Instruction.....	\$6,334	\$6,316	\$6,420	1.6%
Public and professional services .....	167	169	169	—
Academic support—law library .....	1,770	1,577	1,612	2.2
Student services .....	2,210	2,465	2,618	6.2
Institutional support .....	2,443	2,775	2,821	1.7
Operation and maintenance of plant.....	1,392	1,992	1,493	-25.1
Provisions for allocation.....	—	—	183	NA
Special adjustment .....	—	—	-116	NA
Totals .....	\$14,316	\$15,294	\$15,200	-0.6%
<i>Funding Sources</i>				
General Fund.....	\$10,775	\$11,808	\$11,475	-2.8%
California State Lottery Education Fund .....	193	121	151	24.8
Federal funds .....	574	625	625	—
Reimbursements .....	2,774	2,740	2,949	7.6
Personnel-years .....	214.8	211.7	211.7	—

Table 2 identifies the factors accounting for the net \$333,000 decrease in General Fund support requested for 1987-88.

### ANALYSIS AND RECOMMENDATIONS

We recommend approval of the changes shown in Table 2 with the exception of the employee compensation proposal which we discuss later.

In addition, *we recommend approval of the following Budget Bill items* not discussed elsewhere in this analysis:

- *\$151,000 from the California State Lottery Education Fund (Item 6600-001-814) for the instruction program.*
- *Reappropriation language (Item 6600-490) which reappropriates unexpended balances from Hastings' main support Budget Act appropriation to be used for instructional equipment, deferred maintenance and special repairs. A similar provision was approved by the Legislature in the 1986 Budget Act.*

Table 2 also shows that the proposed budget includes an undesignated "Special Adjustment" reduction of \$116,000, which is approximately 1 percent of General Fund support.

**HASTINGS COLLEGE OF THE LAW—Continued**

**Table 2**  
**Hastings College of the Law**  
**Proposed 1987-88 General Fund Budget Changes**  
**(dollars in thousands)**

1986-87 Expenditures (Revised) .....		\$11,808
Proposed Changes:		
A. Cost Adjustments .....		-562
1. Faculty merit and promotional adjustments .....	\$74	
2. Library books .....	25	
3. Reduction for one-time augmentations .....	-46	
4. Deletion of 1985-86 budgetary savings .....	-499	
5. Special adjustment .....	-116	
B. Program Adjustments .....		46
1. Emergency communication system .....	46	
C. Employee Compensation .....		183
1987-88 Expenditures (Proposed) .....		\$11,475
Change from 1986-87:		
Amount .....		-\$333
Percent .....		-2.8%

**A. ENROLLMENT**

During budget hearings last year, the Legislature approved an enrollment reduction of 50 students effective in 1987-88. This budget proposes a further reduction of 50 students. Thus, Hastings is requesting a budget for 1,350 students in 1987-88, a decrease of 100 from the 1986-87 level of 1,450.

**I. Faculty Level Should Reflect Enrollment Reduction**

*We recommend approval of Hastings' Board of Directors plan to reduce enrollment by an additional 150 students over the next three years to a total enrollment level of 1,200 by 1989-90.*

*We further recommend that the board submit a plan for proportionate reductions in full- and part-time faculty, consistent with the student/faculty ratio required by the American Bar Association.*

During the 1986-87 budget hearings, the Legislature approved, at the request of the Hastings' Board of Directors, a three-year phased-reduction of 150 students. The plan called for a reduction of 50 students in 1986-87 and in each of the next two fiscal years, after which enrollment would be stabilized in 1988-89 at 1,350 students, a decline of 150 students from the 1985-86 enrollment level of 1,500 students. Despite the enrollment reduction, the Legislature imposed no corresponding budget reduction, choosing instead to allow the college to enrich its student-faculty ratio. The 1987-88 budget proposes a further reduction in enrollment—by an additional 150 students over the next three years—to a level of 1,200 in 1989-90. Once again, no corresponding budget reduction is proposed.

According to Hastings, the budget request is based on two factors: (1) the recognition of declining demand for admission to law schools accompanied by a decline in the quality of applicants, and (2) the requirements

of the American Bar Association (ABA) to improve the quality of instruction by reducing the student-to-full-time-faculty ratio.

Our analysis indicates that there is justification to reduce enrollment at Hastings by an additional 150 students, but we believe that a corresponding reduction should be made in the faculty support budget.

**Enrollment Reduction is Justified.** Hastings' states that there is a continuing decline in the national and local applicant pools for admission to law schools, accompanied by a decline in the average test scores and grade point averages of applicants. We concur in these findings, and believe that the proposed reduction would not adversely affect the supply of lawyers in California or educational opportunities for students. Concerning supply, in 1983 it was estimated that there was one lawyer for every 299 people in California, placing us eighth in the nation in this category. With respect to student opportunity, the University of California and Hastings jointly admit approximately 1,200 new law students each year, so that the 1987 planned reduction of an additional 50 slots at Hastings represents a decrease of only 4 percent, overall.

**Faculty Should Be Reduced.** Under guidelines adopted by the American Bar Association (ABA), a law school's student-to-full-time-teaching-faculty ratio should be less than 30 to 1. Based on a projected enrollment of 1,200 students, Hastings would need only 41 full-time teachers to meet this guideline.

According to our review of its existing budget, the college already has 42 full-time teachers and the authority to convert three other positions into this classification if it chose to do so, for a total of 45 teaching positions—a level well above ABA guidelines. Moreover, Hastings' currently employs the equivalent of 9.7 full-time faculty on a part-time basis. The school would like to retain *all* its part-time faculty despite the planned enrollment reduction of 20 percent because such faculty "greatly enrich the college's course offering at a relatively modest cost." While we agree with the need for part-time faculty (even though the ABA ignores them in its count), we believe the level should be reduced in proportion to the enrollment decline.

Given Hastings excess staff resources, we recommend that the Legislature adopt the following supplemental report language in Item 6600-001-001 directing the Board of Directors to implement its plan to reduce enrollment to a level of 1,200 by 1989-90 and to submit a plan to reduce its faculty budget to 41 full-time teaching positions (exclusive of the currently budgeted 4 full-time positions for deans/administrators) and to reduce its part-time faculty to the equivalent of 7.7 positions:

"It is the intent of the Legislature that the Hastings' Board of Directors implement its plan to reduce enrollment to a level of 1,200 by 1989-90. It is further the intent of the Legislature that the board submit a plan to the legislative fiscal committees and the Joint Legislative Budget Committee by November 1, 1987 to reduce its budget for faculty positions to 52.7 positions by 1989-90. This plan should result in the following faculty distribution: 41 full-time teachers, 4 deans/administrators, and 7.7 full-time equivalent adjunct (part-time) faculty."

## **2. Student Fee Levels Need Clarification (Item 6600-006-001)**

As shown in Table 3, based on the fee setting policy enacted by the Legislature in 1985 (Ch 1523/85) mandatory fee levels at Hastings should increase by \$116 (9.9 percent) in 1987-88. The table also shows that mandatory fees were not supposed to be increased in 1986-87 above the 1985-86 level.

**HASTINGS COLLEGE OF THE LAW—Continued****Table 3**

**Hastings College of the Law**  
**Comparison of Statutory Fee Levels and the Governor's Budget Display**  
**1985-86 through 1987-88**

	<i>Actual</i> 1985-86	<i>Est.</i> 1986-87	<i>Prop.</i> 1987-88	<i>Change from</i> <i>1986-87</i>	
				<i>Amount</i>	<i>Percent</i>
<i>Mandatory Fees</i>					
Statutory.....	\$1,166	\$1,166	\$1,282	\$116	9.9%
Governor's Budget .....	1,166	1,224	1,410	186	15.2

Despite the Chapter 1523 fee policy and an appropriation in the 1986 Budget Act to maintain fees in 1986-87 at the 1985-86 level, the Governor's Budget, as also shown in the Table 3, displays Hastings' fees increasing by 5 percent in the current year and by 15 percent in 1987-88. Because these levels are contrary to state law and appear to be technical errors, we have notified both Hastings and the Department of Finance of the problem and requested a response. Additional information will be available during budget hearings.

**B. FACULTY SALARY PROPOSAL (Item 6600-011-001)**

*We withhold recommendation on the proposed salary and benefit increase, pending the May Revision.*

The budget requests \$183,000 for employee compensation increases in 1987-88. Of this amount, \$33,000 is for benefits, while the balance—\$150,000—would be used to provide a salary increase of 3 percent for faculty (\$81,000) and staff (\$69,000) on January 1, 1988.

Our analysis of the University of California budget (please see Item 6440-001-001) includes a discussion of proposed faculty salary and employee benefit increases. In summary, we withhold recommendation on UC and Hastings salaries until the current-year budget update is available (May Revision), in order to evaluate whether it is feasible to augment the budget for faculty salary increases to achieve parity with comparison universities. We also withhold recommendation on benefit increases, pending receipt of additional information on the reasons for the differences in budgeted health benefit costs per employee between Hastings and other state employers.

**C. AUDITOR GENERAL REPORT ON REAL PROPERTY MANAGEMENT**

*We recommend that Hastings be prepared at the time the fiscal committees consider its budget request to discuss the recent Auditor General report on the college's management of real property.*

In October 1986, the Office of the Auditor General issued a report concerning the college's management of real property. The Auditor states in the report that:

"Hastings College of the Law (Hastings) has retained four pieces of property that it does not plan to develop for academic use and that it acquired through the improper use of restricted funds. Although Hastings acquired the property for part of the Hastings Law Center it planned to build, Hastings abandoned plans for the portion involving the four properties in 1977. Since Hastings used restricted funds to



purchase these and other properties for the Hastings Law Center and since Hastings failed to repay all of these funds, over \$820,000 of endowment income has not been available for scholarships and student loans. According to Hastings' dean, however, no student's need for financial aid has gone unmet. Furthermore, Hastings believes that the properties are good investments."

The issues raised in this report merit a response from the law school at budget hearings.

## CALIFORNIA STATE UNIVERSITY

Item 6610 from the General  
Fund and various funds

Budget p. E 102

Requested 1987-88 .....	\$1,748,078,000
Estimated 1986-87 .....	1,687,010,000
Actual 1985-86 .....	1,581,806,000
Requested increase \$61,068,000 (+3.6 percent)	
Total recommended increase .....	355,000
Recommended General Fund revenue increase .....	747,000
Recommendation pending .....	11,730,000

### 1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6610-001-001—CSU, support	General	\$1,364,245,000
6610-006-001—CSU, support	General	350,000
6610-010-001—CSU, support	General	290,905,000
6610-021-001—CSU, support	General	10,716,000
6610-031-001—CSU, support	General	23,590,000
6610-001-814—CSU, support	Lottery Education	27,022,000
6610-490—CSU, reappropriation	General	0
Reimbursements	—	31,250,000
6610-001-890	Federal Trust	(81,420,000)
Total		\$1,748,078,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Lottery Funds. Recommend adoption of Budget Bill language requiring CSU to report, prior to April 1, 1988, on how the system plans to allocate lottery revenues in 1988-89. 1145
2. *Instructional Equipment Replacement. (Increase Item 6610-001-001 by \$4 million.)* Recommend \$4 million General Fund augmentation—from funds proposed in Item 6440-001-001—for CSU instructional equipment replacement (in conjunction with a corresponding reduction for the UC system) in order to achieve greater consistency in funding the two systems for this purpose. 1146
3. *Intensive Learning Experience Program. (Reduce Item 6610-001-001 by \$112,000.)* Recommend \$112,000 Gen- 1147

**CALIFORNIA STATE UNIVERSITY—Continued**

- eral Fund reduction in the Intensive Learning Experience program, to adjust the budget for nonparticipation by one of the CSU campuses.
4. **Nonresident Student Tuition.** (*Increase Item 6610-010-001 by \$747,000 and reduce Item 6610-001-001 by \$747,000.*) 1150  
Recommend including state lottery funds in the calculation for determining nonresident tuition, thereby increasing the tuition, with a resulting increase in General Fund revenues of \$747,000.
  5. **Housing Coordinators.** (*Reduce Item 6610-001-001 by \$778,000.*) 1151  
Recommend reducing state support for campus housing coordinators by 50 percent, for a General Fund savings of \$778,000, because shifting part of the cost of these positions to other sources of funding would reflect more accurately the services being provided.
  6. **Miscellaneous Reimbursements.** (*Reduce Item 6610-001-001 by \$1,582,000.*) 1154  
Recommend increasing the budgeted level of miscellaneous reimbursements by \$1,582,000—thereby permitting an offsetting General Fund savings of the same amount—in order to bring the budget projections into line with actual receipts in recent years.
  7. **Position Reclassification.** Recommend adoption of supplemental report language requiring CSU campuses to obtain approval from the Chancellor's Office prior to transferring any position into the Management Personnel Plan by means of position reclassification. 1155
  8. **Administrative Establishment of Positions.** Recommend adoption of supplemental report language directing CSU to submit a report annually on positions in the Management Personnel Plan which were established administratively. 1155
  9. **Distribution of Administrative Positions.** Recommend adoption of supplemental report language directing CSU to require that any upward reclassification of positions between Administrator I, II, III, and IV be subject to prior approval from the Chancellor's Office. 1157
  10. **Employee Benefits.** (*Reduce Item 6610-001-001 by \$1,026,000.*) 1159  
Recommend deleting \$1,026,000 budgeted from the General Fund as a "contingency" for staff benefits, due to inadequate justification.
  11. **Dental Insurance.** (*Reduce Item 6610-001-001 by \$147,000.*) 1159  
Recommend reducing the General Fund allocation for employees' dental care insurance by \$147,000 to correct a technical budgeting error.
  12. **Faculty Salary Increase.** Withhold recommendation on the proposed CSU faculty salary increase until the May Revision, in order to evaluate whether it is feasible to augment the budget to provide salary parity with CSU's comparison institutions. 1162

### Overview of Legislative Analyst's Recommendations

Table 1 summarizes the fiscal impact of our recommendations. As shown, we recommend (1) reductions to the CSU's General Fund support budget totaling \$3.6 million, (2) an augmentation in the amount of \$4.0 million, and (3) an increase in revenues amounting to \$747,000, for a net savings of \$392,000 to the General Fund.

Our recommended reductions in General Fund support are in the following programs or services: (1) remedial instruction, (2) housing services, (3) reimbursements, and (4) employee benefits. The recommended augmentation is for replacement of instructional equipment, and the recommended increase in revenues is related to nonresident tuition. Although the recommendations associated with reimbursements and nonresident tuition would have an impact on the General Fund, they would not affect the total level of spending proposed for the CSU.

We also withhold recommendation on the \$11.7 million proposed for faculty salary increases, pending a review of the state's fiscal situation in order to determine whether an augmentation would be feasible.

**Table 1**  
**Summary of Changes to the CSU's 1987-88 Budget**  
**Recommended by the Legislative Analyst**

Program	Program Changes	Impact on General Fund	
		Expenditures	Revenues
Instructional Equipment Replacement .....	\$4,000,000	\$4,000,000	—
Intensive Learning Experience .....	-112,000	-112,000	—
Nonresident Tuition .....	—	—	\$747,000
Housing Coordinators .....	-778,000	-778,000	—
Miscellaneous Reimbursements .....	—	-1,582,000	—
Employee Benefits .....	-1,026,000	-1,026,000	—
Dental Insurance .....	-147,000	-147,000	—
Totals .....	\$1,937,000	\$355,000	\$747,000

### GENERAL PROGRAM STATEMENT

The California State University (CSU) system is composed of 19 campuses which provide instruction in the liberal arts and sciences as well as in applied fields which require more than two years of college education. In addition, CSU may award the doctoral degree jointly with the University of California or a private university.

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

The system has an estimated 252,474 full-time equivalent (FTE) students and 32,525.1 authorized personnel-years in 1986-87.

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

Transfer students may be admitted from other four-year institutions or from community colleges if they have maintained at least a 2.0 grade point or "C" average in prior academic work. To be admitted to upper division

**CALIFORNIA STATE UNIVERSITY—Continued**

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 \$1.7 billion for support of the CSU system in 1987-88. This is an increase of \$63.9 million, or 3.9 percent, over estimated current-year General Fund expenditures. We note that the proposed General Fund expenditures include \$290.9 million in revenues, primarily from student fees. The budget projects that these appropriated fee revenues will increase by \$39.6 million in 1987-88. Consequently, they fund almost two-thirds of the proposed General Fund increase of \$63.9 million.

**Table 2**  
**California State University**  
**Summary of Expenditures and Funding Sources**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

<i>Budget Elements</i>	<i>Actual 1985-86</i>	<i>Estimated 1986-87</i>	<i>Proposed 1987-88</i>	<i>Change From 1986-87</i>	
				<i>Amount</i>	<i>Percent</i>
Instruction.....	\$897,750	\$977,483	\$1,007,476	\$29,993	3.1%
Public Service .....	1,091	1,191	1,191	—	—
Academic Support.....	162,590	177,276	173,138	-4,138	-2.3
Student Services .....	202,210	208,330	217,531	9,201	4.4
Institutional Support.....	394,011	428,342	406,309	-22,033	-5.1
Independent Operations .....	75,094	49,376	66,224	16,848	34.1
Auxiliary Organizations .....	241,647	248,896	261,341	12,445	5.0
Provisions for Allocation .....	—	—	27,239	27,239	NA
Unallocated Compensation In- crease .....	—	—	23,590	23,590	NA
Special Adjustment .....	—	—	-13,678	-13,678	NA
Totals, Expenditures.....	\$1,974,393	\$2,090,894	\$2,170,361	\$79,467	3.8%
Funding Sources:					
General Fund.....	\$1,528,937	\$1,625,904	\$1,689,806	\$63,902	3.9%
Reimbursements .....	32,328	26,702	31,250	4,548	17.0
Special Account for Capital Outlay	7,821	5,895	—	-5,895	-100.0
Environmental License Plate Fund	—	100	—	-100	-100.0
Continuing Education Revenue Fund .....	40,893	42,585	39,762	-2,823	-6.6
Dormitory Revenue Fund (Hous- ing) .....	24,380	26,986	29,088	2,102	7.8
Dormitory Revenue Fund (Park- ing) .....	9,911	10,429	10,664	235	2.3
Lottery Education Fund .....	12,720	28,409	27,022	-1,387	-4.9
Federal Trust Fund .....	75,677	74,960	81,420	6,460	8.6
Special Projects Fund .....	79	18	8	-10	-55.6
Auxiliary Organizations:					
Federal.....	38,522	40,448	42,471	2,023	5.0
Other .....	203,125	208,448	218,870	10,422	5.0
Personnel-years .....	33,733.1	32,525.1	33,276.0	750.9	2.3%

Table 2 provides a budget summary for the CSU system, by program, for the prior, current, and budget years. Estimated current-year expenditures in Table 2—and the expenditure tables which follow—have not been adjusted to reflect any potential savings in 1986–87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures. (The target for CSU is \$16.5 million.)

The 1987–88 CSU budget is divided into ten major elements which are shown in Table 3 by funding source. In the analysis that follows, we discuss the budget proposal for (1) the four programs—Instruction, Academic Support, Student Services, and Institutional Support—that are supported with state funds, (2) provisions for allocation, (3) employee compensation, and (4) the special adjustment. Three other program elements—Public Service, Independent Operations, and Auxiliary Organizations—are not supported with state funds, and are not discussed in this analysis.

### 1987–88 Budget Changes

As detailed in Table 4, the budget for CSU in 1987–88 reflects several offsetting increases and decreases. The table shows that:

- **Baseline adjustments** result in a net decrease of \$7.0 million. These include various adjustments in personnel costs, reductions for non-recurring expenditures, and the proposed "special adjustment" 1 percent budget reduction of \$13.7 million.
- **Program maintenance proposals**, which include enrollment-related adjustments, result in an increase of \$38.2 million.
- **Budget change proposals** result in an increase of \$9.1 million. (Each of these augmentations is discussed later in this analysis.)
- **Unallocated salary and benefit increases**, also discussed in this analysis, total \$23.6 million.

### ANALYSIS AND RECOMMENDATIONS

We recommend approval of all baseline adjustments and the following budget change proposals, which are not discussed elsewhere in this analysis:

- **Data Communications**—\$500,000 for data communications cabling equipment. These funds are needed to provide high speed data communications networks at five CSU campuses.
- **Plant Operations**—\$2 million for plant operations and maintenance. The need for these funds is indicated in the preliminary results of a joint UC/CSU study on plant operations.
- **Instructional Supplies and Services**—\$2,553,000 for additional instructional supplies and services due, in part, to the shift toward higher technologies in the CSU curriculum.
- **Computer Training**—\$112,000 for a faculty/staff computer training program to complement the increasing emphasis on the use of computers in the CSU curriculum.
- **Admissions and Records**—\$1,878,000 for additional admissions and records staffing, to be financed by an increase in the CSU application fee from \$35 to \$45.

## CALIFORNIA STATE UNIVERSITY—Continued

**Table 3**  
**The California State University**  
**Expenditures by Subprogram and Funding Source**  
**1987-88**  
**(dollars in thousands)**

	<i>General Fund</i>			<i>Other State Funds</i>		<i>Special Funds</i>				<i>Grand Totals</i>
	<i>Net</i>	<i>Reimbursements</i>	<i>Totals</i>	<i>Special Projects</i>	<i>Lottery Education</i>	<i>Continuing Education</i>	<i>Dormitory and Parking</i>	<i>Federal Trust</i>	<i>Foundations &amp; Auxiliary Organizations</i>	
1. Instruction										
Regular instruction .....	\$981,509	\$2,000	\$983,509	—	—	—	—	—	—	\$983,509
Special session instruction .....	—	—	—	—	—	\$14,222	—	—	—	14,222
Extension instruction .....	—	—	—	—	—	9,745	—	—	—	9,745
Totals, Instruction .....	\$981,509	\$2,000	\$983,509	—	—	\$23,967	—	—	—	\$1,007,476
2. Public Service										
Campus community service .....	—	\$1,191	\$1,191	—	—	—	—	—	—	\$1,191
3. Academic Support										
Libraries .....	\$84,295	—	\$84,295	—	—	\$48	—	—	—	\$84,343
Audio-Visual Services .....	17,987	—	17,987	—	—	32	—	—	—	18,019
Computing Support .....	46,415	—	46,415	—	—	108	—	—	—	46,523
Ancillary Support .....	24,253	—	24,253	—	—	—	—	—	—	24,253
Totals, Academic Support .....	\$172,950	—	\$172,950	—	—	\$188	—	—	—	\$173,138
4. Student Services										
Social and cultural development .....	\$6,851	—	\$6,851	—	—	—	—	—	—	\$6,851

Supplementary educational services—EOP .....	20,860	—	20,860	—	—	—	—	—	—	20,860
Counseling and career guidance .....	29,866	—	29,866	—	—	\$8	—	—	—	29,874
Financial aid .....	30,837	\$1,173	32,010	—	—	—	—	\$81,420	—	113,430
Student support .....	39,912	—	39,912	—	—	4	\$6,600	—	—	46,516
Totals, Student Services .....	\$128,326	\$1,173	\$129,499	—	—	\$12	\$6,600	\$81,420	—	\$217,531
5. Institutional Support										
Executive management .....	\$32,775	—	\$32,775	—	—	\$10,612	—	—	—	\$43,387
Financial operations .....	32,123	—	32,123	—	—	1,138	\$2,468	—	—	35,729
General administrative services .....	68,174	—	68,174	—	—	556	—	—	—	68,730
Logistical services .....	60,770	\$1,118	61,888	—	—	1,585	8,899	—	—	72,372
Physical plant operation .....	158,097	—	158,097	\$8	—	67	19,827	—	—	177,999
Faculty and staff services .....	694	—	694	—	—	—	—	—	—	694
Community relations .....	5,983	—	5,983	—	—	1,415	—	—	—	7,398
Totals, Institutional Support..	\$358,616	\$1,118	\$359,734	\$8	—	\$15,373	\$31,194	—	—	\$406,309
6. Independent Operations .....	\$47,445	\$17,069	\$64,514	—	—	—	\$1,710	—	—	\$66,224
7. Auxiliary Organizations .....	—	—	—	—	—	—	—	—	\$261,341	\$261,341
8. Provisions for Allocation .....	—\$8,952	\$8,699	—\$253	—	\$27,022	\$222	\$248	—	—	\$27,239
9. Employee Compensation .....	\$23,590	—	\$23,590	—	—	—	—	—	—	\$23,590
10. Special Adjustment .....	—\$13,678	—	—\$13,678	—	—	—	—	—	—	—\$13,678
Totals, Support Budget Expenditures .....	\$1,689,806	\$31,250	\$1,721,056	\$8	\$27,022	\$39,762	\$39,752	\$81,420	\$261,341	\$2,170,361

**CALIFORNIA STATE UNIVERSITY—Continued**

**Table 4**  
**The California State University**  
**Proposed 1987-88 General Fund Budget Changes**  
**(dollars in thousands)**

1986-87 Expenditures (Revised) .....		\$1,625,904
I. Baseline Adjustments .....		
A. Increased Cost of Existing Personnel .....		
1. Merit Salary Adjustments .....	\$16,853	
2. Unscheduled reduction to nonfaculty merit salaries .....	-11,015	
3. Full-year funding .....	1,725	
4. Faculty Promotions .....	1,223	
5. Retirement .....	-7	
6. OASDI .....	3,505	
7. Dental Care .....	147	
8. Unemployment Compensation .....	-150	
9. Worker's Compensation .....	1,500	
10. Industrial Disability Leaves .....	300	
11. Nonindustrial Disability Leaves .....	50	
12. Medicare-Social Security .....	-3,431	
Subtotal, Increased Cost of Existing Personnel .....	\$10,700	
B. Nonrecurring Items .....	-4,009	
C. Special Adjustment .....	-13,678	
Total, Baseline Adjustments .....		-6,987
II. Program Maintenance Proposals .....		
A. Enrollment Increase .....	\$17,566	
B. Special Cost Factors .....		
1. Instruction .....	\$905	
2. Academic Support .....	-154	
3. Student Service .....	1,682	
4. Institutional Support .....	6,091	
5. Independent Operations .....	16,739	
6. Reimbursements .....	-4,548	
7. Systemwide Offices .....	-859	
8. Systemwide Provisions .....	756	
Total, Program Maintenance Proposals .....		38,178
III. Budget Change Proposals .....		
A. Computer Training .....	\$112	
B. Academic Computing and Telecommunications .....	500	
C. Financial Aid .....	2,078	
D. Instructional Supplies and Services .....	2,553	
E. Plant Operations .....	2,000	
F. Student Admissions .....	1,878	
Total, Budget Change Proposals .....		9,121
IV. Employee Salary Increase .....		23,590
1987-88 Expenditures (Proposed) .....		\$1,689,806
Change from 1986-87:		
Amount .....		\$63,902
Percent .....		3.9%

We recommend approval of the following Budget Bill items which are not discussed elsewhere in this analysis:

- **Student Housing (Item 6610-006-001)**—The budget proposes to trans-



for \$350,000 from the General Fund to the Affordable Student Housing Revolving Fund in 1987-88, the same amount appropriated in the current year. These funds are used to subsidize interest costs in connection with bond financing for construction of affordable student housing at the CSU Fullerton and Hayward campuses. Our analysis indicates that the amount proposed is consistent with the Legislature's intent in establishing the subsidy.

- **Special Repairs and Deferred Maintenance (Item 6610-021-001)**—The budget proposes \$10,716,000 from the General Fund for special repairs and deferred maintenance in 1987-88, the same amount appropriated in the current year. Our analysis indicates that these funds are needed for CSU's ongoing special repair requirements.
- **Reappropriation (Item 6610-490)**—The Budget Bill contains language reappropriating any unexpended balances from CSU's 1986 Budget Act appropriation (main support item). Funds reappropriated by this language may be used only for instructional equipment, deferred maintenance and special repairs, or the concurrent enrollment program. Similar provisions were included in prior Budget Acts.

CSU generally has year-end balances of approximately \$5 million. Consequently, the proposed language is likely to result in a reallocation of about \$5 million, to be expended on the items listed above. Our analysis indicates that the reallocation of funds for instructional equipment and deferred maintenance would be warranted.

- **Federal Funds (Item 6610-001-890)**—The budget proposes an appropriation of \$81,420,000 from the Federal Trust Fund for support of CSU. This is an increase of \$6,460,000, or 8.6 percent, over estimated current year expenditures. Our analysis indicates that the proposed use of these funds for financial aid is justified.

## I. INSTRUCTION

The instruction element of the CSU budget includes all major instructional programs in which students earn academic credit towards a degree. The element consists of three sub-elements: regular instruction, special session instruction, and extension instruction.

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

### A. ENROLLMENT

Enrollment in the CSU is measured in terms of 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 combination, the product of which equals 15 course units.

As shown in Table 6, the latest estimate of CSU enrollment in the current year (1986-87) is 252,474 FTE students. This includes the international program and summer-quarter enrollment at the Hayward, Los Angeles, Pomona, and San Luis Obispo campuses, which operate on a year-round basis. The latest estimate is 4,619 FTE (1.9 percent) higher than the enrollment budgeted for 1986-87, and 4,017 FTE (1.6 percent) above actual 1985-86 FTE enrollment.

The 1986 Budget Act authorizes the CSU to seek a supplementary General Fund appropriation if actual enrollment exceeds the budgeted amount by at least 2 percent. Because CSU's actual enrollment is 1.9 percent more than the budgeted amount, no action will be taken pursuant to this provision of the Budget Act.

**CALIFORNIA STATE UNIVERSITY—Continued**

**Table 5**  
**The California State University**  
**Instruction Program Expenditures**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

<i>Program</i>	<i>Actual 1985-86</i>	<i>Estimated 1986-87</i>	<i>Proposed 1987-88</i>	<i>Change From 1986-87</i>	
				<i>Amount</i>	<i>Percent</i>
Regular instruction .....	\$875,163	\$952,005	\$983,509	\$31,504	3.3%
Special session instruction .....	14,100	17,581	14,222	-3,359	-19.1
Extension instruction .....	8,487	7,897	9,745	1,848	23.4
Totals, Expenditures .....	\$897,750	\$977,483	\$1,007,476	\$29,993	3.1%
Funding Sources:					
General Fund .....	\$865,367	\$935,069	\$981,509	\$46,440	5.0%
Continuing Education Revenue Fund .....	22,587	25,478	23,967	-1,511	-5.9
Lottery Fund .....	8,703	14,936	— <sup>a</sup>	-14,936	-100.0
Reimbursements .....	1,093	2,000	2,000	—	—
Personnel Years:					
Regular instruction .....	18,670.2	18,131.2	18,920.5	789.3	4.4%
Extension and special session .....	361.6	377.1	347.2	-29.9	-7.9
Totals .....	19,031.8	18,508.3	19,267.7	759.4	4.1%

<sup>a</sup> Because 1987-88 lottery funds have not been allocated by the Trustees, they are budgeted in the "Provisions for Allocation" program in the Governor's Budget.

**Table 6**  
**The California State University**  
**Annual Full-Time Equivalent Students**  
**1985-86 through 1987-88**

<i>Campus</i>	<i>1985-86 Actual</i>	<i>1986-87</i>		<i>1987-88 Proposed</i>
		<i>Budgeted</i>	<i>Revised Estimate</i>	
Bakersfield .....	2,760	2,875	3,089	3,250
Chico .....	13,006	13,100	13,007	13,300
Dominguez Hills .....	5,245	5,450	4,946	5,200
Fresno .....	13,882	14,000	14,422	14,400
Fullerton .....	16,383	16,000	16,737	16,500
Hayward .....	9,739	9,810	9,742	9,850
Humboldt .....	5,674	5,750	5,184	5,500
Long Beach .....	22,917	22,600	23,499	23,200
Los Angeles .....	15,727	15,400	15,534	15,650
Northridge .....	20,402	20,200	20,928	20,600
Pomona .....	14,580	15,000	14,953	15,200
Sacramento .....	17,700	17,700	17,656	17,950
San Bernardino .....	4,782	5,100	5,394	5,900
San Diego .....	25,868	25,300	26,138	25,800
San Francisco .....	18,115	18,000	18,708	18,400
San Jose .....	18,522	18,300	19,080	19,100
San Luis Obispo .....	15,471	15,470	15,253	15,570
Sonoma .....	4,124	4,220	4,324	4,450
Stanislaus .....	3,128	3,100	3,400	3,550
System Totals:				
College Year .....	248,025	247,375	251,994	253,370
International Programs .....	431	480	480	480
Grand Totals .....	248,456	247,855	252,474	253,850

The budget proposes FTE enrollment of 253,850 in 1987-88, an increase of 5,995 FTE over the budgeted level for 1986-87, and 1,376 FTE over the latest estimate for the current year.

## **B. REGULAR INSTRUCTION**

### **1. Lottery Funds (Item 6610-001-814 and Control Section 24.60)**

*We recommend that the Legislature amend Budget Bill language in Control Section 24.60 to require CSU to report to the Legislature prior to April 1, 1988 on how the system plans to allocate lottery revenues in 1988-89.*

The budget projects that CSU will receive \$27 million in new lottery revenues in 1987-88. These revenues are reflected as an unallocated expenditure because the 1986 Budget Act provides that the trustees do not have to develop an expenditure plan until November 1, 1987. Consequently, the Legislature—in the process of reviewing and approving CSU's budget for 1987-88—does not know how CSU will use this significant source of revenues.

The trustees contend that a November reporting date is proper because it is in accordance with statutory intent that lottery funds be used at CSU's "discretion" and "free of state control." It is thought that, while feasible, an earlier reporting date (in the spring) might imply, or lead to, some form of state control.

We find no substance in these arguments. We believe that the Legislature should have all available information at its disposal prior to final enactment of the annual budget. (Unfortunately, this will not be the case for 1987-88.) Having such information does not constitute state control or an infringement on the trustee's discretion over the use of lottery funds.

The proposed Budget Bill for 1987 again specifies a November reporting date for the following fiscal year. Thus, the trustee's report on the planned expenditure of 1988-89 lottery revenue would be submitted after the enactment of the 1988 Budget Act. We believe that this runs counter to the development of good fiscal policy. Consequently, we recommend that Section 24.60 of the Budget Bill be amended to require an April 1, 1988 reporting date. (If adopted, the same reporting date should be applied to all higher education state operations items, as provided in the existing language.)

### **1986-87 CSU Lottery Expenditure Plan**

The budget estimates that CSU will have \$40.6 million in lottery funds available in the current year (1986-87), including \$18.6 million carried over from the preceding year. It also estimates that only \$28.4 million of this amount will be spent on program support, as shown in Table 7. Of the remaining amount, the plan indicates that \$6.4 million will be used to establish an endowment, \$2.1 million will be set aside as a budgetary reserve for contingencies, and \$3.6 million will be carried over to 1987-88. Funds allocated to the endowment will be retained in a special account for investment, from which the interest earnings will be expended for purposes determined by the CSU campuses, according to guidelines adopted by the trustees.

**CALIFORNIA STATE UNIVERSITY—Continued**

**Table 7**  
**CSU Lottery Fund Expenditure Plan**  
**1986-87**

<i>Program Support</i>	<i>Amount</i>
Master Teacher Stipends & Scholarships .....	\$1,188,000
Instructional Computing—Local Timesharing .....	4,055,152
Instructional Computing—Student Access (Ongoing) .....	918,243
Instructional Computing—Student Access (New) .....	5,890,000
Interuniversity Computing Consortium .....	110,000
Teacher Education Clinical Supervision .....	882,000
Instructional Equipment .....	2,500,000
Instructional Development and Technology .....	1,000,000
Minority/Female Incentive Program (Student Loans) .....	500,000
Student Internships and Community Service .....	1,000,000
Visiting Professors, Lecturers, and Artists .....	2,500,000
Fine Arts Initiative .....	1,000,000
Educational Equity (Retention Programs) .....	500,000
Instructional Television .....	1,000,000
Campus Discretionary Funds .....	3,865,650
Administration .....	1,500,000
Subtotal, Program Support .....	\$28,409,045
Other:	
Endowment .....	\$6,442,750
Reserve .....	2,133,769
Other Unexpended Balance .....	3,577,436
Subtotal, Other .....	\$12,153,955
Totals .....	\$40,563,000
Funding:	
1986-87 Revenue .....	\$21,952,000
Carryover from 1985-86 .....	18,611,000

## **2. Transfer of Instructional Equipment Replacement Funding from UC to CSU Is Warranted**

*We recommend that General Fund support for CSU instructional equipment replacement be augmented by \$4 million in order to fund a greater proportion of CSU's annual need, as determined by the common methodology adopted by UC and CSU pursuant to legislative directive. Combined with our related recommendation for UC, there would be no net General Fund cost. (Increase Item 6610-001-001 by \$4 million.)*

The budget proposes \$7 million from the General Fund for instructional equipment replacement (IER) for the CSU campuses in 1987-88. This is the same amount appropriated for this purpose in the current year.

In order to provide consistency in funding instructional equipment replacement for the University of California (UC) and the CSU, the Legislature—in the *Supplemental Report of the 1984 Budget Act*—directed the CSU to estimate its annual needs for IER according to the funding model employed by UC. In adopting this model, both UC and CSU agreed that the annual need for instructional equipment replacement would be a function of the annual depreciation of each system's instructional equipment inventory. Based on this model, the CSU could justify \$14,109,000 to replace state-funded instructional equipment in 1987-88. The CSU budget proposal falls \$7.1 million short of this amount.

We note that, despite the 1984 legislative policy of using the same IER model for UC and CSU, the budget is inconsistent in its treatment of the two systems. As discussed in our analysis of the University of California, the budget proposal for UC's instructional equipment replacement is \$4.0 million *in excess* of the amount required to fund the university's annual requirement, according to the funding model. Thus, under the budget proposal, one system is underfunded according to the funding model, while the other system is overfunded.

In order to fully fund the annual need for instructional equipment replacement at UC and CSU—and to treat both segments consistently—it would be appropriate for us to recommend that the budget proposal for IER be reduced by \$4.0 million for UC and increased by \$7.1 million for CSU. Given the state's fiscal situation for 1987–88, however, we are only recommending that UC's excess funding—\$4.0 million—be deleted while the same amount be provided to CSU, resulting in no net change in the proposed level of funding for higher education IER.

### **3. Intensive Learning Experience Program Is Overbudgeted**

*We recommend that proposed General Fund support for the Intensive Learning Experience program be reduced by \$112,000, in order to account for nonparticipation in the program by one of the CSU campuses. (Reduce Item 6610-001-001 by \$112,000.)*

The budget proposes \$2,922,000 to support the Intensive Learning Experience (ILE) program at CSU. This is an increase of \$336,000, or 13 percent, over the current-year amount, due to a projected increase in the number of students participating in the program. Under this program, the state provides supplemental funds to reduce class size (to 12 students per class) in remedial English and mathematics courses.

The budget proposal is based on a projection by the CSU Chancellor's Office that all 19 campuses will participate in the ILE program. For various reasons, however, the Cal-Poly San Luis Obispo campus has elected not to participate in the program and is not likely to participate in 1987–88. Nevertheless, the budget for the ILE program includes \$112,000 for Cal-Poly in 1987–88.

Assuming that the campus continues to choose not to participate, the budget exceeds the program requirements. We recommend, therefore, that the budget be reduced by \$112,000 (and 3.4 positions), for a corresponding General Fund savings. Should the Cal-Poly administration decide to change its position regarding the program, we will reconsider our recommendation during the budget hearings.

## **II. 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 sub-elements in this program: (1) libraries, (2) audiovisual services and television services, (3) computing (EDP) support, and (4) ancillary support.

Table 8 shows Academic Support program expenditures for the prior, current, and budget years.

**CALIFORNIA STATE UNIVERSITY—Continued**

**Table 8**  
**The California State University**  
**Academic Support Program Expenditures**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

Program	Actual 1985-86	Estimated 1986-87	Proposed 1987-88	Change From 1986-87	
				Amount	Percent
Libraries .....	\$75,718	\$80,665	\$84,343	\$3,678	4.6%
Audiovisual services .....	16,690	17,024	18,019	995	5.8
Computing support.....	50,569	53,303	46,523	-6,780	-12.7
Ancillary support.....	19,613	26,274	24,253	-2,021	-7.7
Totals, Expenditures.....	\$162,590	\$177,266	\$173,138	-\$4,128	-2.3%
Funding Sources					
General Fund.....	\$158,104	\$164,705	\$172,950	\$8,245	5.0%
Continuing Education Revenue Fund.....	469	488	188	-300	-61.5
Lottery Fund .....	4,017	11,973	— <sup>a</sup>	-11,973	-100.0
Environmental License Plate Fund.....	—	100	—	-100	-100.0
Personnel Years:					
Libraries .....	1,585.7	1,483.2	1,574.5	91.3	6.2%
Computing support.....	708.2	600.4	625.0	24.6	-0.1
Other .....	823.3	777.0	816.1	39.1	5.0
Totals .....	3,117.2	2,860.6	3,015.6	155.0	5.4%

<sup>a</sup> Because 1987-88 lottery funds have not been allocated by the Trustees, they are budgeted in the "Provisions for Allocation" program in the Governor's Budget.

**A. COMPUTING SUPPORT****1. Instructional Computing**

The budget proposes to continue the current-year level of support for instructional computing. This includes \$11.9 million for general campus instructional computing and \$693,000 for the Computer Assisted Design/Computer Aided Manufacturing (CAD/CAM) project at the San Luis Obispo campus.

Pursuant to the *Supplemental Report of the 1984 Budget Act*, the CSU has developed a new methodology for determining its needs for computing support. According to this methodology, CSU requires a total of 19,842 computer "workstations" (microcomputers or computer terminals). This represents an increase of 10,687 workstations over the current-year level. As part of a five-year plan to fund the additional workstations, CSU requested \$10.8 million to acquire 1,670 student workstations in 1987-88. The Governor's Budget, however, does not propose any funding specifically for this purpose.

We note that lottery revenues serve as a potential source of revenue for instructional computing support. As mentioned previously, the CSU Trustees allocated \$5.9 million in lottery funds for the acquisition of 1,110 computer workstations in 1986-87. The budget projects that CSU will receive \$27 million in lottery revenues in 1987-88; however, we do not know how the Trustees will use these funds.

### III. STUDENT SERVICES

The Student Services program includes social and cultural development, supplementary educational services, counseling and career guidance, financial aid, and student support. Table 9 shows Student Services program expenditures and personnel for the prior, current, and budget years.

**Table 9**  
**The California State University**  
**Student Services Program Expenditures**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

Program	Actual 1985-86	Estimated 1986-87	Proposed 1987-88	Change From 1986-87	
				Amount	Percent
Social and cultural development.....	\$7,340	\$6,187	\$6,851	\$664	10.7%
Supplemental services—EOP.....	18,975	19,974	20,860	886	4.4
Counseling and career guidance.....	26,621	27,969	29,874	1,905	6.8
Financial aid.....	112,384	111,859	113,430	1,571	1.4
Student support.....	36,890	42,341	46,516	4,175	9.9
Totals, Expenditures.....	\$202,210	\$208,330	\$217,531	\$9,201	4.4%
Funding Sources					
General Fund.....	\$114,462	\$118,284	\$128,326	\$10,042	8.5%
Continuing Education Revenue					
Fund.....	117	285	12	-273	-95.8
Dormitory Revenue Fund.....	4,568	5,913	6,600	687	11.6
Federal Trust Fund.....	73,485	74,960	81,420	6,460	8.6
Reimbursements.....	9,578	8,888	1,173	-7,715	-86.8
Personnel Years:					
Social and cultural development.....	183.8	146.1	152.9	6.8	4.7%
Supplemental services—EOP.....	354.0	368.0	384.3	16.3	4.4
Counseling and career guidance.....	661.3	644.0	679.9	35.9	5.6
Financial aid.....	411.5	428.7	448.3	19.6	4.6
Student support.....	966.6	993.4	1,064.9	71.5	7.2
Totals.....	2,577.2	2,580.2	2,730.3	150.1	5.8%

#### A. TUITION AND FEES

##### 1. Resident Student Fees

The budget proposes an increase in revenues to correspond with a 10 percent increase in resident student fees at the CSU in 1987-88. This would increase the State University Fee by \$57 (from \$573 to \$630) for full-time students, and by \$33 (from \$333 to \$366) for part-time students. The proposed fee increase is consistent with the statutory fee policy enacted by Ch 1523/85.

The higher fees would increase General Fund revenues in 1987-88 by \$16.5 million. In order to offset the effect of the increase in student fees on students having demonstrated financial need, the budget also proposes to increase the amount budgeted for CSU's State University Grant program by \$2.1 million.

Table 10 shows the resident student fee levels at CSU for the past and current years, and the proposed fees for the budget year.

**CALIFORNIA STATE UNIVERSITY—Continued**

**Table 10**  
**The California State University**  
**Student Fees**  
**1985-86 through 1987-88**

	Actual 1985-86	Actual 1986-87	Proposed 1987-88	Change From 1986-87	
				Amount	Percent
State University Fee					
Full-time .....	\$573	\$573	\$630	\$57	9.9%
Part-time .....	333	333	366	33	9.9

**2. Nonresident Student Tuition**

*We recommend that the Legislature direct CSU to include state lottery funds in calculating average instructional costs for purposes of determining nonresident student tuition, thereby resulting in an increase in General Fund revenues of \$747,000 in 1987-88. (Increase Item 6610-010-001 by \$747,000 and reduce Item 6610-001-001 by \$747,000.)*

Nonresident students at CSU must, in addition to paying the State University Fee, pay tuition. The general policy governing nonresident tuition is set forth in the state's 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 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."

CSU has implemented this policy by basing its nonresident tuition on the average cost, per student, of instruction and instructional support. Specifically, the CSU regulations state that "the nonresident tuition fee shall be based on the average cost of the net state Support Budget programs of Instruction and Academic Support, which shall be computed annually based on the Board of Trustees' Budget submitted to the Governor."

Based on this policy, the trustees proposed that nonresident tuition be set at \$4,410 in 1987-88, an increase of 4.3 percent over the current year. The Governor's Budget, in turn, is based on this figure. In calculating nonresident tuition for 1987-88, however, the trustees did not take into account any expenditures funded by CSU's lottery revenues.

We believe that CSU should include lottery expenditures in its methodology for determining nonresident tuition. This would be consistent with CSU's methodology, because lottery funds, by law, are expended on instruction—and without distinction between resident and nonresident students. It would also be consistent with the Master Plan policy on nonresident tuition, whereby nonresident students are expected to reimburse the state for the state's cost of educating such students. More specifically, lottery expenditures meet the Master Plan's definition of the "state's contribution to the average teaching expense per student," as stated above.



We recommend, therefore, that CSU include state lottery funds in calculating average instructional costs for purposes of determining nonresident tuition. This would result in a nonresident tuition charge of \$4,500 in 1987-88—a 6.4 percent increase over the current-year level. In comparison to the tuition assumed in the Governor's Budget, our proposal would result in an increase of \$90 (2.0 percent) and an increase in General Fund revenues of \$747,000.

Table 11 summarizes the impact of our proposal on the nonresident tuition levels.

**Table 11**  
**The California State University**  
**Nonresident Tuition<sup>a</sup>**  
**1985-86 through 1987-88**

1985-86 Actual	1986-87 Actual	1987-88		Percent Increase Over 1986-87	
		Budget Proposal	Recommended by LAO	Budget Proposal	Recommended by LAO
\$3,780	\$4,230	\$4,410	\$4,500	4.3%	6.4%

<sup>a</sup> Tuition is charged on a per-unit basis. The amounts shown are for full-time students. Students also pay the State University Fee.

## **B. PROGRAM SERVICES**

### **1. Alternative Sources of Funding for Housing Coordinators**

*We recommend reducing the General Fund cost of campus housing coordinators, and related support positions, by 50 percent because shifting part of the cost of these positions to other sources of funding would reflect more accurately the services being provided. This would result in a General Fund savings of \$778,000. (Reduce Item 6610-001-001 by \$778,000.)*

The budget proposes \$1,556,000 from the General Fund to continue support for 20 Housing Coordinator positions and 19 related support positions at the CSU campuses in 1987-88. The basic allocation for each campus is one professional and one support position for this function, with an extra professional position allocated to the San Luis Obispo campus due to a high incidence of "away-from-home" off-campus housing.

The General Fund is the sole funding source for these positions. To the extent that the coordinators' activities relate to on-campus housing, however, we believe that the Dormitory Revenue Fund (consisting of fees for residing in student dormitories) would be a more appropriate source of funding.

In order to estimate the degree to which the workload of the General Fund-supported housing coordinators is divided between on-campus and off-campus housing, we contacted nine of the 17 CSU campuses that currently maintain student dormitories. (The remaining two campuses in the system expect to begin dormitory operations in 1987-88.) The housing coordinators, or their immediate supervisors, at six campuses indicated that between 90 and 100 percent of the coordinator's time was devoted to on-campus housing. Respondents at the other three campuses estimated that 70 percent, 60 percent, and none of the housing coordinator's time, respectively, was devoted to on-campus housing. The nine-campus average is 78 percent.

Based on the results of this survey, the Dormitory Revenue Fund should bear about three-fourths of the cost of the housing coordinators and clerical support positions. Recognizing the large variation among the survey

**CALIFORNIA STATE UNIVERSITY—Continued**

respondents, however, we recommend reducing General Fund support by only 50 percent (reducing the basic state-funded allocation from 1.0 coordinator per campus to 0.5 position, with a corresponding reduction in the clerical support position).

This proposal would permit almost all campuses (eight out of nine, in our survey) to shift support to the Dormitory Revenue Fund without any change in the level of services provided. Any campus which perceives a need for a full-time coordinator for off-campus housing services could combine the state-funded 0.5 housing coordinator position with 0.5 position from the campus's allocation for student activity advisors or counselors. (Campuses are authorized to make intra-program position transfers of this nature, and frequently make use of this authority.) Alternatively, the Chancellor's Office could distribute the General Fund appropriation for housing services in differing amounts to the campuses, according to the manner in which the campuses currently utilize the housing coordinators (allocating, for example, 1.0 position to one campus and 0.25 to another).

Our recommendation, if adopted, would result in a General Fund savings of \$778,000.

**IV. 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 12 shows Institutional Support program personnel and expenditures for the prior, current, and budget years.

**Table 12**  
**The California State University**  
**Institutional Support Program Expenditures**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

Program	Actual 1985-86	Estimated 1986-87	Proposed 1987-88	Change From 1986-87	
				Amount	Percent
Executive management .....	\$44,522	\$40,570	\$43,387	\$2,817	6.9%
Financial operations .....	35,289	34,833	35,729	896	2.6
General administrative services .....	61,022	61,500	68,730	7,230	11.8
Logistical services.....	71,637	68,171	72,372	4,201	6.2
Physical plant operations .....	163,762	174,188	177,999	3,811	2.2
Faculty and staff services.....	8,758	42,102	2,109	-39,993	-95.0
Community relations.....	9,021	6,978	5,983	-995	-14.3
Totals, Expenditures .....	\$394,011	\$428,342	\$406,309	-\$22,033	-5.1%
<b>Funding Sources</b>					
General Fund .....	\$339,220	\$372,756	\$358,616	-\$14,140	-3.8%
Special Account for Capital Outlay....	7,821	5,895	—	-5,895	-100.0
Lottery Fund.....	—	1,500	—	-1,500	-100.0
Continuing Education Revenue Fund	17,194	16,334	15,373	-961	-5.9
Dormitory Revenue Fund .....	19,221	21,073	22,284	1,211	5.7
Parking Account, Dormitory Fund ....	8,614	8,828	8,910	82	0.9
Special Projects Fund .....	79	18	8	-10	-55.6
Reimbursements.....	1,862	1,938	1,118	-820	-42.3

## Personnel Years:

Executive management .....	805.8	727.0	751.4	24.4	3.4%
Financial operations .....	927.9	869.0	900.8	31.8	3.7
General administrative services .....	1,589.5	1,490.6	1,674.8	184.2	12.4
Logistical services.....	1,226.4	1,093.9	1,146.7	52.8	4.8
Physical plant operations .....	3,169.0	3,315.2	3,483.0	167.8	5.1
Community relations.....	157.5	97.4	97.4	—	—
Totals .....	7,876.1	7,593.1	8,054.1	461.0	6.1%

**A. THE CHANCELLOR'S OFFICE**

The Chancellor is the chief executive officer of the CSU Board of Trustees and is responsible for the implementation of all policies enacted by the board. Table 13 shows the major divisions in the Chancellor's Office, and the expenditures for these divisions in the current and budget years. The budget includes \$38.6 million for the office in 1987-88, an increase of \$1.6 million, or 4.3 percent, over estimated current-year expenditures.

**Table 13**  
**The California State University**  
**Chancellor's Office Expenditures**  
**1986-87 and 1987-88**  
**(dollars in thousands)**

	Estimated 1986-87		Proposed 1987-88		Change		Percent
	Positions	Amount	Positions	Amount	Positions	Amount	
<i>Chancellor's Office</i>							
Executive Office.....	5.0	\$335	5.0	\$348	0.0	\$13	
Administration .....	73.7	2,702	55.1	2,230	-18.6	-472	
Academic Affairs .....	71.8	3,840	90.4	4,568	18.6	728	
Business Affairs .....	67.9	3,305	98.4	4,735	30.5	1,430	
Fac. & Staff Relations .....	41.4	2,133	41.4	2,174	—	41	
Legal Services .....	21.5	1,217	21.5	1,264	—	47	
Fac. & Staff Services .....	—	949	—	982	—	33	
Subtotals .....	281.3	\$14,481	311.8	\$16,301	30.5	\$1,820	
Less Salary Savings .....	-9.1	-294	-9.1	-541	—	-247	
Totals, Personal Services .....	272.2	\$14,187	302.7	\$15,760	30.5	\$1,573	
Oper. Expense & Equip. ....	—	8,109	—	8,213	—	104	
Totals, Chancellor's Office..	272.2	\$22,296	302.7	\$23,973	30.5	\$1,677	7.5%
<i>Trustees Audit</i>							
Personal Services .....	9.6	\$595	9.6	\$608	—	\$13	
Oper. Expense & Equip. ....	—	154	—	152	—	-2	
Totals, Trustees Audit .....	9.6	\$749	9.6	\$760	—	\$11	1.5%
<i>Information Systems</i>							
Personal Services .....	131.6	\$6,301	131.6	\$6,452	—	\$151	
Oper. Expense & Equip. ....	—	7,645	—	7,393	—	-252	
Totals, Info. Systems .....	131.6	\$13,946	131.6	\$13,845	—	-\$101	-0.7%
<i>Special Funds</i>							
Personal Services .....	—	—	—	—	—	—	
Oper. Expense & Equip. ....	—	\$23	—	\$19	—	-\$4	
Totals, Special Funds .....	—	\$23	—	\$19	—	-\$4	-17.4%
Grand Totals .....	413.4	\$37,014	443.9	\$38,597	30.5	\$1,583	4.3%

**CALIFORNIA STATE UNIVERSITY—Continued****B. SYSTEMWIDE OPERATIONS****1. Reimbursements Underbudgeted**

*We recommend that the budgeted level of "miscellaneous reimbursements" be increased by \$1,582,000, thereby permitting an offsetting General Fund savings of the same amount, in order to bring the budget projections into line with actual receipts in recent years. (Reduce Item 6610-001-001 by \$1,582,000.)*

The budget projects that CSU will receive \$31.3 million in reimbursements in 1987-88. This includes \$4.3 million in "miscellaneous reimbursements," a category which consists of a variety of minor fees charged for specified products and services. Most of this revenue—which directly offsets General Fund requirements for supporting the CSU—is derived from a combination of transcript fees, late registration fees, library fines, and catalogue fees.

As Table 14 illustrates, the actual level of miscellaneous reimbursements exceeded the budget projections by significant amounts in the last two years for which data are available. We also note that the amount proposed for 1987-88 is \$1.4 million less than the amount actually received in 1985-86.

**Table 14**  
**The California State University**  
**Miscellaneous Reimbursements**  
**1983-84 through 1987-88**

	1983-84	1984-85	1985-86	1986-87	1987-88
Actual.....	\$3,823,961	\$5,235,382	\$5,692,405	<sup>a</sup>	<sup>a</sup>
Budgeted.....	3,711,303	3,760,106	3,720,704	\$3,823,255	\$4,269,979
Difference.....	\$112,658	\$1,475,276	\$1,971,701		

<sup>a</sup> Not available.

Our analysis indicates that miscellaneous reimbursements are primarily a function of the charges assessed for the various fees involved and the number of individuals assessed. Based on a review of the principal fees in this category, we project no rate increases or decreases between 1985-86 and 1987-88. Assuming that headcount enrollment is a reasonable indicator of the level of participation, we project a 2.8 percent increase in the number of individuals paying the various fees. Applying these projections to the actual level of miscellaneous reimbursements in 1985-86, we estimate that these reimbursements will be \$5,852,000 in 1987-88, or \$1,582,000 more than the amount budgeted. Accordingly, we recommend that our projections be reflected in the budget, permitting a General Fund savings of \$1,582,000.

**2. Growth in Administration**

Table 15 summarizes the growth in the number of administrative positions at the CSU since 1983-84. We are using 1983-84 as the base year because the CSU implemented its Management Personnel Plan (MPP) on January 1, 1984, when 242 personnel classifications were collapsed into four broad categories.

The table shows that, during the four-year period from 1983-84 through 1987-88, budgeted positions from all funding sources increased by 31 percent, and General Fund positions increased by 30 percent. Most of the increase occurred during the first two years.

**Table 15**  
**The California State University**  
**Administrative Positions (Management Personnel Plan)**  
**1983-84 through 1987-88**

	<i>Actual</i> 1983-84	<i>Actual</i> 1984-85	<i>Actual</i> 1985-86	<i>Estimated</i> 1986-87	<i>Proposed</i> 1987-88 <sup>a</sup>	<i>Change From</i> <i>1983-84</i>	
						<i>Number</i>	<i>Percent</i>
All Funds:							
Budgeted .....	1,919.1	2,125.2	2,361.5	2,455.3	2,508.6	589.5	30.7%
Actual <sup>b</sup> .....	2,090.8	2,104.2	2,236.6	c	c		
General Fund: <sup>d</sup>							
Budgeted .....	1,826.0	2,026.1	2,236.7	2,323.2	2,366.0	540.0	29.6%
Actual <sup>b</sup> .....	2,000.3	1,997.5	2,112.2	c	c		

<sup>a</sup> CSU Trustees' Budget (Governor's Budget data not available).

<sup>b</sup> Personnel-years.

<sup>c</sup> Not available.

<sup>d</sup> Excludes reimbursed positions in the Independent Operations program.

Several factors accounted for this growth in administrative positions. We have divided them into the following four categories:

- **New or Expanded Programs.** Administrative positions have been added as a result of new programs or the expansion of existing programs, as authorized and funded by the Legislature in the Budget Act or other legislation. This category includes baseline adjustments that have been made as a result of enrollment-driven budget formulas.

- **Restructuring of Position Classifications.** During the initial years of the Management Personnel Plan, the CSU changed the definition of some position classifications with respect to whether they should be in a bargaining unit or the nonrepresented management group. This resulted in a net increase in the number of positions defined as administrative, without (a) any change in the duties performed or (b) any additional costs. The primary example of this occurred in 1985-86, when an entire position classification group (in the Student Services program) was restructured and moved into the MPP.

- **Reclassification of Positions.** Campuses are authorized to reclassify positions, based on a change of duties and responsibilities. This contributed to administrative growth since 1983-84 because the net effect of position reclassifications over the past four years was a transfer of positions into the MPP.

- **Administrative Establishment of Positions.** A campus may establish positions administratively on a temporary basis (less than one year), provided that sufficient funds exist within the campus's baseline budget.

#### **New Procedures Needed to Monitor and Control Position Growth**

*We recommend that the Legislature adopt supplemental report language directing the CSU to require campuses to obtain approval from the Chancellor's Office prior to transferring any position into the Management Personnel Plan by means of position reclassification.*

*We further recommend that the Legislature adopt supplemental report language directing the CSU to submit a report annually to the Department*

**CALIFORNIA STATE UNIVERSITY—Continued**

*of Finance and the Joint Legislative Budget Committee on positions in the Management Personnel Plan which are established administratively during the year.*

We do not have sufficient data to determine whether there has been *unnecessary* growth in administrative positions at the CSU. Such a determination would require a case-by-case review of each administrative action which has resulted in additional positions in the Management Personnel Plan. Our review, however, indicates that, with respect to the position reclassification and administrative establishment categories of position growth, existing decentralized procedures do not constitute an adequate level of control over the possibility of unnecessary administrative growth, nor do they permit an adequate level of oversight by the fiscal control agencies.

**Position Reclassification.** CSU campuses are authorized to reclassify positions, based on a change of duties and responsibilities. If such reclassifications result in higher costs (due to higher salaries), the costs must be absorbed by the campus in the first two years. In subsequent years, however, these costs become part of the campus's budget base and are funded by increased funds from the state.

Most reclassifications do not result in a change from non-supervisory to managerial duties. We estimate, however, that approximately one-third of the increase in budgeted administrative positions at CSU since 1983-84 occurred as a result of this procedure. In effect, these reclassifications are organizational changes which occur without state-level review, even though the state ultimately bears the cost.

Position reclassifications in other state agencies are funded in a manner similar to CSU. Unlike CSU, however, other agencies must obtain approval from the Department of Finance and/or the Department of Personnel Administration (depending on the salary level and the change in duties of the reclassified position).

By delegating to the CSU Trustees the authority to regulate personnel matters, the Legislature has exempted CSU from having to submit position reclassifications for approval by external agencies. This does not imply, however, that the individual campuses should be free from any state-level control mechanism. Such responsibility, in our judgment, lies with the Chancellor's Office. Consequently, in order to achieve a greater degree of oversight of administrative growth in the CSU, we recommend that the Legislature direct the CSU to require campuses to obtain approval from the Chancellor's Office prior to effecting any position reclassification which would result in the transfer of a position into the Management Personnel Plan. We estimate that this would affect approximately 30 position reclassification proposals per year.

Our recommendation could be implemented by adoption of the following supplemental report language:

"The CSU shall require that position reclassifications resulting in the transfer of a position into the Management Personnel Plan shall be subject to prior approval by the Chancellor's Office."

**Administrative Establishment of Positions.** We do not have sufficient data to determine the degree to which the administrative establishment of positions has contributed to the growth of administrative positions. We note, however, that the CSU, in order to exert greater control on position growth systemwide, implemented a procedure in 1986

-87 whereby campuses are required to obtain the approval of the Chancellor's Office prior to administratively establishing new positions.

This procedural change should act as a constraint against unwarranted growth of administrative positions. Because of the lack of any reporting requirements, however, it is impossible for the state's fiscal control agencies to monitor or assess the effectiveness of the new procedure. To remedy this, we recommend that the Legislature adopt the following supplemental report language, requiring CSU to report annually to the Department of Finance and the Joint Legislative Budget Committee on the administrative establishment of positions in the Management Personnel Plan:

"The CSU shall submit annually, by December 1, a report to the Department of Finance and the Joint Legislative Budget Committee on the administrative establishment of positions in the Management Personnel Plan, including the justification for each position."

#### **Distribution of Administrative Positions**

*We recommend that the Legislature adopt supplemental report language directing the CSU to require that any upward reclassification of positions between Administrator I, II, III, and IV be subject to prior approval by the Chancellor's Office.*

Table 16 shows the change in the distribution of budgeted administrative positions (Administrator I through IV) from 1983-84 through 1987-88.

The table illustrates the following findings:

- There was a gradual, but significant, shift in the distribution from Administrator I to Administrator II between 1983-84 and 1987-88. Apparently, this was the result of (1) the growth in the total number of administrative positions and (2) the reclassification of positions between the two grades.
- The number, and proportion, of Administrator III positions decreased significantly in 1985-86, accompanied by similar increases in Administrator IV positions. According to the Chancellor's Office, this was due primarily to technical factors related to the manner in which data were reported. Prior to 1985-86, all positions in a special "swing" category—Administrator III/IV—were placed in the Administrator III category for reporting purposes, whereas in 1985-86 a change in the data collection system enabled CSU to make the appropriate distinction between Administrator III and IV.

As is the case with the growth of administrative positions, we do not have sufficient data to determine whether each of the changes in the distribution of administrative positions has been warranted. We note, however, that there is no statewide level of control over the reclassification of positions between the administrative grade levels. The individual campuses have complete discretion over such changes. In our judgment, this does not provide an adequate level of administrative oversight. Shifts between the four administrative grades constitute organizational changes which have resulted in costs to the state. Consequently, we believe that it would be appropriate to require the campuses to obtain approval from the Chancellor's Office prior to implementing upward reclassifications of this nature. To achieve this, we recommend the adoption of the following supplemental report language:

**Table 16**  
**The California State University**  
**Budgeted Administrative Positions, By Grade Level**  
**1983-84 through 1987-88**  
**All Funding Sources**

<i>Administrator Grade Level</i>	<i>Salary Range (1986-87)</i>	<i>Actual 1983-84</i>		<i>Actual 1984-85</i>		<i>Actual 1985-86</i>		<i>Estimated 1986-87</i>		<i>Proposed 1987-88<sup>a</sup></i>	
		<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>	<i>Number</i>	<i>Percent</i>
I	\$15,000-\$36,876 .....	583.3	30.4%	586.3	27.6%	573.4	24.3%	583.4	23.8%	543.7	21.7%
II	\$25,000-\$55,332 .....	455.6	23.7	512.3	24.1	624.7	26.5	677.0	27.6	728.3	29.0
III	\$30,000-\$73,752 .....	815.6	42.5	961.0	45.2	855.8	36.2	884.6	36.0	921.8	36.8
IV	\$40,000-\$92,196 .....	64.6	3.4	65.6	3.1	307.6	13.0	310.3	12.6	314.8	12.5
Totals .....		1,919.1	100.0%	2,125.2	100.0%	2,361.5	100.0%	2,453.3	100.0%	2,508.6	100.0%

<sup>a</sup> CSU Trustees' Budget. (Governor's Budget data not available.)



"The CSU shall require that any upward reclassification of positions between Administrator I, II, III, or IV be subject to prior approval by the Chancellor's Office."

### **3. Contingency Allocation Not Justified**

*We recommend that funds budgeted as a "contingency" for staff benefits be deleted due to inadequate justification, for a General Fund savings of \$1,026,000. (Reduce Item 6610-001-001 by \$1,026,000.)*

The budget for CSU includes \$1,026,000 as a contingency in case the amount proposed for staff benefits is less than the amount required. This represents a new budgetary policy; to the best of our knowledge, no such provision has ever been included in CSU's annual budget proposal prior to 1987-88.

The CSU maintains that the contingency is necessary for 1987-88 because the Chancellor's Office has adopted a new methodology for projecting the amount required for staff benefits. Our analysis, however, indicates that the contingency is not justified, for the following reasons:

- There is no basis for predicting that the new methodology will be less reliable than its predecessor. The new methodology, in fact, was adopted to obtain a *more* accurate projection of staff benefits funding requirements.

- If the amount budgeted for staff benefits proves to be inadequate, CSU can transfer funds from other areas of its budget where savings have been achieved.

- It is not state policy to allocate funds for contingencies in agency or program budgets. Contingency budgeting is, in effect, an unallocated expenditure, which amounts to setting aside funds for executive, rather than legislative, priorities.

Accordingly, we recommend deletion of the \$1,026,000 proposed as a contingency for staff benefits.

### **4. Double Budgeting of Dental Care Benefits**

*We recommend reducing the proposed General Fund allocation for CSU employees' dental care insurance by \$147,000 to correct a technical budgeting error. (Reduce Item 6610-001-001 by \$147,000.)*

The budget proposes a General Fund augmentation of \$147,000 to provide dental care benefits for retired CSU employees (annuitants). These funds are part of the appropriation in the Budget Bill item for employee compensation increases. Due to a technical error, however, the augmentation was also included in the main support item. In order to correct for this double budgeting, we recommend deletion of the \$147,000 from the main support item of the Budget Bill.

## **V. SALARY INCREASE**

(Item 6610-031-001)

### **A. 1986-87 EMPLOYEE COMPENSATION**

#### **1. Collective Bargaining Agreements for the 1986-87 Fiscal Year**

The 1986-87 Memoranda of Understanding (MOU) between the CSU and bargaining units that represent CSU employees, together with the employee compensation increases provided to managerial, supervisory, and other personnel not covered by collective bargaining, resulted in an



allocation of \$77,460,738 for salary and benefit increases in the current year. Because the 1986 Budget Act appropriated \$78,013,000 for this purpose, \$552,262 was not required and will revert to the General Fund at the end of the current year. Table 17 shows the compensation program for 1986-87.

**Faculty.** CSU and its faculty signed an agreement which provides all faculty with a 6.8 percent salary increase for 1986-87. Faculty also receive (1) stipends for department chairpersons, (2) awards for exceptional merit service, and (3) a salary supplement for faculty in disciplines where recruitment and retention problems exist.

**Executive, Management, and Supervisory Employees.** The 2,349 nonrepresented executive, management, and supervisory personnel received a 5 percent salary increase in 1986-87, based on the average increase granted to represented staff employees.

## B. 1987-88 CSU SALARY INCREASE PROPOSAL

### 1. Governor's Budget Proposal

The Governor's Budget requests \$23,590,000 for CSU employee compensation increases in 1987-88. Of this amount, \$3,688,000 would be used to fund employee benefits, while the balance of \$19,902,000 would be used to provide salary increases averaging 3.0 percent, effective January 1, 1988, for faculty and other CSU employees. Table 18 summarizes the budget proposal for salary increases.

Table 18  
The California State University  
Proposed Salary Increases  
1987-88  
(dollars in thousands)

	Amount	Percent
Faculty.....	\$11,730	3.0% <sup>a</sup>
All Other Employees.....	8,172	3.0 <sup>b</sup>

<sup>a</sup> Effective January 1, 1988. 1 percent increase would cost \$7,820,000 (annualized).

<sup>b</sup> Effective January 1, 1988. 1 percent increase would cost \$5,448,000 (annualized).

### 2. Comparison Institution Methodology for CSU Faculty Salaries

Pursuant to SCR 51 of 1965, each year CPEC submits an analysis of faculty salaries and fringe benefits at those higher education institutions that UC and CSU have agreed to use as a basis for comparing the adequacy of faculty salaries. CPEC changed the composition of CSU's list of comparison institutions in 1985-86. Four of the institutions on that list, however, did not agree to provide the necessary data. Consequently, the comparison group was revised in 1986-87. The current group is listed below:

Arizona State University  
University of Bridgeport  
Bucknell University  
Cleveland State University  
University of Colorado (Denver)  
Georgia State University  
Loyola University of Chicago  
Mankato State University  
University of Maryland (Baltimore)  
University of Nevada (Reno)

North Carolina State University  
Reed College  
Rutgers University (Newark)  
SUNY-Albany  
University of Southern California  
University of Texas (Arlington)  
Tufts University  
Virginia Polytechnic Institute  
Wayne State University  
University of Wisconsin  
(Milwaukee)

**CALIFORNIA STATE UNIVERSITY—Continued****3. Faculty Salary Proposal Would Not Achieve Parity**

*We withhold recommendation on the proposed CSU faculty salary increase until the May Revision is available, in order to evaluate whether it is feasible to augment the budget by \$42.2 million to provide faculty salaries which are at parity with CSU's comparison institutions.*

As summarized in Table 19, the comparison institution methodology indicates that a faculty salary increase of 6.9 percent would be needed in 1987-88 to achieve parity with CSU's list of comparison institutions. The 3 percent increase (1.5 percent annualized) proposed in the budget is therefore less than the amount required for parity. We estimate that an augmentation of \$42.2 million would be required for a 6.9 percent increase for the full year.

In the past, we have consistently recommended that the Legislature appropriate funds to provide a salary increase which would achieve parity with CSU's comparison institutions. We continue to believe, consistent with legislative intent, that salary parity is an appropriate method to determine annual salary levels. Because of the state's fiscal situation, however, this may not be possible. Consequently, we withhold recommendation until the "May Revision" budget update. Additional information on expected revenues and revised expenditures will be available at that time by which to advise the Legislature regarding the feasibility of augmenting the budget by an amount sufficient to provide parity. We are also withholding recommendation on the proposed salary increase for UC faculty, for the same reason.

**Table 19**  
**The California State University**  
**Faculty Salary Increase Required to Achieve Parity**  
**With Comparison Institutions**  
**1987-88**

	CSU Average Salaries 1986-87 <sup>a</sup>	Comparison Group Salaries		Percentage Increase Required In CSU Salaries	
		Actual 1986-87	Projected 1987-88	Actual 1986-87	Projected 1987-88
Academic Rank					
Professor .....	\$49,077	\$50,547	\$53,696	2.99%	9.41%
Associate Professor .....	37,900	37,593	39,922	-0.81	5.33
Assistant Professor .....	30,658	31,167	33,335	1.66	8.73
Instructor .....	26,370	24,370	26,053	-7.58	-1.20
All Ranks Averages					
Weighted by CSU Staffing Pattern	\$43,984	\$44,885	\$47,708	2.05%	8.47%
Weighted by Comparison Institution Staffing Pattern .....	39,464	39,909	42,455	1.13	7.58
Mean All-Ranks Average .....	\$41,724	\$42,397	\$45,081	1.61%	8.05%
Adjustments					
Turnover and Promotions .....			-\$83		-0.20%
Effect of Law School Faculty .....			-83		-0.20
Merit Award Adjustment .....			-313		-0.75
Net Parity Salary and Percentage .....			\$44,602		6.90%

<sup>a</sup> Excluding merit awards.

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY**

Item(s) 6610-301 from the Public Buildings Construction Fund and the Higher Education Capital Outlay Bond Fund

Budget p. E 116

---

Requested 1987-88 .....	\$108,793,000
Recommended approval .....	11,120,000
Recommended reduction .....	8,548,000
Recommendation pending .....	89,125,000

---

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

1. Capital Outlay Planning Process. Recommend the Legislature adopt supplemental report language directing CSU to report on improvements to its capital outlay planning process. 1168
2. Administrative Controls for Computer Work Stations. Recommend that prior to budget hearings, CSU report to the Legislature on why it has not complied with legislative directive to develop administrative controls on the use of self-instruction computer laboratories. 1169
3. Campus Information Resource Plan—Statewide. Recommend that the Legislature adopt supplemental report language directing CSU to prepare a comprehensive plan for housing computer workstations on each campus. 1171
4. Increase in Project Fees—Statewide. Recommend that the amounts approved in the budget for CSU capital outlay budgets be reduced to reflect the legislative approved level for project fees and contingency (potential savings: \$7 million). 1172
5. General Increase in New Building Costs. Recommend that the budget for construction of new facilities included in the Budget Bill be reduced because CSU's recent increase for telephone and energy efficiency standards is not justified. (A savings of \$3.2 million for projects included in the budget [budget year and future years] plus unknown but major future savings.) 1173
6. Renovate Chemistry Laboratories, Phase II—Long Beach. Withhold recommendation on \$3,609,000 requested under Item 6610-301-782(25), pending receipt of preliminary plan cost estimate. 1175
7. Asbestos Abatement—Major Projects. Withhold recommendation on \$6 million requested in Item 6610-301-782(7), pending receipt of CSU's plan for addressing asbestos removal in four buildings that were funded for preparation of preliminary plans in the 1986 Budget Act. 1175
8. Future Asbestos Removal Work. Recommend that prior to budget hearings (1) CSU and the Department of Finance provide its plan for financing the \$87 million in asbestos work in CSU's plan, and (2) CSU provide a report 1176

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

- on its reevaluation of the proposed mitigation measures for these hazards.
9. ***Life Science Building Renovation—San Diego. Reduce Item 6610-301-782(33) by \$229,000.*** Recommend deletion of equipment funds for building alterations because the proposed project was intended to upgrade existing facilities to meet seismic deficiencies and therefore existing equipment should be adequate to support the academic programs that will continue to be housed in the building. 1176
  10. ***Equipment Funds to Complete Newly Constructed Facilities—Various Campuses.*** Withhold recommendation on \$5,349,000 requested for equipment for seven projects (please see Table 5, page 1176) pending receipt of CSU's certification that the items of equipment to be purchased with the funds have a useful life of at least ten years in accordance with the requirements of the Higher Education Facilities Bond Act of 1986. 1177
  11. ***Science Building Addition and Renovation—Fullerton.*** Reduce Item 6610-301-782(19) by \$387,000. Recommend deletion of preliminary planning funds because the proposed construction of a new building to replace laboratories in an existing building is too costly a solution to the ventilation problems in this building. (Future savings: \$27.7 million.) 1178
  12. ***Construction Funds for Upgrading Instructional Space.*** Withhold recommendation on \$14,032,000 requested for four projects (please see Table 6, page 1179 for a summary of these projects) pending receipt of preliminary plans and cost estimates. 1180
  13. ***Chemistry/Geology Building Renovation and Addition; Chilled Water System Expansion—San Diego. Reduce Item 6610-301-782(34) by \$671,000.*** Recommend that preliminary plans and working drawing funds be deleted because the project is not justified based on state space guidelines and CSU needs to reevaluate the proposed renovation work. (Future savings: \$9.1 million.) 1180
  14. ***Renovate Dwight Bentel Hall—San Jose. Reduce Item 6610-301-782(39) by \$146,000.*** Recommend that preliminary plans and working drawing funds be reduced because the working drawing portion of the request is premature. 1181
  15. ***New Library Facilities—Sacramento and Northridge.*** Withhold recommendation on \$30,786,000 requested under Item 6610-301-660(2) and (3), pending receipt of preliminary plans and cost estimates. 1182
  16. ***North Campus Library Addition—Long Beach. Reduce Item 6610-301-660(1) by \$147,000.*** Recommend that working drawings and construction funds be reduced to eliminate overbudgeting. 1182
  17. ***Arts Complex—Los Angeles.*** Withhold recommendation on \$400,000 requested in Item 6610-301-782(28) pending receipt of preliminary plans and cost estimates. 1184
  18. ***Plumas Hall Addition—Chico. Reduce Item 6610-301-782(12) by \$401,000.*** Recommend that preliminary 1184

planning and working drawings funds be reduced because (1) the project scope should be reduced to provide essential instructional space to accommodate projected enrollment and (2) the working drawing request is premature. (Future savings: \$5.4 million.)

19. **Engineering and Computer Science Building—Chico.** 1185  
**Reduce Item 6610-301-782(13) by \$185,000.** Recommend that preliminary planning funds be deleted because the project would result in an excess amount of laboratory space on this campus, and CSU has not provided adequate information to justify space for additional computer work stations. (Future savings: \$10 million.)
20. **Engineering East Addition—Fresno.** 1186  
**Reduce Item 6610-301-782(16) by \$163,000.** Recommend that preliminary planning funds be deleted because the project would result in excess laboratory capacity on this campus and an alternative means for providing lecture space should be evaluated. (Future savings: \$8.6 million.)
21. **School of Business Building—Long Beach.** 1187  
**Reduce Item 6610-301-782(26) by \$464,000.** Recommend that preliminary planning and working drawing funds be reduced because the proposed project scope should be reduced to meet justifiable space needs, and the working drawing portion of the request is premature. (Future savings: \$4.5 million.)
22. **Classroom Building—Sacramento.** 1187  
**Reduce Item 6610-301-782(30) by \$475,000.** Recommend that preliminary plans and working drawing funds be reduced because the working drawing request is premature, and the project should be revised to (1) relocate the proposed building to an alternate site that will not require demolition of an existing building and (2) provide additional space consistent with state space guidelines. (Future savings: \$6.8 million.)
23. **Classroom/Student Services/Faculty Office Building—San Bernardino.** 1189  
**Reduce Item 6610-301-782(31) by \$696,000.** Recommend that preliminary plan and working drawing funds be reduced because the project should be reduced in scope to meet justifiable instructional space needs, and the working drawing request is premature. (Future savings: \$10.2 million.)
24. **Remodel Arts and Industry Building and Construct Additions—San Francisco.** 1190  
**Reduce Item 6610-301-782(36) by \$391,000.** Recommend that working drawing funds be deleted because (1) the project should be revised to delete noncapacity space as directed by the Legislature in budget language and (2) given the status of the project, the amount needed for working drawings cannot be substantiated.
25. **Dairy Science Unit I—San Luis Obispo.** 1191  
**Reduce Item 6610-301-782(42) by \$98,000.** Recommend that preliminary planning funds be deleted because the Legislature has previously approved preliminary plans for this project at a reduced scope and CSU has not justified expansion of

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

- the project. (Future savings: \$2.4 million.)
26. **Remodel and Addition to Business Administration and Education Building—San Luis Obispo. Reduce Item 6610-301-782(45) by \$772,000.** Recommend that preliminary plans and working drawing funds be deleted because (1) the campus has sufficient laboratory and faculty office space based on state space guidelines and (2) additional space for self-instruction computer laboratories has not been justified. (Future savings: \$13.9 million.) 1192
  27. **Faculty Offices I—San Luis Obispo. Reduce Item 6610-301-782(46) by \$74,000.** Recommend that preliminary planning funds be deleted because the campus has a sufficient number of faculty office stations. (Future savings: \$3.1 million.) 1193
  28. **Student and Business Services Building—Humboldt.** Withhold recommendation on \$5,946,000 requested under Item 6610-301-782(20) for working drawing and construction funds pending receipt of additional information. 1194
  29. **Classroom/Lab/Administration Building—Pomona. Reduce Item 6610-301-782(29) by \$440,000.** Recommend that preliminary planning funds be deleted because CSU needs to reassess the overall program to reduce costs and provide adequate space to meet demonstrated instructional capacity needs at this campus. (Future savings: \$31 million.) 1194
  30. **Classroom/Student Services Building II—San Diego. Reduce Item 6610-301-782(35) by \$260,000.** Recommend that preliminary planning funds be deleted because the campus needs to reassess the need for additional administrative and classroom space in light of recent state-wide plans for construction of compact library storage facilities on CSU campuses. (Future savings: \$13.4 million.) 1195
  31. **Women's Gymnasium Rehabilitation—San Diego.** Withhold recommendation on \$2,923,000 requested under Item 6610-301-782(32) for construction funds pending receipt of preliminary plans and cost estimates. 1196
  32. **Remodel Speech Arts Building—Fresno. Reduce Item 6610-301-782(17) by \$62,000.** Recommend that preliminary planning funds be deleted because the proposed upgrade should be financed on a priority basis from special repairs and equipment replacement funds available in the support budget. (Future savings: \$2.2 million.) 1196
  33. **University Farm Laboratory—Fresno. Reduce Item 6610-301-782(18) by \$133,000.** Recommend that preliminary planning funds be deleted because the majority of work included in the project relates to maintenance and repair work that should be financed from the support budget. (Future savings: \$7.2 million.) 1197
  34. **Remodel Student Services Building—San Luis Obispo. Reduce Item 6610-301-782(44) by \$96,000.** Recommend that preliminary plans and working drawing funds be reduced by \$96,000 because the project should be revised to provide preliminary planning funds only for a new build- 1198



- ing rather than for alterations to the existing 50-year-old buildings. (Future savings: \$230,000.)
35. North San Diego and Ventura Off-Campus Centers. 1198  
Withhold recommendation on \$19 million for land acquisition to develop permanent off-campus centers in North San Diego and Ventura Counties, pending receipt of additional information.
  36. Permanent Off-Campus Center—San Diego County. 1198  
Withhold recommendation on \$200,000 for master planning pending receipt of additional information.
  37. Off-Campus Center Infrastructure and Landscape/Initial Multipurpose Facilities—Contra Costa County. 1198  
Withhold recommendation on \$491,000 for initial development pending receipt of additional information.
  38. Proposed New Campus. Recommend that if CSU believes additional CSU campuses are needed the CSU should prepare appropriate statewide studies and justification for submission to the Legislature. 1199
  39. *Preliminary Planning—1988–89 Projects. Reduce Item 6610-301-782(1) by \$459,000.* 1203  
Recommend that preliminary planning funds be reduced because the funding level proposed in the budget is not justified.
  40. *Architectural/Engineering Services—Statewide. Reduce Item 6610-301-782(2) by \$200,000.* 1204  
Recommend deletion of funds for architectural/engineering planning and studies because the CSU should use support budget resources to fund this effort.
  41. *Feasibility Studies for Energy Retrofits—Statewide. Reduce Item 6610-301-782(9) by \$120,000.* 1204  
Recommend that study funds be deleted because these studies should be financed from the support budget or from statewide preliminary planning funds for 1988–89 projects.
  42. Storm Drainage—Dominguez Hills. Withhold recommendation on \$389,000 requested in Item 6610-301-782 (14) for construction funds pending receipt of preliminary plans and working drawings. 1205
  43. *Engineering/Biological Sciences Building Retrofit—Humboldt. Reduce Item 6610-301-782(23) by \$1,365,000.* 1205  
Recommend that preliminary planning, working drawings and construction funds to retrofit the recently completed building be deleted because if this building does not perform adequately, then any needed improvements should be financed by the consulting architect who was responsible for the building design.
  44. *Central Plant Expansion—San Jose. Reduce Item 6610-301-782(40) by \$114,000.* 1205  
Recommend that preliminary plans and working drawing funds be deleted because the proposed work should be financed from funds available from the third-party-financed cogeneration project and expansion of the plant is premature. (Future savings: \$1.6 million.)

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued****ANALYSIS AND RECOMMENDATIONS**

The budget includes \$108.8 million for capital outlay for the California State University (CSU) in 1987–88. Of the total amount requested, \$73 million is from the Higher Education Capital Outlay Bond Fund approved by the voters in November 1986. Based on prior appropriations and amounts included in the Budget Bill for all segments of higher education, there would be about \$10 million unappropriated in the 1986 bond fund.

In addition, \$35.8 million is proposed to be financed through the Public Building Construction Fund, from the proceeds derived from the sale of library "revenue" bonds to be issued by the State Public Works Board. In our analysis of the University of California's capital outlay budget, we discuss the policy issues related to continued funding of facilities through the various "revenue" bond programs (please see page 1109). While we have recommended that the Legislature not authorize additional revenue bond financing, we have nevertheless reviewed each project on its merits regardless of the proposed funding source.

**CSU Capital Outlay Planning Issues**

*We recommend that the Legislature adopt supplemental report language directing the CSU Chancellor's Office to report to the Legislature on improvements to its capital outlay planning process that address (1) priorities for statewide goals, (2) enrollments, (3) cost effective/adaptable buildings and (4) more efficient use of existing space.*

Our analysis of CSU's capital outlay budget for 1987–88 indicates that the planning policies and procedures used by the CSU Chancellor's Office in compiling this capital outlay program need to be improved substantially. This conclusion is based on our assessment of the various projects, totaling \$140 million, approved by the Trustees in requesting capital outlay funds for 1987–88. We find that the general planning parameters guiding formation of the five-year plan do not provide a framework which facilitates legislative review. Specifically, we find the following deficiencies with CSU's planning effort:

**CSU's enrollment planning assumptions.** In order to plan facilities to meet future needs, certain assumptions must be made with respect to the mission of the CSU in the future. In the case of capital outlay planning, the basic mission relates to the projected statewide enrollment planned to be accommodated in the system. Traditionally, the Department of Finance Population Research Unit provides the basic demographic data that guides formation of the five-year capital outlay plan. Over the last two years, the CSU has abandoned the Department of Finance projections and substituted its own. While there may be valid reasons for the higher projections, CSU has been unable to provide any analytical data to substantiate the higher enrollments.

**CSU's capital outlay program is not cost efficient.** Many of the projects proposed by CSU would provide for additional capacity on campuses that cannot justify additional space based on state space guidelines. Moreover, CSU has proposed construction of several buildings that would contain space for a variety of unrelated purposes. Construction of these buildings would result in reduced flexibility to meet future program changes.

The CSU's plan does not provide the Legislature with information it

needs to assure that available capital outlay funds are appropriated for those projects that address the highest need. We have asked CSU to identify the methods used to set individual projects in relative priority. The CSU, however, has not been able to provide insight into how it has set its capital outlay programs in a priority order. Moreover, in some cases, projects have been requested with no priority provided.

***CSU's planning does not provide sufficient flexibility to address changing needs in the academic program.*** One theme prevalent among the projects requested by CSU is the fact that campuses have requested new space while systemwide data indicate sufficient space is available to meet enrollment needs. CSU's planning documents, however, do not provide sufficient insight into how existing space could be used to meet changing needs or what other factors may preclude utilization of existing space. Consequently, the Legislature has insufficient information on which to evaluate the space needs of a particular campus.

In order to address these deficiencies, CSU should provide the Legislature with a report on its planning goals. We therefore recommend that the Legislature adopt the following supplemental report language:

"Prior to October 1, 1987 the California State University shall provide the Legislature with a report on its capital outlay planning process. The report shall, at a minimum, provide (1) an improved process to assure that the capital outlay program and criteria used to establish the priority list of capital improvements reflect statewide goals, (2) the basis for planned enrollment, (3) changes needed to insure that new facilities are cost-effective and adaptable to future needs, and (4) ways of increasing the use of existing space to respond to changes in the academic program."

### **No Administrative Controls on Computers Despite Legislative Directive**

***We recommend that prior to budget hearings, CSU report to the Legislature on why it has not complied with the Legislature's directive that CSU develop administrative controls to insure that self-instruction computer laboratories shall be available for coursework on a priority basis.***

The increasing access and application of computers has required educational systems throughout the state to update the curricula to include the use of computers. In recognition of this need, the Legislature directed the California Postsecondary Education Commission (CPEC) to study appropriate computer access for public higher education in California. The study concluded that hourly access standards for "computer time" were needed to support the academic programs at CSU and UC. CPEC recommended access standards that vary from one hour to 16 hours of access time per week for each FTE, depending on the discipline of study. CPEC also recommended that computer workstations range in size from 49 asf

**Table 1**  
**California Postsecondary Education Commission**  
**Computer Workstation Standards**  
**California State University**

	<i>Weekly Hours</i>	<i>Assignable Square Foot/ Station</i>	<i>Hours Per FTE/Week</i>
General Stations.....	53	49	1 to 16 Hours
Advanced Stations.....	53	86	1 to 16 Hours

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

to 86 asf, and that stations be in use an average of 53 hours per week. Table 1 shows the CPEC space standards for general computing stations and "advanced" stations such as computer-aided design stations.

Our analysis indicates that the CPEC recommended standards are reasonable for determining the number of stations needed to support the academic program.

Based on the CPEC study, CSU has developed a plan to acquire approximately 20,000 computer work stations by 1992. The CSU has acquired over 8,000 stations and plans to use lottery revenue to acquire another 1,110 work stations in the current year. In addition, CSU has requested capital outlay funds, associated with equipping new buildings, to purchase additional work stations in the budget year. Table 2 displays each campus's plan for acquiring the workstations identified in the "Campus Information Resource Plan" (CIRP).

**Table 2**  
**California State University**  
**Campus Information Resource Plan (CIRP)**  
**Planned Computer Workstations**

Campus	As of	Fiscal Year					Totals
	July 1987	87/88	88/89	89/90	90/91	91/92	
Bakersfield .....	132	9	15	15	15	15	201
Chico .....	613	64	90	90	90	90	1,037
Dominguez Hills .....	166	63	46	53	54	54	436
Fresno .....	461	113	95	148	113	131	1,061
Fullerton .....	404	228	201	187	138	162	1,320
Hayward .....	361	38	76	76	76	76	703
Humboldt .....	258	18	34	34	34	34	412
Long Beach .....	719	171	272	234	220	227	1,843
Los Angeles .....	385	95	202	99	167	133	1,081
Northridge .....	775	97	82	170	203	186	1,513
Pomona .....	828	119	36	172	213	192	1,560
Sacramento .....	509	70	382	224	152	188	1,525
San Bernardino .....	116	58	109	55	55	55	448
San Diego .....	741	183	316	227	258	242	1,967
San Francisco .....	580	95	183	130	206	167	1,361
San Jose .....	825	121	42	235	151	193	1,567
San Luis Obispo .....	1,056	89	60	60	60	60	1,385
Sonoma .....	161	28	3	35	40	37	304
Stanislaus .....	244	11	0	0	0	0	255
Totals .....	9,334	1,670	2,244	2,244	2,245	2,242	19,979

**CSU Directed to Control Use of Computer Laboratories.** When the Legislature initiated the study of computer utilization, in the 1985 Budget Act, it also directed that (1) CSU adopt interim standards for utilization of self-instruction computer laboratories and (2) CSU adopt administrative controls to ensure that these laboratories would be available for coursework on a priority basis. The CSU adopted an interim utilization standard of 12 hours of access per week. The CSU has *not* established the required administrative controls. In response to our inquiry, CSU indicated that there is a general policy that computer stations are to be used only for instructional-related coursework, but no systematic controls are used to monitor this policy.

In order to maximize the utilization of the available work stations, CSU should institute appropriate controls at all campuses that would monitor

use of self-instruction computer laboratories. Furthermore, we recommend that prior to budget hearings, CSU report to the Legislature as to why it has not implemented the control that the Legislature mandated.

**CSU Does Not Have a Facilities Plan to Accommodate the Computers**

*We recommend that the Legislature adopt supplemental report language directing CSU to prepare a comprehensive capital outlay program that identifies the placement of all instructional computers included in CSU's "Campus Information Resource Plan" (CIRP).*

The CSU has been very specific in applying CPEC's methodology for determining the *number* of computer work stations it wants to purchase in support of academic programs. The CSU, however, has not developed a facilities plan addressing where these computers are to be located. The CSU Office of Computing and Communications Resources has requested campuses to provide a multiyear facilities plan to accommodate these new computers. Based on the information submitted by the campuses thus far, it is apparent that there has not been adequate coordination between the acquisition and the physical planning. For the most part, campuses have not identified how the new computers will be housed. Moreover, although CSU is still reviewing the number of "advanced" computer stations needed, CSU's capital outlay budget request includes several thousand square feet of new space for these stations.

**Comprehensive Statewide Facilities Plan for the CIRP Needed.** Our analysis indicates that CSU needs to develop a comprehensive statewide facilities plan to accommodate the CIRP. This plan is needed in order for CSU and the Legislature to ensure that adequate facilities are available to accommodate the computer work stations. In developing the plan, CSU should include at least the following guidelines:

- The total number of computer workstations to be available for support of the instructional program shall be consistent with the needs and utilization standards recommended by CPEC.
- Workstations shall be located in existing space to the greatest extent feasible, including space that can be upgraded to meet new program requirements. The types of space available for computer workstations include graduate research space, instructional laboratories, library study space, and self-instruction computer laboratories.
- The future physical planning implications of space reassignments, building alterations and/or new construction for accommodating computer workstations need to be identified.

We therefore recommend the Legislature adopt the following supplemental report language under Item 6610-301-782:

"Prior to December 1, 1987 the California State University Chancellor's Office shall provide the Legislature with a comprehensive plan that identifies the planned location of all computers included in the Computer Information Resource Plan. The five-year plan shall include alternative means of housing the computers in existing space including graduate research space, instructional laboratories, library space and self-instruction laboratories. The plan also shall address the impact on existing and future space needs in lecture, class laboratories, library or other affected space.

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued****CSU Fees and Contingency Budgets Exceed Legislatively Approved Levels**

*We recommend a reduction in the amounts budgeted for architectural/engineering and contract management fees to bring all CSU projects into conformance with the legislatively approved level of 13 percent of the estimated construction costs, for a savings of \$827,000 from the amounts budgeted. Further, we recommend a reduction in the amount included for construction contingency in all CSU projects consistent with the legislatively approved level, a reduction of \$6.2 million in the estimated future cost of projects in the Budget Bill.*

**Background.** During the Legislature's deliberations on the 1986-87 Budget Bill, the Department of Finance submitted an augmentation letter that included, among other items, an increase in the amount budgeted for architectural/engineering fees for various CSU capital outlay projects. The CSU indicated that most of the additional "fees" were to provide more funds for the CSU Chancellor's Office to administer projects.

The Legislature subsequently denied the requested increase on the basis that the customary amount included in capital outlay projects (13 percent for fees and contract management, and a contingency of 5 percent for new projects or 7 percent for alterations projects), should be sufficient to implement the projects. Accordingly, the Legislature approved the budgets (including associated future costs) of all CSU projects included in the 1986 Budget Bill at the customary fee level. The Legislature also adopted supplemental report language directing the Legislative Analyst's Office to review the resources available at CSU and the University of California (UC) for administration of capital outlay projects and report its findings to the Legislature, prior to hearings on the 1987-88 budget.

**No Response to Legislative Analyst's Office Request.** We cannot, at this time, provide the report requested by the Legislature. By letter dated September 19, 1986 we asked CSU and UC to submit specific data regarding administration of the capital outlay program. As of the preparation of this analysis neither CSU nor UC has provided the requested information. The UC staff has informally advised us that the customary level of financing is adequate and in fact UC is making efforts to reduce rather than increase these costs. The CSU staff have provided no response other than to indicate that they are working on our request.

**Fee Amount Still Exceeds Approved Level.** Even though CSU has not been able to submit information on its administrative costs, CSU has included (in many cases) an amount for architectural/engineering fees and project management above the 13 percent fee level. This is contrary to the customary fee level endorsed by the Legislature last year. The CSU has provided no information to justify the higher fee. Our review of the projects included in the budget shows that the CSU fee amount exceeds the approved level by a total of \$827,000 for the projects included in the budget.

In addition, the CSU has increased the amount budgeted for contingency above the 5 percent and 7 percent level specified by the Legislature. Consequently, the *estimated future costs for these projects are overstated by \$6.2 million.* Accordingly, we recommend that the Legislature reiterate its previous policy and (1) reduce the budgets for CSU projects to provide no more than 13 percent of the construction amount for fees and (2) reduce the amount proposed for project contingencies.

**General Increase in Cost of New Buildings Not Justified**

*We recommend that the budget for construction of all new facilities proposed for funding in the Budget Bill be reduced because the increase in the cost guideline for telephone and energy efficiency is not justified.*

Traditionally, CSU develops its budget for new facilities based on the historical cost (including recent experience) for constructing buildings throughout the CSU system. The costs are also adjusted annually to account for inflation. This has been an effective method for establishing budget parameters for designing new facilities.

This year, however, the CSU Chancellor's Office has increased the historical budget parameters for all buildings. This increase has resulted in an additional cost of \$3.2 million (budget year and future years) for the projects included in the Budget Bill and an unknown but major cost for future projects. The CSU contends that an added cost is necessary to pay for installation of telephone systems and to meet the requirements of the state's 1985 Energy Efficiency Standards. To our knowledge, CSU is the only department to request additional construction funds for these purposes. A discussion of the two elements of this proposal follows.

**Telephone Systems Should Not be Financed Through Construction.** Our analysis indicates that the cost for telephone systems (cabling and instruments) should continue to be financed through the support/operations budget. Adding installation of the telephone system to the construction contract costs is neither necessary nor desirable. Including this in the construction of the building would unnecessarily increase the cost of the telephone system by adding architectural/administrative fees and construction contractor charges. These added costs are not encountered under state procurement contracts. Moreover, it would be more prudent to procure the telephone system just before occupying the building to take advantage of the latest technology and to ensure compatibility with the campuswide system. Finally, we note that although the CSU's request for construction funds for one project we reviewed includes the additional cost for a telephone system, the preliminary plan documents do *not* include the system.

**Energy Standard Certified as "No Cost".** The CSU proposed increase to meet requirements of the 1985 Energy Efficiency Standards is also not needed. At the time these regulations were adopted, the California Energy Commission determined:

"The revisions made in this rule-making proceeding clarify, simplify, or make more flexible, or consistent, the current standards for offices, retail and wholesale buildings. No revisions are made that affect the level of stringency or other standards. These revisions, therefore, do not have a fiscal impact."

Based on the commission's findings and the absence of information to the contrary, it is unclear to us what cost increases result from meeting this standard. In fact, CSU has been unable to identify any specific costs associated with the proposed building construction cost increase.

On these bases, we recommend that the amount budgeted for construction of new facilities be reduced to eliminate the additional cost related to these increases. This adjustment, when applied to the projects in the budget reduce budget year and future year costs by \$3.2 million. Accordingly, we recommend that legislature action on the individual projects reflect deletion of the additional amount.

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued****PROJECTS REQUESTED IN THE 1987-88 BUDGET**

For discussion purposes, we have divided the CSU program into nine descriptive categories as shown in Table 3.

**Table 3**  
**California State University**  
**1987-88 Capital Outlay Program**  
**Funding Summary by Project Category**  
**(dollars in thousands)**

<i>Project Category/ Item (Fund Source)</i>	<i>Budget Bill Amount</i>	<i>Est. Future Cost<sup>a</sup></i>
A. Mitigate hazard		
Item 6610-301-782 (General Obligation Bonds) .....	\$9,609	\$87,000
B. Complete Newly Constructed Facilities		
Item 6610-301-782 (General Obligation Bonds) .....	5,578	—
C. Additional Instructional Space		
Item 6610-301-782 (General Obligation Bonds) .....	387	27,718
D. Upgrade Instructional Space		
Item 6610-301-782 (General Obligation Bonds) .....	14,946	13,380
E. Library Space		
Item 6610-301-660 (Library Revenue Bonds) .....	35,793	3,319
F. New Support Facilities		
Item 6610-301-782 (General Obligation Bonds) .....	11,301	160,024
G. Upgrade Support Facilities		
Item 6610-301-782 (General Obligation Bonds) .....	3,254	11,339
H. Permanent Off-Campus Centers		
Item 6610-301-782 (General Obligation Bonds) .....	19,691	unknown
I. Other Projects		
Item 6610-301-782 (General Obligation Bonds) .....	8,234	1,623
Totals .....	\$108,793	\$217,490

<sup>a</sup> CSU estimate.

**A. PROJECTS TO MITIGATE HAZARDOUS CONDITIONS**

Two items in the budget provide funds that are intended to correct hazardous conditions on the campuses. The requests and our recommendations on each are summarized in Table 4.

**Table 4**  
**California State University**  
**1987-88 Capital Outlay Program**  
**A. Mitigate hazards**  
**Item 6610-301-782**  
**(dollars in thousands)**

<i>Subitem</i>	<i>Project</i>	<i>Campus</i>	<i>Phase<sup>a</sup></i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>	<i>Est. Future Cost<sup>b</sup></i>
(7)	Asbestos Abatement.....	Statewide	pwc	\$6,000	pending	\$87,000
(25)	Renovate Chemistry Laborato- ries, II .....	Long Beach	wc	3,609	pending	—
	Totals .....			\$9,609	pending	\$87,000

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

<sup>b</sup> CSU estimate.



**Long Beach—Renovate Chemistry Laboratories**

*We withhold recommendation on Item 6610-301-782(25), \$3,609,000 to renovate chemistry laboratories, on the Long Beach campus, pending receipt of additional information.*

We have withheld recommendation on the request for construction funds for Phase II of the project to renovate chemistry laboratories on the Long Beach campus. The CSU has not been able to provide a cost estimate to substantiate the proposed amount. The estimate should be available prior to budget hearings.

**Asbestos Abatement Program—Correction of High Priority Hazards Not in Budget**

*We recommend that prior to budget hearings, CSU provide its plan for addressing asbestos removal in the four buildings that were funded for preliminary plans and working drawings in the 1986 Budget Act. Pending receipt of this information, we withhold recommendation on \$6 million requested in Items 6610-301-782(7) for asbestos abatement.*

The budget includes \$6 million to continue CSU's program for abatement of asbestos hazards in state-funded buildings. Over the last two fiscal years, the Legislature has appropriated \$4.5 million for removal of hazardous asbestos identified in an April 1985 study of all CSU buildings. This included \$2.5 million based on CSU's proposal to remove all identified asbestos in the two categories classified in the study as the highest priority for abatement. The remaining \$2 million was for planning of major projects plus abatement work in the third highest priority category.

The CSU now indicates that the cost to remove the asbestos identified in the two highest priority categories is \$7.3 million—a 190 percent increase. According to CSU, the original budget amounts were based on consultant estimates that did not adequately account for the costs of asbestos liability insurance, dumpsite fees and prevailing wages in different parts of the state. Based on these and other factors (such as limited number of qualified contractors and varying site conditions), CSU has revised the total cost. As a consequence, CSU plans to spend \$4.1 million on the two categories and will need to use \$3.2 million (of the \$6 million) in the Budget Bill, to complete this previously funded work.

The remaining \$2.8 million of the budget request would begin the process of asbestos removal/abatement in the third highest priority category which, according to the CSU study, includes asbestos hazards that should be removed by 1990. Based on CSU's revised costs, the work in this category will cost \$87 million—a \$56.8 million (190 percent) increase over CSU's original estimate.

**Major Projects Not Included in Proposed Budget.** The 1986 Budget Act included \$165,000 for preliminary planning and working drawings for asbestos removal and building studies for three buildings on the Los Angeles campus and one building on the Northridge campus that CSU's consultant identified as having serious asbestos hazards. Neither the CSU Trustee's Budget nor the Governor's Budget includes funds for these

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

"high-priority" projects. Moreover, at the time this analysis was prepared, CSU had not started preliminary plans for any of the work.

Our analysis indicates that the Legislature should continue its policy of funding asbestos abatement based on a systemwide priority. To do this, CSU must provide the Legislature with the information it needs to assess the funding priorities. On this basis, we withhold recommendation pending receipt of the preliminary plans for these four buildings or an explanation of why the asbestos in the buildings is no longer considered a high priority for abatement.

**\$87 Million in Asbestos Abatement Work Needed Before 1990**

*We recommend that, prior to budget hearings, (1) the CSU and Department of Finance provide their plan for financing the \$87 million in asbestos abatement work that CSU indicates needs to be completed prior to 1990, and (2) CSU provide a reassessment of the need for this work.*

CSU's recent revision in the estimated cost of the asbestos abatement program could place a significant strain on the state's capital outlay budget for the next several years. As previously indicated, CSU now estimates that \$87 million will be necessary to address asbestos which has been categorized as requiring removal/abatement by 1990. As proposed, the 1987 budget will provide at most \$2.8 million to correct these problems. Thus, over the next three years, \$28 million would have to be provided *each year* in order to fund fully the CSU plan. In order for the Legislature to weigh its options for funding this work, we recommend that, prior to budget hearings, the CSU and the Department of Finance provide a plan for financing the work.

Finally, CSU needs to undertake a thorough reevaluation of the projects remaining in its asbestos abatement program to determine the most cost-efficient solutions for eliminating hazards. Where options such as encapsulation and administrative control can provide protection to building occupants, the program should be modified accordingly. Thus, we recommend that prior to legislative hearings on the budget, the CSU provide a reassessment of the work included in this category.

**B. PROJECTS TO COMPLETE NEWLY CONSTRUCTED FACILITIES**

The budget includes \$5,578,000 to purchase equipment for various capital outlay projects. These projects are expected to be completed during the budget year and therefore funds are needed to purchase the appropriate moveable equipment to make the new/remodeled facilities fully operable. The requests and our recommendation are summarized in Table 5.

**Life Science Building Rehabilitation—San Diego**

*We recommend deletion of \$229,000 requested to equip the Life Science Building Rehabilitation on the San Diego campus because the project was intended to improve the structural integrity and modernize the building, and additional equipment for programs housed in this building should not be necessary. (Reduce Item 6610-301-782 (33) by \$229,000.)*

The budget includes \$229,000 to fund moveable equipment for programs housed in the remodelled Life Science Building on the San Diego campus. This building is scheduled to be remodeled for seismic safety purposes beginning in July 1987. The proposed equipment would be used in the biological sciences area, archaeology museum preparation and self-instruction computer rooms.

**Table 5**  
**California State University**  
**1987-88 Capital Outlay Program**  
**B. Complete Newly Constructed Facilities**  
**Item 6610-301-782**  
**(dollars in thousands)**

<i>Subitem</i>	<i>Project</i>	<i>Campus</i>	<i>Phase</i> <sup>a</sup>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>	<i>Est. Future Cost</i> <sup>b</sup>
(11)	Complete Unfinished Space in Li- brary .....	Chico	e	\$202	pending	—
(15)	Business Building .....	Fresno	e	1,000	pending	—
(22)	Remodel Science Building .....	Humboldt	e	135	pending	—
(24)	Engineering/Computer Science/ Math Labs .....	Long Beach	e	3,017	pending	—
(27)	Remodel Fine Arts Building .....	Los Angeles	e	90	pending	—
(33)	Life Science Building Renovation .....	San Diego	e	229	—	—
(37)	Faculty Office Addition to Science Bldg .....	San Francisco	e	15	pending	—
(43)	Agriculture Science Bldg .....	San Luis Obispo	e	890	pending	—
	Totals .....			\$5,578	—	—

<sup>a</sup> Phase symbol indicates: e = equipment.

<sup>b</sup> CSU estimate.

Our review of this request indicates that additional equipment for the programs housed in this building is not justified. The remodeling project upgraded the building to meet current building standards including seismic requirements and modernized instructional space and offices. The remodeling did not provide space for any new activities that would require purchase of new equipment that is not currently available on the campus. Consequently, there is no basis for providing additional equipment in the capital outlay portion of the budget to equip "new" program space.

Moreover, construction of the \$3.8 million upgrade is not scheduled to be completed until September 1988. Thus, even if additional equipment was justified, it would not need to be budgeted until the 1988-89 fiscal year. We therefore recommend deletion of the \$229,000 requested in Item 6610-301-782(33).

#### **Certification on Useful Life of All Equipment Needed**

*We withhold recommendation on \$5,349,000 requested for equipment related to construction of seven new facilities pending receipt of CSU's certification that all the equipment items to be purchased with these funds have a useful life of at least ten years.*

The budget includes \$5.3 million from the Higher Education Facilities Bond Act of 1986, (Item 6610-301-782) to purchase equipment related to seven projects at various campuses. The funds would be used for equipping new, renovated or reconstructed facilities.

The Higher Education Facilities Bond Act of 1986 as approved by the electorate in November 1986, authorizes issuance of \$400 million in general obligation bonds. With respect to the purchase of equipment, the Act specifies that bonds may be used for "... the equipping of new, renovat-

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

ed, or reconstructed facilities, which equipment shall have a useful life of at least ten years, . . .”

The equipment list submitted by the CSU in support of its request for funding of the seven equipment projects shown in Table 5, does not indicate whether or not the equipment items to be purchased have a useful life of at least ten years. Consequently, it is unclear whether or not the proceeds of the general obligation bond issue can be used to finance these budget items. Both CSU and the University of California have adopted a uniform method of determining the useful life of equipment items in order to substantiate requests for replacement equipment in the support budget. Pending receipt of CSU's certification that all equipment items to be purchased have a useful life of at least ten years, consistent with the methodology used for budgeting equipment replacement, we withhold recommendation on requested funds.

**C. NEW INSTRUCTIONAL SPACE**

The budget includes one project that provides primarily new instructional capacity space. The project involves a new Science Building Addition on the Fullerton Campus.

**Science Building Addition and Renovations—Fullerton**

*We recommend deletion of \$387,000 proposed for preliminary planning for an addition to the Science Building on the Fullerton campus because construction of a new building to replace the existing laboratories is too costly a solution to the ventilation problems in the existing laboratories, and other solutions need to be evaluated. (Reduce Item 6610-301-782(19) by \$387,000. Future savings: \$27.7 million.)*

The budget includes \$387,000 for preparation of preliminary plans for a project titled Science Building Addition and Renovations, Phase I on the Fullerton campus. *According to CSU, the proposed funds would be used to prepare preliminary plans for one of two possible schemes:*

- **Scheme A (Addition and Alterations)** Proposes construction of a 60,000 asf addition to the existing Science Building. The addition would house laboratories, graduate research space, shops and related support space for Biology, Chemistry, Geology, Mathematics, Physics and Science Education. The CSU estimates the cost of the addition at \$21 million. Upon completion of the addition, 53,000 asf of laboratory and related space in the Science Building would be vacated and renovated to meet other uses at a cost of \$7.2 million. Thus, CSU estimates that the cost of this scheme would total \$28.2 million.
- **Scheme B (Renovation Only)** proposes that the existing 307,000 gross square foot Science Building be vacated, and the entire building interior demolished and replaced with new systems at a cost of \$34.4 million. During construction, temporary module facilities costing \$4.4 million would be used to temporarily house displaced programs. CSU estimates the total cost of this scheme to be \$38.8 million.

The budget includes preliminary planning funds for construction of the 60,000 asf building addition as proposed under scheme A.

The CSU indicates that the campus has experienced some problem with the heating, ventilation and air conditioning system in this building. Recent studies conducted by the CSU determined that, at times, a portion of the exhaust air from fume hoods vented to the roof of the building is

reentering the building and being distributed to other areas. In addition, the university cites poor space organization, inefficient student traffic patterns and inadequate instructional/research equipment as reasons for undertaking the project.

**New Construction Not Needed to Solve Ventilation Problem.** Based on the samples collected by CSU's consultant, there is no question that a portion of the air exhausted through fume hoods in the various laboratories is subject to recirculation into the building. To varying degrees, fumes from this exhaust may periodically be carried by prevailing air currents to open windows and intake vents. This problem, however, is not one that is isolated to the Fullerton campus. Science buildings throughout CSU and the University of California contain fume hood exhaust systems located on the roof of the buildings. Where this has been a problem, it has been addressed in a variety of ways (such as extending the exhaust ducts) without completely rebuilding an entire building.

In the case of the problem at Fullerton, CSU has not done an adequate job of evaluating options for solving the ventilation problems in this building. The ventilation system may need to be modified to handle the increased number of fume hoods required to support the academic program. The problem however does not require the expenditure of between \$28 million and \$39 million.

One example for which the CSU used a reasonable approach was for a similar problem on the Long Beach campus where chemistry laboratories were subject to recirculating fumes. The solution at Long Beach is estimated to cost \$6.5 million and should provide a high quality, safe laboratory facility. There is no reason the CSU cannot apply a similar approach to solve problems with the Fullerton Science Building. On this basis, we recommend deletion of the preliminary planning funds requested in Item 6610-301-782(19), a reduction of \$387,000.

#### D. UPGRADE INSTRUCTIONAL SPACE

The budget includes \$14,946,000 for six projects that are primarily to upgrade instructional space. The projects in this category, and our recommendations on each are summarized in Table 6.

**Table 6**  
**California State University**  
**1987-88 Capital Outlay Program**  
**D. Upgrade Instructional Space**  
**Item 6610-301-782**  
**(dollars in thousands)**

<i>Subitem</i>	<i>Project</i>	<i>Campus</i>	<i>Phase<sup>a</sup></i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>	<i>Est. Future Cost<sup>b</sup></i>
(10)	Renovate Ayres Hall .....	Chico	wc	\$1,641	pending	—
(21)	Founders Hall Rehabilitation .....	Humboldt	c	3,394	pending	—
(34)	Chem/Geology Renovation and Chilled Water .....	San Diego	pw	671	—	\$9,112
(38)	Renovate Old Science Building ..	San Jose	c	5,633	pending	155
(39)	Renovate Dwight Bentel Hall ....	San Jose	pw	243	\$97	3,413
(41)	Remodel Engineering East .....	San Luis Obispo	wc	3,364	pending	700
Totals.....				\$14,946	\$97	\$13,380

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

<sup>b</sup> CSU estimate.

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued****Remodeling Projects—Chico, Humboldt, San Jose and San Luis Obispo**

*We withhold recommendation on \$14,032,000 requested for four projects that primarily upgrade instructional space, pending receipt of additional information.*

The Legislature has appropriated funds to develop preliminary plans for four projects in this category that remodel buildings on the Chico, Humboldt, San Jose and San Luis Obispo campuses. The plans, however, are not yet available. We therefore withhold recommendation on the construction funds for these projects pending receipt of the preliminary plans and cost estimates.

**Chemistry/Geology Building Renovation and Addition;  
Chilled Water Expansion—San Diego**

*We recommend deletion of the \$671,000 requested for preliminary plans and working drawings for providing an addition and remodeling the Chemistry-Geology Building on the San Diego campus because the campus has sufficient space to accommodate programs in this building based on the state space guidelines. Work needed to repair the building should be financed on a priority basis through the support/operations budget in 1987-88 and subsequent fiscal years. (Reduce Item 6610-301-782(34) by \$671,000. Future savings: \$9.1 million.)*

The budget includes \$671,000 for preliminary plans and working drawings to renovate the Chemistry-Geology Building on the San Diego campus. The project also includes construction of a 11,303 asf addition as well as connection of the expanded building to the campus' central plant air-conditioning system. Renovations to the 110,263 gross square foot building, estimated to cost \$7.8 million, include upgrading the building utility systems, installing double pane windows, painting, replacing cabinets and sinks, installing new ceilings and replacing equipment. In effect, the entire interior would be upgraded.

The \$3.1 million addition would provide additional lecture space (3,669 asf), instructional laboratories for geology (2,550 asf), self-instruction computer laboratories (3,734 asf) and space for storage of equipment and materials (1,350 asf). The estimated total future cost is \$10.2 million.

Our review of this request reveals that the existing Chemistry-Geology Building needs to be repaired in order to better accommodate the various academic program. The proposed project, however, includes an array of repairs that should be funded on a priority basis from the CSU's support budget in 1987-88 and subsequent fiscal years. Our analysis of the specific components of this project are as follows:

**Renovation work.** For the most part, the items proposed to be renovated or upgraded in this building relate to maintenance items that the campus should address in priority in its maintenance budget. For example, the proposal includes painting and replacement of cabinetry and other items that have worn out over the years. The capital outlay budget is not the appropriate source for funding this work. This is especially true in view of the limited bond funds available to meet the capital outlay needs of higher education.

A portion of the project *does* address renovations to change the use or function of space to better meet the academic program. This work should be funded through capital outlay, but based on CSU's documents, the

amount of space in this category is difficult to determine and therefore CSU needs to recast it in a new proposal.

**Construction of Building Addition.** The 11,303 asf addition to this building is not justified for three reasons:

- **Self-Instruction Labs.** The CSU has not completed a comprehensive statewide plan for housing computer workstations. Therefore, the 3,734 asf included in the addition is premature.
- **Noncapacity Support Space.** The addition includes 3,900 asf for laboratory and support space for Geology and Chemistry. Based on state space guidelines, approval of this amount of space will result in an "excess" of over 7,000 asf for these disciplines.
- **Classroom Space.** Based on the campus' five-year plan, the 3,669 asf for new lecture space will result in an excess of lecture space on the campus.

**Expansion of chilled water system.** Approximately \$800,000 of the requested project would be used to expand the campuswide air conditioning system and connect the Chemistry/Geology Building to the system. The CSU needs to reassess the proposed connection in view of the fact that the proposed building addition is not justified. Furthermore, based on CSU data, even if this building (and addition) were connected to the central air conditioning system, there is already sufficient capacity to accommodate all buildings. The proposed plant expansion would provide capacity for future buildings. We recommend that expansion of the plant be considered when future buildings are proposed and justified.

In sum, while this proposal includes a portion of work that is aimed at renovating space to meet academic program needs, the majority of the project cannot be justified. A revised proposal that addresses the specific renovation needs to convert existing space to better meet academic program requirements would warrant legislative consideration. In its current form, however, we have no basis to determine what amount would be appropriate for such a project. Consequently, we recommend deletion of the preliminary plans and working drawings included under Item 6610-301-782(34) for a reduction of \$671,000.

#### **Renovate Dwight Bentel Hall—San Jose**

*We recommend a reduction of \$146,000 in the amount budgeted for preliminary plans and working drawings to renovate Dwight Bentel Hall on the San Jose campus because the working drawing request is premature (Reduce Item 6610-301-782(39) by \$146,000).*

The budget includes \$243,000 for preliminary plans and working drawings to renovate Dwight Bentel Hall on the San Jose campus. Dwight Bentel Hall was constructed in 1911 and houses the campus's Department of Journalism. The campus has identified the building as being seismically deficient. The proposed project would upgrade the building's structural system to a level of compliance that is acceptable for buildings of historical significance. Major work would be reinforcement of roof and wall systems, and anchoring of the clay roof tiles. Interior improvements would include upgrading of the building's plumbing, electrical and heating and ventilating system where deficiencies exist. Finally, the project includes removal of hazardous asbestos in the building. The estimated future cost for construction of the proposed improvements is \$3.4 million.

Recently, a portion of the buildings' ceilings failed and emergency "temporary" repairs were necessary. The proposal to upgrade the building is

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

based on a May 1986 consulting engineer's study that stated that the corrections would not meet code levels but, "... would contribute to the minimization of the risk of a significant collapse of the building in the event of a major earthquake". Our analysis indicates that because of the roof/ceiling structural problems, renovation of this building to meet earthquake safety standards should be a high priority on a systemwide basis.

On this basis, we recommend approval of the project, but recommend approval of \$97,000 for preliminary plans only. The working drawing request is premature because of a recent change in Department of Finance policy. As recommended throughout this analysis, the Legislature should limit initial project funds to preliminary planning because the Director of Finance has recently articulated a policy of expending working drawing funds even if the project exceeds legislatively approved scope and costs. In order to insure legislative control, we therefore recommend a reduction of \$146,000 in Item 6610-301-782(39) to delete the working drawing portion of the request.

**E. LIBRARY SPACE**

*We withhold recommendation on \$30,786,000 proposed under Item 6610-301-660 from Library Revenue Bonds for construction of library additions on the Sacramento and Northridge campus pending receipt of additional information.*

The budget includes three projects to provide additional library space. We have withheld recommendation on two projects—Sacramento and Northridge—because preliminary plans are not available but should be completed prior to legislative hearings on the budget. Table 7 summarizes the requests and our recommendations.

**Table 7**  
**California State University**  
**1987-88 Capital Outlay Program**  
**E. Library Space**  
**Item 6610-301-660**  
**(dollars in thousands)**

Subitem	Project	Campus	Phase <sup>a</sup>	Budget Bill Amount	Analyst's Recom- mendation	Est. Future Cost <sup>b</sup>
(1)	North Campus Library Addition .....	Long Beach	c	\$5,007	\$4,860	\$553
(2)	Library II .....	Northridge	c	14,919	pending	898
(3)	Library II .....	Sacramento	c	15,867	pending	1,868
Totals .....				\$35,793	\$4,860	\$3,319

<sup>a</sup> Phase symbol indicates: c = construction.

<sup>b</sup> CSU estimate.

**North Campus Library Addition—Long Beach**

*We recommend that the \$5,007,000 budgeted for working drawings and construction of the North Campus Library Addition on the Long Beach campus be reduced by \$147,000 to eliminate overbudgeting. (Reduce Item 6610-301-660(1) by \$147,000).*

The budget includes \$5 million for working drawings and construction of a 35,000 asf library addition on the north portion of the Long Beach



campus. This project was funded for preliminary plans and working drawings in the 1986 Budget Act. Based on preliminary plans which were recently completed, the CSU notes that \$4,998,000 is needed to complete the project, indicating a \$9,000 reduction to the budget as introduced.

As we indicated previously in this analysis, the CSU Chancellor's Office has increased the historical building costs for all buildings for installation of telephone systems and energy conservation standards adopted in 1985. We have recommended that the amount budgeted for these purposes be deleted and the estimated future costs for other projects be reduced to delete funds for this purpose.

Consistent with this recommendation, the amount budgeted for this building should be reduced by \$138,000. Moreover, our review of the preliminary plans submitted by the CSU revealed that the project request includes the funds but does *not* include the telephone system.

Accordingly, we recommend that Item 6610-301-660(1) be reduced by a total of \$147,000 (\$9,000 based on CSU's estimate plus \$138,000 for telephone/energy overbudgeting) to provide a revised construction amount of \$4,860,000.

**Table 8**  
**California State University**  
**1987-88 Capital Outlay Program**  
**F. New Support Facilities**  
**Item 6610-301-782**  
**(dollars in thousands)**

Subitem	Project	Campus	Phase <sup>a</sup>	Budget Bill Amount	Analyst's Recom- mendation	Est. Future Cost <sup>b</sup>
1.	Primarily Instructional Support:					
(12)	Plumas Hall Addition .....	Chico	pw	\$526	\$125	\$10,376
(13)	O'Connell Technology Center .....	Chico	p	185	—	10,042
(16)	Engineering East Addition .....	Fresno	p	163	—	8,580
(26)	School of Business .....	Long Beach	pw	620	156	13,152
(28)	Arts Complex .....	Los Angeles	w	400	pending	12,943
(30)	Classroom Building .....	Sacramento	pw	565	90	11,702
(31)	Classroom/Student Serv- ices/Faculty Offices .....	San Bernardino	pw	861	165	17,509
(36)	Remodel Arts & Industry Bldg. and Additions .....	San Francisco	pw	391	—	10,257
(42)	Dairy Science Unit I .....	San Luis Obispo	p	98	—	3,956
(45)	Remodel and Addition, Business & Educ. Bldg. ....	San Luis Obispo	pw	772	—	13,856
(46)	Faculty Offices I .....	San Luis Obispo	p	74	—	3,064
2.	Primarily Administrative Sup- port:					
(20)	Student and Business Serv- ices Building .....	Humboldt	wc	5,946	pending	162
(29)	Classroom/Labs/Administ- ration Bldg .....	Pomona	p	440	—	31,000
(35)	Classroom/Student Serv- ices Bldg. II .....	San Diego	p	260	—	13,425
Totals .....				\$11,301	\$536	\$160,024

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

<sup>b</sup> CSU estimate.

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued****F. NEW SUPPORT FACILITIES**

The budget includes 14 projects that primarily provide new support facilities at various CSU campuses. We have divided this category into two parts: (1) 11 projects that primarily provide instructional support facilities and (2) three projects that primarily provide administrative support facilities. The requests and our recommendations on each are summarized in Table 8.

**1. INSTRUCTIONAL SUPPORT FACILITIES**

The budget includes 11 projects that primarily provide additional instructional support facilities.

**Arts Complex—Los Angeles**

*We withhold recommendation on \$400,000 requested for working drawings for the arts complex on the Los Angeles campus pending receipt of additional information.*

We have withheld recommendation on the \$400,000 request for working drawings for the arts complex on the Los Angeles campus pending receipt of preliminary plans and cost estimates for the project.

**Plumas Hall Addition—Chico**

*We recommend a reduction of \$401,000 to the amount budgeted for preliminary planning and working drawings for the Plumas Hall addition because (1) the project should be reduced in scope to provide the essential additional instructional space to accommodate the projected enrollment and (2) the working drawing request is premature. (Reduce Item 6610-301-782(12) by \$401,000. Future savings: \$5.4 million.)*

The budget includes \$526,000 for preparation of preliminary plans and working drawings for an addition to Plumas Hall on the Chico campus. The proposed project would provide a variety of space to meet current and projected campus needs totaling 51,089 assignable square feet (asf). The estimated future cost for construction and equipment of the new facility is \$10.4 million.

Our analysis indicates that the scope of work included in this project should be significantly reduced to meet the instructional program needs. Specifically, we recommend the following modifications:

**Faculty Offices/Administrative Space.** Nearly 50 percent (24,460 asf) of the CSU's proposed building is for 140 faculty offices to replace seven existing offices that CSU terms "inadequate" as well as to replace 65 leased and 68 "temporary" faculty office stations. Our analysis indicates that based on the projected enrollment, the 140 offices are justified. The amount of proposed space, however, is excessive. The 25,495 asf proposed for 140 offices and support space represents an average of 182 assignable square feet (asf) per station. Based on state space guidelines, however, 154 asf per station should be adequate. Thus, based on state space guidelines, the amount of space for 140 faculty offices should not exceed 21,560 asf, for a reduction of 3,935 asf.

**Home Economics and Communication Laboratories.** The CSU proposes construction of 9,636 asf for additional laboratories for Home Economics and the School of Communications. Based on projected enrollments, however, the campus is expected to have a surplus of space

in laboratories based on state space guidelines. In fact, if the current CSU plan is implemented, there would be a 12 percent surplus in laboratory capacity. Consequently, CSU needs to reassess its current inventory of laboratory space and determine where reassignments can be made to meet the laboratory requirements in Communications and Home Economics. We therefore recommend that no additional laboratory space be included in the building.

**Self-Instruction Computer Laboratories.** The proposed building includes 11,172 asf for 228 self-instruction stations. As previously indicated, CSU has failed to provide a meaningful statewide program for implementing its Campus Information Resource Plan (CIRP). The proposed amount of space in this facility does not take into account the fact that computer resources are available in scheduled laboratories and graduate research space. Consequently, we are unable to determine the appropriate amount of space needed for this purpose. Until the CSU completes a comprehensive statewide plan, we have recommended that no new space be constructed for this purpose. We therefore recommend that the 11,172 asf be deleted.

In summary, we recommend that the Legislature revise this project to provide a building with a total of 26,941 asf comprised of 21,560 asf for 140 faculty and related support facilities and 5,821 asf for 836 FTE lecture capacity. Based on CSU cost guidelines, the estimated total project cost for this amount of space is approximately \$5.1 million. This represents a reduction of \$5.8 million to the total project cost (\$10.9 million) as originally proposed.

**Working Drawing Request Premature.** The CSU needs to prepare preliminary plans for this project based on the revised scope. Consistent with our recommendation on other projects, we recommend that only preliminary plans be appropriated in the budget year. This will provide adequate information for the Legislature to appropriate working drawings and construction in 1988-89. Based on typical projects of this type, \$125,000 should be sufficient to finance preparation of the preliminary plans for the revised project. Accordingly, we recommend that Item 6610-301-146(12) be reduced by \$401,000 by reducing the project scope and deleting the working drawing portion of the request.

#### **Engineering/Computer Science Building—Chico**

***We recommend deletion of \$185,000 requested for preliminary plans for an engineering computer science building on the Chico campus because approval of the project would result in an excess amount of laboratory space on campus and CSU has not prepared an adequate statewide plan for housing computer workstations. (Reduce Item 6610-301-782(13) by \$185,000. Future savings: \$10 million.)***

The budget includes \$185,000 for preliminary planning for an engineering/computer science building on the Chico campus. This new building would provide an additional 43,883 asf including space for engineering and computer science laboratories for 140 FTE students (14,206 asf), self-instruction computer laboratories (19,287 asf), campuswide classroom space (1,150 asf) and faculty office and administrative space (8,840 asf). Upon completion of the project, a portion of the space currently assigned to engineering and computer science would be reassigned for other uses including portions of the engineering department and campuswide administration. The estimated future cost is \$10 million.

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

Our analysis indicates that the proposed engineering and computer science building would provide additional laboratory capacity in excess of campus needs. According to CSU space plans, the implementation of the current five-year plan would result in excess laboratory capacity of 147 FTE representing 12 percent of the total laboratory needs. Consequently, CSU should reassess assignments of existing laboratory space to meet programmatic needs.

In addition, CSU has not formulated a statewide plan for addressing needs in self-instruction computer laboratories. The systemwide plan for providing computer workstations should address the placement of computer workstations in existing space including instructional laboratories, graduate research space and library space.

While the campus is in need of additional space for classrooms and faculty offices, we have recommended that additional space be included in the proposed Plumas Hall Addition. Accordingly, we recommend deletion of the \$185,000 proposed in Item 6610-301-782 (13) because alternative laboratory space may be available, self-instruction computer laboratories should not be added pending a statewide plan, and the space needs for classrooms and faculty offices have been addressed in another project.

**Engineering East Addition—Fresno**

*We recommend deletion of \$163,000 requested in Item 6610-301-782 (16) for preliminary planning for the Engineering East addition on the Fresno campus because the project would result in excess laboratory capacity on this campus. An alternative means for providing lecture space should be evaluated. (Reduce Item 6610-301-782 (16) by \$163,000. Future savings: \$8.6 million.)*

The budget includes \$163,000 for preliminary planning for an addition to the Engineering East Building on the Fresno campus. The 35,279 asf addition would provide capacity for 621 FTE in lecture (4,000 asf), 28 FTE in upper division laboratory capacity (5,842 asf), graduate research space (2,813 asf), 35 faculty offices (5,085 asf) and self-instruction computer laboratories/special instructional space (17,539 asf). The estimated total cost for the proposed project is \$8.7 million.

According to projections prepared by CSU, enrollment at the Fresno campus is anticipated to remain constant over the next five years. With completion of the previously authorized Business Building, the Fresno campus will have 110 percent of the laboratory capacity needs for the foreseeable future. Consequently, construction of additional facilities for laboratory enrollment should not be required. The campus needs to reassess its allocation of existing laboratory facilities in order to attain adequate utilization of existing space.

This proposed facility also includes a substantial amount of space for self-instruction computer laboratories. As previously indicated, CSU has not provided a comprehensive statewide plan to address this facility need. Accordingly, we do not recommend that the Legislature approve additional space for this purpose at this time.

The proposed 9,085 asf for additional lecture and faculty offices is justified based on projected enrollment and faculty positions. The CSU, however, should reevaluate the most cost efficient means of providing this incremental amount of space—whether to provide an addition to the Engineering Building or to other facilities on campus. A revised proposal that addresses the demonstrated space needs for faculty office and lecture

capacity would warrant legislative consideration. Accordingly, we recommend deletion of the \$163,000 requested for preliminary planning for the Engineering East addition in Item 6610-301-782(16).

#### **School of Business—Long Beach**

*We recommend that \$620,000 requested for preliminary planning and working drawings for a new School of Business Building on the Long Beach campus be reduced by \$464,000 to reflect (1) a reduced project scope consistent with justifiable space needs and (2) funding for preliminary planning funds only. (Reduce Item 6610-301-782(26) by \$464,000. Future savings: \$4.5 million.)*

The budget includes \$620,000 for preliminary planning and working drawings for a 59,169 asf Business Building on the Long Beach campus. The building would provide a variety of space including lecture space for 1,538 FTE (9,750 asf), 20 FTE in upper division and graduate laboratory space (1,566 asf), new graduate research laboratories in business (12,044 asf), faculty and administrative space for 112 faculty members (17,137 asf), related support space (793 asf) and space for 341 self-instruction computer laboratory stations (17,879 asf). Upon completion of the project, the campus would be able to discontinue use of 103 faculty offices currently located in temporary facilities. In addition, the building would be constructed to accept an addition to be financed through private donations providing conference and seminar rooms.

Our review of the project indicates that with the exception of the space proposed for laboratories (1,566 asf) and computer laboratories (17,879 asf), the proposed new space is justified.

The 1,566 asf for new laboratories is not justified based on state space guidelines. This campus will have 100 percent of the space needed for laboratory instruction *without* construction of this additional space. Therefore, we recommend the space be deleted. (Future savings: \$400,000.)

The proposed 17,879 asf for self-instruction computer laboratories should not be approved at this time because, as previously indicated in this analysis, CSU lacks a comprehensive statewide plan that addresses needs in this area. The number of workstations therefore, that can be accommodated in other space, such as instructional laboratories and graduate research space, is not available. We further recommend that the space be deleted. (Future savings \$4.1 million.)

In sum, based on current space guidelines and planned enrollments for the Long Beach campus, a building of approximately 38,000 asf would be sufficient to meet demonstrated needs for new faculty offices and related support space (17,250 asf), additional classroom space (8,730 asf) and graduate research laboratories for business (12,050 asf). Furthermore, we recommend that the Legislature provide preliminary planning funds only in the amount of \$156,000 based on the revised scope. Once CSU completes preliminary plans, a request in subsequent budget for working drawings and construction would be appropriate. On this basis, we recommend that Item 6610-301-782(26) be reduced by \$464,000. (Future savings: \$4.5 million.)

#### **Classroom Building—Sacramento**

*We recommend that preliminary planning and working drawing funds for the Classroom Building on the Sacramento campus be reduced by \$475,000 to reflect approval of preliminary planning funds only for a*

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

*revised project scope that will (1) locate the proposed building at an alternate site included on the campus master plan and (2) reduce the project scope consistent with justifiable instructional space needs. (Revised Item 6610-301-782(30) by \$475,000. Future savings: \$6.8 million.)*

The budget includes \$565,000 for preliminary planning and working drawings for a new classroom building on the Sacramento campus. The 50,692 asf building would provide additional lecture space (19,156 asf), self-instruction computer laboratories (12,500 asf), 80 faculty offices (13,060 asf), teaching laboratories (2,525 asf) and museum/workroom for the Anthropology Department (3,451 asf). The need for this facility is based on an anticipated campuswide enrollment increase of 1,550 FTE, from 17,700 FTE in 1986–87 to 19,250 FTE in 1992–93. The estimated future cost for the proposed building (to be completed in September 1990) is \$11.7 million.

**Proposed Site is Costly.** Our analysis indicates that additional capacity space is needed on this campus to meet current and projected enrollments. The proposed building, however, is to be located on the site of the existing Anthropology Building that CSU has termed a “temporary” building. This building, however, is *not* a temporary structure. The building is similar in design and construction of many buildings on other CSU campuses that are (and should be) considered permanent facilities. There is absolutely no reasonable basis for demolition of the 18,000 asf of instructional space and offices in the Anthropology Building (with a replacement value of \$4.3 million) in order to provide a site for this building. In fact, the master plan for this campus includes several building sites that will not require any demolition of existing space. Accordingly, we recommend that the project scope be revised to take into account retention of the existing Anthropology Building. This would eliminate the need for replacing the 18,000 asf of instruction and support space in this building.

**Self Instruction Computer Lab Plan Needed.** This facility would include 12,500 asf to provide space for 255 self-instruction computer stations. As previously indicated in this analysis, CSU lacks a comprehensive statewide plan for acquisition and installation of computer work stations for student use. Until such a plan is prepared, submitted and approved by the Legislature, additional space should not be provided. Consequently, we recommend that the 12,500 asf for this purpose be deleted from the building.

**Excess Lecture and Faculty Office Space.** According to the information provided by CSU, construction of this Classroom Building—along with other proposed new facilities—results in a *surplus* capacity of 2,260 asf in lecture space. This space would cost \$250,000 to construct. CSU has not provided any justification for providing additional lecture capacity above the amount needed based on current enrollment projections. We therefore recommend a reduction of 2,260 asf to bring the proposed lecture capacity to within state guidelines, for a savings of \$250,000.

We also recommend approval of 9,500 asf to provide 62 additional offices consistent with the original CSU proposal of 80 offices less 18 existing offices that would be retained in the Anthropology Building.

In sum, we recommend approval of 20,300 asf of the requested 50,692 asf. We recommend that preliminary planning funds only be approved at this time, consistent with our recommendation on similar requests. The Legislature should not approve working drawing funds because the Direc-

tor of Finance has articulated a policy of using working drawing funds even if preliminary plans do not meet legislatively approved scope and cost. Our analysis indicates that \$90,000 would be sufficient to finance preliminary plans for the revised project scope on a new site. We therefore recommend that Item 6610-301-782(30) be reduced by \$475,000 to fund preliminary plans for a new Classroom Building on the Sacramento campus (total future savings: \$6.8 million).

**Classroom/Student Services/Faculty Office Building—San Bernardino**

*We recommend that \$861,000 requested for preliminary planning and working drawings for a new Classroom/Student Services/Faculty Office Building on the San Bernardino campus be reduced by \$696,000 because the project should be reduced in scope to meet justifiable instructional space needs and the working drawing request is premature. (Reduce Item 6610-301-782(31) by \$696,000. Future savings: \$10.2 million.)*

The budget includes \$861,000 for preliminary plans and working drawings to construct a new Classroom/Student Service/Faculty Office Building on the San Bernardino campus. The proposed 82,864 asf building would include capacity for 2,470 FTE in lecture (15,900 asf), 74 FTE in laboratories for industrial technology, journalism and computer science (6,290 asf), 168 self-instruction computer stations (9,009 asf) and space for administrative functions (31,820 asf). The project also includes 19,845 asf for 147 faculty offices and related administrative support space. The estimated total cost of proposed project is \$18.4 million.

The need for additional space on the San Bernardino campus is a result of two factors. First, the San Bernardino area is one of the fastest growing areas in the state and therefore the campus must expand to meet regional enrollment needs. Second, the university is planning to abandon the current academic plan which is based on the RUML plan. Under the RUML plan, students receive five units of credit for courses that provide only four hours of classroom contact per week. The additional unit of credit is based on individual study work completed outside of class. Under the new plan, academic credit will be based on the traditional number of classroom contact hours. Because of this change, the additional instructional hours will generate the need for lecture capacity equivalent to 1,000 FTE (7,000 asf). Moreover, the future facility needs for this campus will now be higher as a result of the additional contact hours, resulting in an unknown additional cost for future construction.

In addition, new space is needed on the San Bernardino campus to replace 70 offices in temporary modular buildings recently located on campus to accommodate additional faculty. By the time this building is completed, enrollment will have grown to the extent that an additional 77 faculty offices will be needed. We therefore recommend approval of the proposed faculty office space. Moreover, the proposed additional space for laboratories for communications and journalism are justified based on projected enrollments.

Thus, we recommend approval of a total of 39,700 asf for a building to provide new lecture capacity for 2,487 FTE, 147 faculty offices and 63 FTE laboratory capacity. The remaining portion of the project—11,305 asf for computer labs and 31,820 asf for additional administrative space—is not justified. The proposed new computer space should not be approved until CSU develops a comprehensive statewide plan for implementing computer resources instructional program as previously mentioned in this analysis. In addition, the proposed amount of space for administration is

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

excessive in relationship to the enrollment on this campus. For example, the San Luis Obispo campus with a 15,000 FTE enrollment indicates a goal of 51,000 asf for housing all administrative functions or 3.4 asf per FTE. In comparison, this facility would provide a total of more than 43,000 asf in administrative space for a campus with a projected enrollment of 7,210 FTE representing six asf per FTE, or 75 percent more space per FTE than planned at the San Luis Obispo campus. According to CSU, the San Luis Obispo plan is based on CSU guidelines for administrative space. Thus, it appears that the San Bernardino request is excessive. The request for administrative space should be reduced in scope and considered in a separate facility that also would retain adequate flexibility for expansion to meet future needs.

Approval of \$165,000 would be sufficient to finance preparation of preliminary plans for a 39,700 asf project. Once these plans are completed, CSU should request appropriation of working drawings and construction funds in the 1988–89 fiscal year. On this basis, we recommend that Item 6610-301-782(29) be reduced by \$696,000. The estimated future cost for the recommended facility would be approximately \$8.2 million, indicating a savings of \$10.2 million.

**Remodel Arts and Industry Building and Construct Additions—San Francisco**

*We recommend deletion of \$391,000 requested for working drawings for remodeling the Arts and Industry Building and construction of two additions on the San Francisco campus because (1) the project has not been revised to meet existing state space guidelines pursuant to the Legislature's direction and (2) preliminary plans have not been completed. (Reduce Item 6610-301-782(36) by \$391,000.)*

The budget includes \$391,000 for working drawings for a project to remodel the Arts and Industry building and construction additions to that building on the San Francisco campus. This project includes four components:

- Remodeling the 51,412 asf Arts and Industry Building at a cost of approximately \$1.7 million.
- Expansion of the existing Arts and Industry Building to provide an additional 7,050 asf at a cost of \$700,000.
- Construction of a 40,000 asf addition to the Arts and Industry Building to provide Art and Film facilities such as media viewing rooms, sound processing center and art laboratories estimated to cost \$5.6 million.
- Construction of a 3,800 asf addition to the existing gymnasium to provide dance studios.

As currently proposed by CSU, the estimated future cost for construction of the proposed alterations and additions is \$10.3 million.

The Legislature approved \$200,000 in the 1986 Budget Act for preparation of preliminary plans for alterations and additions to the Arts and Industry Building on the San Francisco campus. In approving these funds, the Legislature adopted the following Budget Act language:

“Provided that the funds appropriated under this item for preliminary planning for Remodel Arts and Industry Building and Addition of project at San Francisco shall not be allocated to the CSU system until the Chancellor's Office, the Department of Finance and the Legislative Analyst's Office have agreed on the appropriate project scope that is consistent with existing state space guidelines as applied to the disci-



plines to be housed in the new/remodeled facilities.”

In signing the 1986 Budget Act, the Governor let stand the \$200,000 appropriation for planning of this project but vetoed the budget language. In his veto message, the Governor stated: “I am deleting provision 7 because legally appropriated capital outlay funds should not be subjected to staff level approval prior to allocation for preliminary planning. In taking this action, however, I urge the California State University to strive to produce a project that is within the spirit of provision 7 and within appropriated funds.”

At the time this analysis was prepared, CSU had not prepared any information to describe its plan for reducing this project consistent with the Legislature’s directive. In fact, the project is unchanged from that which was presented to the Legislature last year.

Moreover, preliminary plans have not begun and are not expected to be available prior to budget hearings. Given the current status of the project, there is no basis for approving additional funds. We therefore recommend deletion of the \$391,000 requested for working drawings in Item 6610-301-782 (36). The CSU should revise the project consistent with the Legislature’s intent to eliminate space that cannot be justified under existing state space guidelines and prepare preliminary plans on that basis.

#### **Dairy Science Unit I—San Luis Obispo**

*We recommend deletion of \$98,000 requested for preliminary plans for a new Dairy Science Unit I on the San Luis Obispo campus because the Legislature has previously approved preliminary plans for this project, and CSU has not justified expanding the scope of the approved project. (Reduce Item 6610-301-782 (42) by \$98,000. Future savings: \$2.4 million.)*

The budget includes \$98,000 for preliminary planning for a Dairy Science instructional facility, on the San Luis Obispo campus. The proposed project includes construction of a replacement facility for the campus’ dairy laboratories and ancillary facilities. The dairy/laboratory portion of the project includes approximately 9,660 asf of building space for the the main milking barn, associated equipment and office spaces. The balance of the project includes support spaces totaling 120,000 square feet for free stall housing, animal isolation, support stock, feed storage and equipment storage. The estimated future cost for working drawings, construction and equipment for the proposed project is nearly \$4 million.

In 1986, the Legislature approved funds for dairy facilities on the San Luis Obispo campus. The Governor’s 1986–87 Budget included \$270,000 for preliminary plans and working drawings for a new dairy and ancillary facilities with an estimated total cost of \$4.9 million. The Legislature approved a modified project by providing new milking/laboratory facilities and deleting the ancillary support facilities. The 1986 Budget Act, therefore, included \$30,000 for preliminary plans for the scaled-down project estimated to cost \$1.6 million.

The CSU provided a new project description for the proposed Dairy Science Unit I facility in November 1986. Other than elimination of one milking parlor, the new project is virtually the same project that the Legislature disapproved in 1986. The CSU indicates that the preliminary plans have not been (and will not be) started on the legislatively approved project because the CSU considers it to be inadequate. The CSU’s specific detailed project description submitted in support of the new project, however, provides neither an insight into how this conclusion was reached nor additional justification for the larger project. Instead, CSU has simply

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

ignored the legislative action and restored most of the improvements that the Legislature specifically deleted in its deliberations on the 1986 Budget Act.

Consequently, we recommend that CSU proceed with the project as approved by the Legislature and commence preliminary planning using the funds available in the 1986 Budget Act. On this basis, we recommend deletion of the \$98,000 requested under Item 6610-301-746(42). (Future savings: \$2.4 million.)

**Remodel and Addition to Business Administration and Education Building—San Luis Obispo**

*We recommend deletion of \$772,000 requested for preliminary plans and working drawings to remodel and construct an addition to the Business Administration and Education Building on the San Luis Obispo campus because (1) the campus has sufficient laboratory space and faculty office space based on state space guidelines and (2) additional space for self-instruction computer laboratories should not be provided until CSU completes a statewide plan for accommodating new computer stations. (Reduce Item 6610-301-782(45) by \$772,000. Future savings: \$13.9 million.)*

The budget includes \$772,000 to remodel, and construct an addition to, the Business Administration and Education Building on the San Luis Obispo campus. The 43,838 asf addition would provide lecture capacity for 466 FTE (3,210 asf), laboratory capacity for 92 FTE (6,435 asf), 70 faculty office stations and related administrative space (10,150 asf), 216 self-instruction computer laboratory stations (13,200 asf), and shop/storage/miscellaneous space (10,843 asf). The new addition plus 1,578 asf of existing space would be available to support the entire Business and Economics Department. The estimated total cost for the building addition is \$10.4 million.

The CSU estimate also indicates that this project includes remodeling the Business Administration and Education Building. The CSU has submitted no description of this remodeling work. The estimate, however, reveals a total cost of \$4.2 million for this work. Accordingly, CSU's estimated total future cost for this project is \$13.9 million.

Based on the information provided by the CSU, we conclude that the proposed additional space and alterations are not justified as discussed in detail below.

**Inconsistent with State Space Guidelines.** Based on the state space guidelines, the proposed addition is not justified. According to CSU's space data the San Luis Obispo campus has sufficient space to meet future campuswide laboratory space needs. Moreover, the existing inventory of faculty office stations, plus 53 offices currently under construction, will provide the necessary number of office stations to meet projected needs. Therefore, the proposed 16,585 asf space for laboratories and offices is not justified.

Based on projected enrollment, however, this campus will require an additional 5,000 asf of lecture space to accommodate 750 FTE students. This additional capacity could be accommodated in a building or addition of approximately 5,000 asf. Consequently, the campus needs to reassess its space plan and identify a suitable location and appropriate setting for the additional lecture capacity.

**Computer Stations.** The CSU has failed to develop a systemwide plan for housing new instructional computer work stations. Until such a plan is developed, we do not recommend approval of the 13,200 asf in additional building space for housing computer work stations.

**Purpose of Alterations Unknown.** No information has been provided to indicate the basis for including this project in the Trustees category of funds to correct structural, health and safety code deficiencies. The CSU has not provided any information to describe the structural, health and/or safety code problems in this building other than referencing a 1983 consultant's review of the building that states the building is structurally sound. The facility was reviewed by the Seismic Safety Commission in their 1981 survey of state-owned facilities requiring seismic rehabilitation. In that study, the Business Administration and Education Building is ranked as project 256 out of some 1,000 buildings surveyed. Based on the Seismic Safety Commission recommendations, there are over 100 buildings in the CSU system that are ranked *higher in priority* and therefore should be considered for funding before this building.

In sum, of the 43,838 asf requested in the building addition, only 5,000 asf for lecture space is justified. An appropriate plan addressing this space would warrant legislative consideration. Moreover, the CSU has not provided any justification for spending \$4.2 million to alter the existing building. Consequently, we recommend deletion of the \$772,000 requested in Item 6610-301-782(45). (Future savings: \$13.9 million.)

#### **Faculty Offices I—San Luis Obispo**

*We recommend deletion of \$74,000 requested for preliminary plans for a new faculty office building on the San Luis Obispo campus, because the campus has a sufficient number of faculty office stations based on state guidelines. (Reduce Item 6610-301-782(46) by \$74,000. Future savings: \$3.1 million.)*

The budget includes \$74,000 for preliminary plans for construction of a new faculty office building on the San Luis Obispo campus. The 15,153 asf building would provide 95 single-station faculty offices along with related administrative support space. The estimated future cost for working drawings, construction and equipment is \$3.1 million.

According to CSU, the sole purpose of this project is to allow the university to reclassify 95 existing two-person offices, containing an average of about 160 asf each, to one-person offices. This proposal raises a major policy issue that has significant capital outlay cost implications. Several years ago, CSU included a mixture of single and multistation faculty offices in new buildings. In recent years, however, CSU adopted a policy of providing only single faculty offices in new buildings. This proposal, however, is the first project that proposed state funding solely on the basis of the need to *replace* existing two-person offices. Thus upon completion of the project, there would be no additional faculty office stations on the San Luis Obispo campus.

Most of the CSU campuses have multistation faculty offices. Consequently, to fully implement the implied policy that this project suggests, CSU would have to reclassify all of the other multistation spaces and construct new single station offices. To accomplish this will require substantial additional capital expenditures. CSU, however, has not indicated how or if the policy is to be implemented on a statewide basis—nor any indication of the benefits to be derived from the expenditure of the millions of dollars which would be required to replace the existing offices.

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

In view of the significant policy and cost implication of this proposal, we have repeatedly asked the CSU staff to lay out this issue and present it to the Legislature for consideration. Apparently, the staff has elected instead to implement this policy through a separate capital project.

If the Legislature chooses to consider a policy of replacing multistation offices, the benefits and full cost of such a decision should be identified by CSU and presented to the Legislature. Accordingly, if replacement of multistation faculty offices is to be considered, we recommend the Legislature direct CSU to (1) detail the current problems and the benefits of changing existing offices and (2) develop a plan that addresses such replacement.

Lacking justification for a change in policy, the proposed project should not proceed because the San Luis Obispo campus has sufficient faculty office stations. Moreover, if replacement of multistation offices were appropriate, we have no basis to determine that this need is greater at San Luis Obispo than at other campuses. Thus, we recommend deletion of the \$74,000 for preliminary plans under Item 6610-301-782 (46)—a future savings of \$3.1 million.

**2. ADMINISTRATIVE SUPPORT**

The budget includes \$6.6 million for three projects that primarily provide new administrative support facilities.

**Student/Business Services Building—Humboldt**

*We withhold recommendation on \$5,946,000 requested for working drawings and construction of the Student and Business Services on the Humboldt campus pending receipt of additional information.*

We have withheld recommendation on \$5.9 million requested for working drawings and construction for the Student and Business Services Building on the Humboldt campus pending receipt of preliminary plans and cost estimates.

**Classroom/Labs/Administration Building—Pomona**

*We recommend deletion of Item 6610-301-782 (29), preliminary plans for a Classroom/Lab/Administration Building on the Pomona campus, because the CSU needs to reassess the overall program to reduce costs and provide adequate space to meet demonstrated instructional capacity needs. (Reduce Item 6610-301-782 (29) by \$440,000. Future savings: \$31 million.)*

The budget includes \$440,000 for preliminary plans for a new Classroom/Lab/Administration Building on the Pomona campus. The proposed project would be the first of two phases to provide additional space for administrative functions, computer laboratories and classrooms. The initial project includes construction of a 118,075 asf building estimated to cost \$27.5 million. A subsequent phase includes remodeling of 38,300 asf to be vacated by administrative functions currently in the main administration building to provide classrooms and computer laboratories. The cost to convert this space is estimated to be \$3.9 million. Consequently, the estimated total cost of the two-phase project is \$31.4 million.

The initial phase of this \$31.4 million proposal will provide a total increase in instructional capacity space of 7,575 asf for new lecture space. This represents 6 percent of the total space requested in the new building.

The balance of the new space consists of administrative functions (60,000 asf), self-instruction computer labs (41,725 asf), faculty offices (4,400 asf) and instructional television facilities (4,375 asf).

Our analysis indicates that CSU needs to reassess its overall plan for providing additional instructional capacity space and administrative space.

**Administrative Functions.** The proposal would provide new administrative space for functions currently housed in the Business Administration Building. Upon completion of the proposed building, these functions would be moved and the vacated space altered at an estimated cost of \$3.9 million. The CSU has not substantiated the need for or benefit of this costly two-phase proposal.

**Computer Laboratories.** The need for new space to accommodate computer workstations is not apparent. The CSU has not completed a comprehensive statewide plan for accommodating computer workstations. Thus, as recommended elsewhere in this analysis, the Legislature should not approve new space for computer laboratories until such a plan is in place.

On this basis, we recommend deletion of the proposed preliminary planning funds in Item 6610-301-782(29), for a reduction of \$440,000.

#### **Classroom/Student Service Building-Phase II—San Diego**

*We recommend deletion of the \$260,000 requested for preliminary plans for construction of the Classroom/Student Services Building, Phase II, on the San Diego campus because the campus needs to reassess the need for additional administrative and classroom space in light of recent system-wide plans for construction of compact library storage facilities. (Reduce Item 6610-301-782(35) by \$260,000. Future savings: \$13.4 million.)*

The budget includes \$260,000 for preliminary plans for a new Classroom/Student Services Building on the San Diego campus. The 63,474 asf building would provide 33,590 asf for student services including financial aids, admissions and records, student advising and the student resource and information center. In addition, the facility would include academic support space so that *existing* academic space in the library can be converted to library use. The proposed site of the new building would require demolition of the old campus lab school that currently houses education programs and administration. The building, therefore, includes classroom space for 1,059 FTE (7,500 asf), 200 stations for self-instruction computer laboratory facility (9,800 asf), additional teaching laboratories for the academic skills department (7,200 asf), and 20 faculty offices and related administrative space (5,384 asf). The new facility will be located adjacent to the classroom/student services building, Phase I which is scheduled to be completed in the fall of 1988.

**New Space Plan Needed.** The CSU has recently adopted a new library plan which includes construction of new high-technology facilities at all campuses that will provide high-density storage and rapid retrieval of library materials. According to the CSU prototype model at the Northridge campus, 65 percent of all library volumes on a campus will be stored in the new facility. Consequently, this will reduce significantly the amount of conventional stack space required to accommodate the library collection. Construction of a new facility—as anticipated by CSU's current library planning—should eliminate the need for additional conventional library space on the San Diego campus. Therefore, the need to convert the existing academic space in the Library Building is not apparent and ap-

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

pears contrary to the systemwide plan for installation of new high-technology library storage facilities.

Given CSU's new library plan, we recommend that CSU reevaluate its overall space plan for this campus. The plan should take into account the fact that dense storage will have to be installed on this campus in order to house the library collection. Once this space is completed, any need for additional administrative or academic space should be proposed in a revised project. We therefore recommend deletion of the \$260,000 requested for preliminary plans in Item 6610-301-782(35).

**G. UPGRADE SUPPORT FACILITIES**

The budget includes \$3.3 million for four projects that are primarily intended to upgrade existing support facilities. Table 9 summarizes the requests under this category and our recommendations on each.

**Table 9**  
**California State University**  
**1987-88 Capital Outlay Program**  
**G. Upgrade Support Facilities**  
**Item 6610-301-782**  
**(dollars in thousands)**

Subitem	Project	Campus	Phase <sup>a</sup>	Budget Bill Amount	Analyst's Recom- mendation	Est. Future Cost <sup>b</sup>
(17)	Remodel Speech Arts Building.....	Fresno	p	\$62	—	\$2,209
(18)	University Farm Laboratory	Fresno	p	133	—	7,210
(32)	Women's Gym Rehabilitation	San Diego	c	2,923	pending	156
(44)	Remodel Student Services Bldg.....	San Luis Obispo	pw	136	\$40	1,764
	Totals .....			\$3,254	\$40	\$11,339

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

<sup>b</sup> CSU estimate.

**Rehabilitate Women's Gymnasium—San Diego**

*We withhold recommendation on \$2,923,000 for construction funds to rehabilitate the women's gymnasium on the San Diego campus pending receipt of additional information.*

We have withheld recommendation on \$2.9 million requested for construction funds for rehabilitation of the women's gymnasium on the San Diego campus pending receipt of preliminary plans and cost estimates.

**Remodel Speech Arts Building—Fresno**

*We recommend deletion of \$62,000 requested for preliminary planning for remodeling the Speech Arts Building on the Fresno campus because the proposed upgrade should be financed on a priority basis from special repair and replacement equipment funds available in the support budget in 1987-88 and subsequent fiscal years. (Reduce Item 6610-301-782(17) by \$62,000. Future savings: \$2.2 million.)*

The budget includes \$62,000 for preliminary planning to remodel the Speech Arts Building on the Fresno campus. The project includes renovation and repair of the auditorium such as (1) replacing all audience seating and repairing the stage and associated equipment, (2) installing wood paneling and new carpet in the theatre lobby and foyer and (3) improving the theater lighting and sound systems. Finally, the project includes upgrading of the "arena theatre" which is a small flexible auditorium with a seating capacity for 175 people. The estimated future cost to complete the project is \$2 million.

Our review of the project indicates that the majority of proposed improvements should be financed through CSU's on-going maintenance and equipment replacement budget. For example, the project includes extensive replacement of equipment such as lighting systems, stage drapes, dimmer systems, as well as traditional repair work such as new seating, new carpeting, repainting of walls and ceiling. The use of capital outlay funds for these purposes is not appropriate because the proposed work is not required in order to change the use or function of the facility. Rather, the proposal is for *repairs* to various elements in the facility. If these repairs are needed, the CSU should finance the work on a priority basis from special repair funds available in the support budget in 1987-88 and subsequent fiscal years. On this basis we recommend deletion of the \$62,000 requested in Item 6610-301-146(17).

#### **University Farm Laboratory—Fresno**

*We recommend deletion of \$133,000 requested for preliminary plans to upgrade the University Farm on the Fresno campus because the majority of the work relates to maintenance and repair that should be financed on a priority basis from the support budget in 1987-88 and subsequent fiscal years. (Reduce Item 6610-301-782(18) by \$133,000. Future savings: \$7.2 million.)*

The budget includes \$133,000 to develop preliminary plans for a wide variety of repairs/improvements to agriculture facilities on the Fresno campus. The project combines a series of independent repair and improvement proposals for the agricultural field facilities. The estimated future cost for working drawings and construction of the proposed improvements is \$7.2 million.

These facilities are in various stages of disrepair and need to be repaired. The CSU's request for additional capital outlay funds to solve these repair problems, however, is inappropriate. The CSU should utilize funds from its support budget appropriation for special repairs and maintenance in order to maintain the existing inventory of buildings at an adequate level. Consequently, a substantial portion of the funds requested under this proposal should be financed on a priority basis from the CSU support budget for 1987-88 and subsequent fiscal years.

There are specific items included in this proposal (such as the winery and new greenhouses) which relate to expansion of existing facilities or construction of new facilities to meet program needs. These items are properly capital outlay requests. Consequently, a proposal that specifically addresses upgrading existing facilities to meet new program needs should be developed, and submitted in priority with other statewide capital outlay needs.

On this basis, we recommend deletion of the \$133,000 requested for this project under Item 6610-301-782(18).

**CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued****Remodel Student Services Building—San Luis Obispo**

*We recommend a reduction of \$96,000 for preliminary plans for alteration of 50-year-old buildings as proposed in the budget. We further recommend approval of \$40,000 for preliminary plans for a new building because it is more cost effective. (Reduce Item 6610-301-782(44) by \$96,000. Future savings: \$230,000.)*

The budget includes \$136,000 for preliminary plans and working drawings for remodeling, and construction of an addition to, the two student services buildings on the San Luis Obispo campus. The existing buildings are former residence halls constructed in the late 1920s. The proposed project would remodel the interior of the 8,530 asf facilities for student services activities and upgrade the structures for earthquake safety. The project also includes construction of a 3,040 asf addition for an entry lobby and elevator to connect the two buildings. The estimated future cost for remodeling and addition is \$1.8 million.

Our review indicates that spending \$2 million to upgrade the two buildings does not appear to be a cost-efficient solution because:

- The current proposal is based on a structural evaluation and cost estimate prepared in 1972. While the estimate has been mathematically increased to account for 14 years of inflation, no adjustment has been made to meet current building code requirements.
- The proposed alterations represent nearly 75 percent of the cost to construct a new efficient facility.
- The buildings are on the campus perimeter rather than centrally located. Thus, the student services available in these facilities are not readily accessible to the students.

Our analysis indicates that construction of new space to replace the existing two buildings would be a preferred option to the proposed solution. Based on the typical costs for construction of administrative space, a new facility containing the 8,530 asf need for student services could be constructed at a total project cost of \$1,575,000. In comparison, the CSU proposal would cost nearly \$2 million. Moreover, the campus should reevaluate its master plan and determine an appropriate location for a new building that would be more centrally located and convenient than the current buildings.

On this basis, we recommend that this project be modified to provide a new building of 8,530 asf. Preliminary plans for such a building would cost \$40,000. Accordingly, we recommend that the \$136,000 under Item 6610-301-782(44) be reduced by \$96,000. (Future savings: \$230,000)

**H. PERMANENT OFF-CAMPUS CENTERS**

The budget includes \$19.7 million for three projects related to establishment of new permanent off-campus centers. The requests, and our recommendations are summarized in Table 10.

**Off-Campus Centers—San Diego, Ventura and Contra Costa County**

*We withhold recommendation on \$19,691,000 requested for land acquisition and development of permanent off-campus centers in North San Diego, Ventura and Contra Costa Counties pending receipt of additional information from CSU and CPEC that clarifies (1) the enrollment to be accommodated at these centers, (2) the basis for the amount of property to be acquired and (3) the acquisition and development costs for these centers.*



**Table 10**  
**California State University**  
**H. Permanent Off-Campus Centers**  
**Item 6610-301-782**  
**(dollars in thousands)**

<i>Subitem</i>	<i>Project</i>	<i>Campus</i>	<i>Phase<sup>a</sup></i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>	<i>Est. Future Cost<sup>b</sup></i>
(3)	Land Acquisition, N. San Diego and Ventura .....	Statewide	a	\$19,000	—	unknown
(4)	Master Planning, N. San Diego Center .....	Statewide	p	200	—	\$100
(5)	Contra Costa Center Development .....	Statewide	pw	491	—	15,398
	Totals.....			\$19,691	—	\$15,498

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

<sup>b</sup> CSU estimate.

***Further, we recommend that CSU prepare the appropriate statewide studies and justification for submittal to the Legislature if CSU proposes that the state establish new CSU campuses.***

The budget includes three items related to development of new permanent off-campus centers:

- **Item 6610-301-782(3)** requests \$19 million for land acquisition for a permanent off-campus center in North San Diego County and in Ventura County.
- **Item 6610-301-782(4)** includes \$200,000 for master planning of the North San Diego Off-Campus Center.
- **Item 6610-301-782(5)** proposes \$491,000 for planning associated with the initial infrastructure, landscaping and initial multipurpose facilities for an off-campus center in Contra Costa County. This center would be located on existing state-owned property.

### **North San Diego Center**

An unspecified portion of the \$19 million appropriated in Item 6610-301-782(3) would be used to finance CSU's proposed acquisition. In addition, \$200,000 is proposed for "initial physical master planning" of the new site. Approval of the requested land acquisition and master planning funds will result in future requests for development of infrastructure and initial buildings to accommodate the projected enrollment. The CSU has not provided an estimate of these future costs. In testimony before the Board of Trustees, however, a CSU official stated that initial development of the north San Diego center would cost more than \$100 million.

**Background.** For several years, the San Diego campus has operated an off-campus center in a leased facility at San Marcos. Chapter 575, Statutes of 1985 directed the CSU to consider the feasibility of establishing a permanent off-campus center in the northern portion of San Diego. The purpose of the center would be to offer upper division and graduate postsecondary education programs in this area of the state. The measure directed the trustees to prepare studies and surveys of the area and to submit the results to the California Postsecondary Education Commission (CPEC).

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

In March 1986, CSU's consultant for the North San Diego County proposal recommended purchase of a site of sufficient size to allow the ultimate development of "*a comprehensive campus . . . to house a minimum of 14,900 enrollment and a maximum of 21,000 by the year 2010 (Emphasis added).*" After approval by the Board of Trustees, CSU submitted the reports to CPEC for approval of the proposed permanent off-campus center. In December 1986, CPEC adopted its report on the San Diego off-campus center. The CPEC recommended that funds be appropriated to acquire a 350 to 400 acre site for an off-campus center. The CPEC noted, however, that CSU's enrollment projections of 4,013 FTE student in the early 1990s were ". . . analytically inadequate and produced an enrollment potential far in excess of the probable opening enrollment at the center." The CPEC therefore recommended that CSU prepare plans to accommodate an enrollment of 1,600 to 1,700 full-time equivalent (FTE) students by fall 1992 with potential expansion to approximately 2,700 FTE by the year 2000.

*The Need for 350-400 Acres for the San Diego Center is Unclear.* Given the uncertainty of the center's enrollment, the Legislature does not have adequate information to determine either the appropriate amount of property or the improvements necessary for a permanent off-campus center in North San Diego.

Despite this uncertainty, CSU has authorized negotiations on a 350-400 acre site for the center and CPEC has recommended acquisition of this amount of property. It is our understanding that CSU's proposal to purchase up to 400 acres is premised on ultimately developing a new *full-service campus*. In fact, a site of this size would be larger than most existing CSU campuses. In comparison, the average acreage for CSU's existing campuses is 277 acres, ranging from 102 acres at San Francisco to 430 acres at San Bernardino. Consequently, the requested land acquisition would accommodate facilities that go far beyond the scope of an off-campus center. In view of this, CSU and CPEC should, prior to budget hearings, provide specific information addressing (1) the amount of property needed in order to accommodate projected enrollment at the center, (2) the basis for purchasing property in excess of the amount needed for the center's enrollment and (3) the acquisition and development costs associated with each scenario. We withhold recommendation on the request to purchase property pending receipt of this information.

**Ventura County Center**

Chapter 561, Statutes of 1985, directed the CSU to prepare similar studies for establishment of a permanent off-campus center in Ventura County. The CSU has operated an off-campus center in Ventura in leased facilities since 1974. Recent enrollment has ranged from 127 FTE students in 1982-83 to 185 FTE in 1985-86.

The demographic and student needs assessment was completed by CSU's consultant in March 1986. The consultant recommended that "a new center situated in an attractive, campus-like setting will provide the stimulus for creation of increased, i.e. induced, demand for utilization (of higher education programs) above and beyond historic trends." Site evaluations have been completed but the reports have not been reviewed by CPEC.

According to CSU, an unspecified portion of the requested \$19 million land acquisition for off-campus centers would be used to acquire approximately 240 acres.

**Ventura Center Enrollment Plans.** The Ventura proposal also is premised on purchase of property and development of facilities in excess of that justified to house the permanent off-campus center. The consultant's study projects that enrollment for the off-campus center—based on continuation of *existing* programs at the center—would be about 300 FTE in the year 1995 and no more than 386 FTE by the year 2000. This enrollment does not meet the minimum requirements of the CSU Trustees' criteria for establishment of permanent state-owned off-campus centers. The criteria specify that projected FTE enrollment is not to be less than 200 annual FTE in the third year of operation and is to maintain 500 annual FTE by the fifth year of operation.

The CSU's consultants also evaluated projected enrollment assuming that "... the Center can and will respond to demonstrated demand (i.e., provide a wider range of course offerings, provide space for a larger number of students, etc.) without budget or faculty limitations." Based on this assumption, the center enrollment is expected to grow to 1,574 FTE by the year 2,000 and 2,167 FTE by 2010. The land base cited by the consultant as needed to accommodate this range of enrollment is 32 to 48 acres. The CSU, however, has authorized negotiations for purchase of up to 240 acres for the center. Thus, the need for CSU's proposed amount of acreage is unclear.

Given the relatively low projected enrollment, it is unclear whether the state should develop a permanent off-campus center in Ventura. Moreover, as is the case for the North San Diego County proposal, it is unclear why CSU would require 240 acres for the Ventura center.

Unlike North San Diego County, CPEC has not completed its review of the Ventura proposal. Consequently, we withhold recommendation on the proposed acquisition funds, pending CPEC's review of and report on the need for this Ventura site. Finally, we recommend the CSU and CPEC provide specific information addressing (1) the amount of property needed in order to accommodate enrollment at the center, (2) the basis for purchasing property in excess of the amount needed for the center's enrollment and (3) the acquisition and development costs associated with each scenario.

### **Contra Costa Facility**

The budget includes \$385,000 for preliminary plans and working drawings for utility improvements and preliminary plans for the initial buildings for a permanent off-campus center on state-owned property in Contra Costa County. The state acquired this 380 acre site in 1969. The CSU's estimated future cost for initial development of a center to accommodate 1,000 FTE students is \$15.3 million.

**Background.** The CSU Hayward campus currently operates a leased off-campus center in Pleasant Hill. Established in 1981, the center serves an enrollment of approximately 500 FTE students. Chapter 744, Statutes of 1985, called for CSU to study the needs for higher education services in this area. In March 1986, CSU's consultant reported on the educational needs including demographic/market analyses of the Contra Costa area. The consultant recommended establishment of a center to accommodate up to 3,000 students. Moreover, the report suggests that the population base of the county could support a full service campus of 3,500 to 7,400 (headcount) students. The report was approved by the Trustees in Sep-

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

tember 1986. At the time this analysis was prepared, the Contra Costa needs assessment had not been reviewed/approved by CPEC.

Similar to the other proposed center, it appears that development of the state-owned site is premised on the future development of a full-service campus. Based on available data, it is unclear that development of this site is necessary for an off-campus center. On the other hand, it appears that the current leased facilities may be adequate to accommodate the projected enrollment. Thus, the Legislature may want to consider purchasing the leased facility.

CPEC's review of this proposal may assist the Legislature in determining the best method of providing permanent facilities for this off-campus center. Consequently, we withhold recommendation on \$491,000 under Item 6610-301-782 for planning initial development of the state-owned Contra Costa site, pending receipt of the CPEC study.

**Proposals for New Campuses Require Appropriate Study**

As noted above, CSU's proposals for off-campus centers appear to be premised on ultimately developing full-service campuses, not off-campus centers. In our opinion, if CSU anticipates the need for a full service campus, then CSU should advise the Legislature of this need and plan accordingly. Under this scenario, CSU should develop the appropriate demographic and educational needs studies for a campus not a center. These studies need to consider the statewide implications of establishing new campuses on the CSU system and other segments of public higher education. We have identified some of the planning issues that need to be addressed over the next ten to 15 years in Part Three of the Perspectives and Issues document accompanying this *Analysis*. We note that the CSU has a variety of options available to meet enrollment demands. In addition to establishing off-campus centers, CSU can expand existing campuses that have not reached their master plan capacity. Moreover, regional demographic trends may require a redistribution of statewide enrollment to better utilize available space.

Accordingly, we recommend that the CSU complete these studies for submission to the Legislature if new campuses are to be proposed for funding.

**I. OTHER PROJECTS**

The budget includes \$8.2 million for eight projects in the "other" category. For discussion purposes, we have divided these projects into (1) statewide projects and (2) utilities and site development projects. The projects proposed under this category and our recommendations on each are summarized in Table 11.

**1. STATEWIDE PROJECTS**

The budget includes five statewide projects for planning and minor capital outlay improvements (\$200,000 or less per project).

**Minor Capital Outlay*****We recommend approval.***

We recommend approval of the \$4.5 million requested for minor capital outlay projects. The CSU has recently improved its procedures for review of the minor capital outlay projects submitted by the individual campuses.

**Table 11**  
**California State University**  
**1987-88 Capital Outlay Program**  
**I. Other Projects**  
**Item 6610-301-782**  
**(dollars in thousands)**

Subcategory/ Subitem	Project	Campus	Phase <sup>a</sup>	Budget Bill Amount	Analyst's Recom- mendation	Est. Future Cost <sup>b</sup>
1. Statewide Projects						
(1)	Preliminary planning, 1988-89					
	Projects .....	Statewide	p	\$500	\$41	—
(2)	Campus Master Planning .....	Statewide	p	200	—	—
(6)	Minor Capital Outlay .....	Statewide	pwc	4,546	4,546	—
(8)	Minor Capital Outlay—Energy					
	Projects .....	Statewide	pwc	1,000	1,000	—
(9)	Feasibility Studies for Energy					
	Projects .....	Statewide	s	120	—	—
2. Utility and Site Development Projects						
(14)	Storm Drainage .....	Dom. Hills	c	389	pending	—
(23)	Engineering/Biological Sci.					
	Bldg Retrofit .....	Humboldt	pwc	1,365	—	—
(40)	Central Plant Expansion .....	San Jose	pw	114	—	\$1,623
Totals .....				\$8,234	\$5,587	\$1,623

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

<sup>b</sup> CSU estimate.

The new process has been successful in identifying high-priority projects consistent with statewide goals. In addition, \$1 million is requested for minor capital outlay projects to provide energy efficient improvements. The CSU has had an exemplary program in this area. We recommend approval of the additional funds.

#### **Preliminary Planning—1988-89 Projects**

*We recommend a reduction of \$459,000 in the amount budgeted for preliminary planning of 1988-89 projects because the funding level proposed in the budget is not justified. (Reduce Item 6610-301-782(1) by \$459,000).*

The budget includes \$500,000 for advanced planning of projects that are expected to be included in the Governor's Budget for 1988-89. Traditionally, the budget includes preliminary planning funds so that CSU can develop plans for projects which are expected to be funded either for working drawings, or for working drawings and construction in the upcoming Governor's Budget. These projects are of a size and nature so as to allow completion of the plans prior to legislative hearings on the 1988-89 Budget Bill. This request would continue this policy.

The amount requested for project planning represents a significant increase over the amount provided in prior years. The 1985-86 and 1986-87 budgets appropriated \$200,000 for preliminary planning, including energy-related projects.

The CSU indicates that the \$500,000 requested under this item would be used to fund preliminary plans for several projects included in the

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

current five-year capital outlay program. The amounts identified in the plan, however, total \$41,000 for projects that are of the size and nature to allow completion of plans prior to legislative hearings. The balance of funds identified (\$256,000) is for major projects where preparation of preliminary plans would *not* be completed in time for legislative review. Therefore, we recommend that Item 6610-301-782(1) be reduced to \$41,000, a reduction of \$459,000.

**Architectural/Engineering Services—Statewide**

*We recommend deletion of \$200,000 requested for architectural/engineering planning and studies, because the CSU should use support budget resources to finance this effort. (Reduce Item 6610-301-782(2) by \$200,000).*

The budget includes \$200,000 for architectural/engineering planning and studies on the 19 campuses. The CSU indicates that the proposed funds would be allocated by the Chancellor's Office for revisions to master plans and general studies such as traffic, utilities and lighting studies.

The 1986 Budget Act included \$200,000 for this purpose. For the prior two years, an appropriation from capital outlay funds was not provided. During those years, CSU used available support budget funds to finance any special studies and for master plan revisions that were needed for the various campuses. The CSU should use support budget funds for this purpose, on a priority basis, rather than budget a contingency amount in the capital outlay budget. We therefore recommend deletion of Item 6610-301-782(2), for a reduction of \$200,000.

**Feasibility Studies for Energy Retrofits—Statewide**

*We recommend deletion of \$120,000 requested for feasibility studies for energy projects on a statewide basis because any needed studies should be financed by alternative funding sources. (Reduce Item 6610-301-782(9) by \$120,000.)*

The budget includes \$120,000 for energy conservation studies on various campuses. The CSU indicates that potential study topics range from \$88,000 for a feasibility study for conversion of biomass fuel and paper waste into usable energy to \$1,200 to study modifications and/or replacement of kilns and ovens used in the art program on one campus.

The CSU continues to have a well-managed and responsible program for implementing energy conservation projects on a statewide basis. For this reason, we have recommended approval of the \$1 million proposed for energy conservation retrofit projects on the various campuses. Our analysis indicates, however, that there is no basis for approving a "contingency" appropriation in the capital outlay budget to fund potential studies. If the CSU believes studies are required in order to provide sufficient justification for future capital outlay projects, the CSU should use alternative funding sources which could appropriately support this activity. If further technical development is required, funds appropriated for preliminary planning for 1988-89 projects would be an appropriate source of funds to develop preliminary plans. On this basis, we recommend deletion of the funds appropriated in Item 6610-301-782(9) for feasibility studies for energy projects, for a reduction of \$120,000.

## **2. UTILITY AND SITE DEVELOPMENT PROJECTS**

### **Storm Drain Improvements—Dominguez Hills**

*We withhold recommendation on \$389,000 requested for construction funds for storm drainage improvements at Dominguez Hills pending receipt of additional information.*

We have withheld recommendation on the request for construction funds for storm drainage improvements at the Dominguez Hills campus pending receipt of preliminary plans and cost estimates.

### **Engineering/Biological Sciences Building Retrofit—Humboldt**

*We recommend deletion of \$1,365,000 requested for preliminary planning, working drawings and construction to retrofit the Engineering/Biological Sciences Building on the Humboldt campus because, if CSU believes that some building improvements are needed, then CSU should require the project consulting architect to finance the work. (Reduce Item 6610-301-782(23) by \$1,365,000.)*

The budget includes \$1.4 million for preliminary planning, working drawings and construction to retrofit the Engineering/Biological Sciences Building on the Humboldt campus. The 27,000 gross square foot building was designed to include a "passive solar energy system" which includes a two-story glass solar corridor on the exterior of the building. The solar corridor contains openings into occupied spaces in order to provide heating/ventilation. This system was designed and tested using computer simulations.

The building was occupied in the summer of 1982. The campus immediately identified problems with operating the passive system. In addition, the CSU contends that noise between rooms and floors is excessive. Because of these concerns, the CSU initiated several studies to determine the source of problems.

The CSU has funded some changes in the building to improve the building's performance to an acceptable level. Consequently, the building continues to be occupied and currently houses the academic programs. The proposed project therefore would provide additional permanent improvements including a new heating ventilation and air-conditioning system and various improvements such as ceiling tiles and carpeting aimed at reducing sound transmission in the building.

If CSU believes the building does not perform adequately, CSU can and should require that the architect responsible for the design of the building finance any needed improvements. We therefore recommend deletion of the \$1.4 million proposed for preliminary plans, working drawings and construction of the retrofit contained in Item 6610-301-782(23).

### **Central Plant Expansion—San Jose**

*We recommend deletion of \$114,000 requested for preliminary plans and working drawings for expansion of the central heating and cooling plant on the San Jose campus because the work to restore the design capacity of the plant should be funded from the third-party-financed cogeneration project and expansion of the plant is premature. (Reduce Item 6610-301-782(40) by \$114,000. Future savings: \$1.6 million.)*

The budget includes \$114,000 for preliminary plans and working drawings to expand the central heating and cooling plant on the San Jose campus. The existing plant was built in 1972 with a cooling capacity of 3,400 tons of air conditioning. Initially, however, the plant has operated at

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

a capacity of 850 tons. The proposed project would (1) recommission an existing chiller in the central plant with a capacity of 1,280 tons, (2) provide two new 800-ton chillers and (3) connect four existing buildings to the central distribution system. Upon completion of the project, the campus' cooling capacity from the central plant would be 5,000 tons. The estimated future cost is \$1.6 million.

The campus should have sufficient capacity available in the plant to accommodate air conditioning needs by simply recommissioning the existing installed equipment. According to the campus, however, during installation of the cogeneration project, one of the existing chillers was partially dismantled and rendered inoperable. The construction and operation of the cogeneration plant is the responsibility of a third party developer. In view of the fact that installation of this project has caused additional cost to the state—beyond that which would have been incurred had there been no cogeneration plant—the state should not be responsible for financing the cost to recommission its chiller.

***Plant Expansion Premature.*** It is not clear why additional plant capacity beyond the recommission capacity is needed at this time. Once the existing installed equipment is operational, the plant should provide sufficient capacity to meet current needs. If CSU determines that connecting additional buildings to the plant and/or expansion of the plant is justified on an energy saving basis, then these projects would be a high priority in the systemwide program for energy efficient projects.

In sum, we recommend deletion of requested preliminary plans and working drawing funds for central plant expansion, because recommissioning existing available capacity should be funded from the third party cogeneration project. The cost for connection of additional buildings should be considered as part of the energy improvement program in competition with other statewide energy projects. Accordingly, we recommend deletion of Item 6610-301-782(40), a reduction of \$114,000.

**Supplemental Report Language**

For purposes of project definition and control, we recommend that the fiscal committees adopt supplemental report language which describes the scope of each of the capital outlay projects approved under this item.

---



**CALIFORNIA MARITIME ACADEMY**

Item 6860 from the General

Fund and various other funds

Budget p. E 125

Requested 1987-88 .....	\$8,274,000
Estimated 1986-87 .....	8,066,000
Actual 1985-86 .....	7,410,000
Requested increase (excluding amount for salary increases) \$208,000 (+2.6 percent)	
Total recommended reduction .....	None

**1987-88 FUNDING BY ITEM AND SOURCE**

Item—Description	Fund	Amount
6860-001-001—CMA, support	General	\$6,053,000
6860-001-814—CMA, support	CMA Trust (Lottery)	41,000
Reimbursements	—	2,180,000
6860-001-590	Continuing Education	(40,000)
6860-001-890	Federal Trust	(401,000)
Total		\$8,274,000

**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 Transportation, Marine Engineering Technology, or Mechanical Engineering.

The CMA is governed by an independent seven-member board appointed by the Governor for four-year terms. The academy has 400 students and 135.7 authorized personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget requests an appropriation of \$6,053,000 from the General Fund for support of the CMA in 1987-88. This amount is \$42,000, or 0.7 percent, higher than estimated General Fund expenditures in the current year. The increase will grow by the amount of any salary or benefit increase approved for the budget year. In addition, the 1987-88 budget anticipates that the academy will spend \$401,000 in federal funds—for student financial aid—and \$30,000 in lottery funds.

The budget proposal for 1987-88 has been reduced by \$60,000 (which is approximately 1 percent of CMA's General Fund support) as a Special Adjustment. Estimated current-year expenditures—and the expenditure tables which follow—have not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

Table 1 summarizes expenditures and funding sources for the academy in the prior, current, and budget years.

**CALIFORNIA MARITIME ACADEMY—Continued**

**Table 1**  
**California Maritime Academy**  
**Summary of Expenditures and Funding Sources**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

Program	Actual 1985-86	Estimated 1986-87	Proposed 1987-88	Change From 1986-87	
				Amount	Percent
Instruction .....	\$3,197	\$3,603	\$3,567	(\$36)	-1.0%
Academic Support .....	1,863	1,846	1,880	34	1.8
Student Services .....	3,188	3,261	3,317	56	1.7
Administration (distributed) .....	(3,099)	(2,906)	(2,993)	(87)	3.0
Totals, Expenditures .....	\$8,248	\$8,710	\$8,764	\$54	0.6%
Funding Sources:					
General Fund .....	\$5,393	\$6,011	\$6,053	\$42	0.7%
Continuing Education Revenue Fund .....	207	243	40	(203)	-83.5
CMA Trust Fund (Lottery) .....	19	30	30	—	—
Federal Trust Fund .....	631	401	401	—	—
Reimbursements .....	1,998	2,025	2,180	155	7.7
Personnel-years .....	129.6	135.7	135.7	—	—

Table 2 shows the factors that account for the change in the CMA's planned expenditures between the current and budget years.

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

1986-87 Expenditures (Revised) .....	\$6,011
Proposed Changes:	
A. Changes to Maintain Existing Budget .....	-86
1. Merit salary adjustment (faculty) .....	\$50
2. Nonrecurring costs .....	-153
3. Special adjustment (1 percent) .....	-60
4. Miscellaneous .....	77
B. Budget Change Proposals	
1. Instructional equipment .....	128
1987-88 Expenditures (Proposed) .....	\$6,053
Change From 1986-87:	
Amount .....	\$42
Percent .....	0.7%

**ANALYSIS AND RECOMMENDATIONS***We recommend approval.*

We recommend approval of the proposed changes shown in Table 2, which include the following General Fund augmentation.

- \$128,000 for instructional equipment. Our analysis indicates that the proposed purchases—which will renovate and upgrade classroom laboratory equipment—are justified.

In addition, we recommend approval of the following Budget Bill items not discussed elsewhere in this analysis:

- **CMA Trust Fund—Lottery Revenues (Item 6860-001-814).** The budget projects that CMA will receive \$41,000 in lottery funds in 1987–88. Of this amount, the budget proposes that the academy spend \$30,000 during the budget year. The budget allocates these funds to the academy's instruction program.
- **Continuing Education (Item 6860-001-519)**—\$40,000 from the Continuing Education Revenue Fund, and \$202,000 in reimbursements, to support the academy's continuing education program in 1987–88. The academy established this program in 1974 to conduct courses for adult education in maritime vocational education and technical training. Courses are offered primarily during evenings and weekends, and are funded by student fees. Our analysis indicates that the proposed expenditures are justified.
- **Federal Trust Fund (Item 6860-001-890)**—\$401,000 from the Federal Trust Fund to provide financial aid to CMA students. Our analysis indicates that these expenditures are justified.

## A. Student Fees

### 1. CPEC Recommends Retaining Existing Fee Policy

In response to a legislative directive, the California Postsecondary Education Commission (CPEC) proposed in 1985 that annual increases in resident student fees at CMA be based on the average increases in total state appropriations for the academy's support budget over the prior three-year period, provided that the fee increase shall not exceed 10 percent.

The *Supplemental Report of the Budget Act of 1985* directed CPEC to review the fee policy to determine whether it should be based on state appropriations per student—as is the case with the statutory fee policy for the University of California and the California State University—rather than on total state appropriations. In its report, CPEC found that application of the two methods over the past seven-year period would not have resulted in substantially different outcomes. Based on this finding, the commission recommended retaining the existing method through 1989–90, to be followed by another review of the policy.

### 2. Fees for 1987–88

Table 3 shows the student fees at CMA in effect or proposed for the period 1984–85 through 1987–88.

Table 3  
California Maritime Academy  
Student Fees  
1984–85 through 1987–88

	1984–85	1985–86	1986–87	Proposed 1987–88	Percent Change from 1986–87
Education/Student Services .....	\$645	\$645	\$710	\$645	–9.2%
Medical .....	162	162	178	162	–9.0
Nonresident Tuition .....	1,818	1,818	2,000	2,200	10.0

The CMA student fee policy, as recommended by CPEC, calls for a 10 percent increase in 1987–88. The budget, however, is based on a 9.2 percent *decrease* in the resident student fees in 1987–88, as shown in the table. The resulting loss of revenue (approximately \$32,000) would be offset by

**CALIFORNIA MARITIME ACADEMY—Continued**

budget reductions, rather than a General Fund increase.

Our review indicates that the proposed fee reduction is based on a premise which is not valid. The CMA indicates that, in proposing this reduction, its intent is to implement a policy in the budget year which is consistent with budgetary action on fees at the University of California (UC) and the California State University (CSU). This did not occur in the current year. The CMA administration correctly points out that the fee level proposed by the Governor—and adopted by the Legislature—for CMA in 1986–87 was inconsistent with the corresponding policy proposed and adopted for UC and CSU. During 1986–87, the budget was based on a 10 percent increase in student fees at CMA, whereas fees were held constant at both UC and CSU. The proposed fee reduction at CMA in 1987–88, however, is based on the academy's assumption that the Governor would again propose no fee increase for UC and CSU students. As we noted in our analyses of UC and CSU, the Governor proposes fee increases of 9.1 percent at UC and 10 percent at CSU in 1987–88, as provided by the statutory fee policy.

It is apparent, from the foregoing discussion, that the academy would achieve its objectives by maintaining fees at the current-year level rather than reducing them in 1987–88. We believe that this would be a reasonable policy to adopt.

In light of the proposed fee increases for UC and CSU, the academy has indicated that it may reconsider its decision to reduce fees in the budget year. If this occurs, we will inform the committees during the budget hearings.

---



---



---

**CALIFORNIA MARITIME ACADEMY—CAPITAL OUTLAY**

Item 6860-301 from the Higher  
Education Capital Outlay  
Bond Fund

Budget p. E 131

---

Requested 1987–88 .....	\$185,000
Recommended reduction .....	185,000

---

**ANALYSIS AND RECOMMENDATIONS****Minor Capital Outlay**

*We recommend deletion of \$185,000 requested in Item 6860-301-782 for minor capital outlay for the California Maritime Academy because the proposed project to encapsulate asbestos in a residence hall should be financed through the statewide asbestos program funded under the Department of General Services.*

The budget includes \$185,000 for one minor capital outlay project for the California Maritime Academy (CMA). The proposed project would encapsulate the spray-on ceiling in the existing residence hall.

In the fall of 1986 the CMA facilities were reviewed by Cal-OSHA. At that time, various potential hazards including asbestos and PCB materials were identified.

In response to the Cal-OSHA inspection, the CMA hired a consultant to survey and identify, more completely, asbestos hazards at the campus. The consultant's report verified the presence of asbestos in the spray-on acoustical insulation found throughout the old residence building. The mitigation of this situation, however, should not be funded under the CMA's budget.

The Legislature and the administration have implemented a program under the Department of General Services (DGS) to mitigate asbestos hazards on a statewide basis. The CMA is included in this program. The 1986 Budget Act included \$2.3 million to initiate the program and the Budget Bill (Item 1760-301-036) includes \$12.4 million to continue the effort in the budget year. Within these amounts, \$10.5 million is proposed for mitigation work. The work at CMA should be financed from this program in priority with the other statewide needs. The DGS advises us that the statewide priority list should be available to the Legislature by March 1, 1987. At that time, the Legislature can weigh the relative priority of the CMA's project. On this basis, and without prejudice to the project, we recommend deletion of the funds requested under this item for a reduction of \$185,000.

### CALIFORNIA COMMUNITY COLLEGES

Item 6870 from the General  
Fund and various funds

Budget p. E 131

Requested 1987-88 .....	\$1,280,334,000
Estimated 1986-87 .....	1,297,036,000
Actual 1985-86 .....	1,292,070,000
Requested decrease (excluding amount for salary increases) \$16,702,000 (-1.3 percent)	
Total recommended reduction .....	3,037,000
Recommendation pending .....	1,117,000

### 1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6870-001-001—CCC Board, support	General	\$7,789,000
6870-001-165—CCC Board, support	Credentials	712,000
6870-101-001—Local assistance	General	1,195,668,000
6870-101-814—Local assistance	Lottery	72,445,000
6870-101-909—Local assistance	Instructional Improvement	720,000
6870-106-001—Local assistance	General	3,000,000
6870-490—Reappropriation	Various	—
6870-491—Reappropriation	General	—
Total		\$1,280,334,000

**CALIFORNIA COMMUNITY COLLEGES—Continued****SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS**Analysis  
page

1. Equalization Aid. Delete Budget Bill language in Item 6870-101-001. Recommend deletion of proposed Budget Bill language which would revert \$8.9 million in current-year equalization funding because the reversion is not justified. 1221
2. Appropriations Limit. Delete Budget Bill language in Item 6870-101-001. Recommend deletion of Budget Bill language explaining calculation of the state's appropriations limit because the proposed language is unnecessary. 1222
3. *Public Employees' Retirement System Adjustment. Reduce Item 6870-101-001 by \$2,740,000.* Recommend reduction and corresponding Budget Bill language because the budget does not reflect reduced district costs resulting from a proposed reduction in the PERS contribution rate. 1222
4. Confined Elderly. Recommend adoption of supplemental report language directing the Chancellor to report on the board's policy regarding noncredit courses for the confined elderly. 1224
5. Disabled Students Programs and Services (DSP&S). Withhold recommendation on \$1,117,000 for the DSP&S program because the Chancellor's Office has not provided a basis for the proposed appropriation. 1226
6. Matriculation Program. Recommend that the Department of Finance clarify what would constitute appropriate local matching funds in determining allocations to districts for matriculation support. 1227
7. Equipment Replacement. Amend Budget Bill language in Items 6870-106-001, 6870-490, and 6870-491. Recommend amendment to Budget Bill language to eliminate prohibition on use of funds for maintenance and repair of instructional equipment because the proposed language is unnecessarily restrictive. 1228
8. Equipment Replacement. Adopt Budget Bill language in Item 6870-491. Recommend adoption of Budget Bill language limiting the potential reversion of General Fund apportionments for equipment replacement because the proposed language is open-ended. 1228
9. Equipment Replacement. Recommend that the Department of Finance indicate what steps will be taken to provide for the current-year allocation of funds for instructional equipment replacement. 1229
10. *Transfer and Articulation Staff. Reduce Item 6870-001-001 by \$96,000.* Recommend deletion because the proposed staff are not justified on a workload basis. 1234
11. *Compliance Staff. Reduce Item 6870-001-001 by \$104,000.* Recommend deletion because the proposed staff are not justified on a workload basis. 1235
12. *Academic Standards Staff. Reduce Item 6870-001-001 by* 1235

**\$97,000.** Recommend deletion because the proposed staff activities conflict with matriculation policies adopted by the Legislature and the Board of Governors.

### GENERAL PROGRAM STATEMENT

In 1987-88, the California Community Colleges will provide instruction to approximately 1.2 million students at 106 colleges operated by 70 locally-governed districts throughout the state. The community colleges are authorized to provide associate degrees, occupational certificates and credentials, remedial and basic skills instruction, citizenship instruction, and fee-supported community service instruction. Any high school graduate or citizen over the age of 18 may attend a community college.

**Governance.** The Board of Governors of the California Community Colleges serves primarily as a planning, coordinating, reporting, advising, and regulating agency for the 70 community college districts. The board is composed of 15 members appointed by the Governor for four-year terms.

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 151 personnel-years for the current year.

**Headcount Enrollment and Average Daily Attendance.** Table 1 shows headcount enrollment and average daily attendance (ADA) in the community colleges since 1978-79. (Headcount enrollment is a count of the number of students actually in attendance on a given day. The survey is usually taken each year in the fall. One ADA is equal to one student under the immediate supervision of a certificated instructor for a total of 525 hours in an academic year.)

**Table 1**  
**California Community Colleges**  
**Headcount Enrollment**  
**And Average Daily Attendance**  
**1978-79 through 1987-88**

	<i>Credit Courses</i>		<i>Noncredit Courses</i>		<i>Totals</i>	
	<i>Headcount</i>	<i>ADA</i>	<i>Headcount</i>	<i>ADA</i>	<i>Headcount</i>	<i>ADA</i>
1978-79 .....	1,048,756	596,370	111,063	39,002	1,159,819	635,372
1979-80 .....	1,100,681	615,209	147,778	55,414	1,248,459	670,623
1980-81 .....	1,189,976	654,421	193,260	71,093	1,383,236	725,514
1981-82 .....	1,254,360	686,019	177,164	64,696	1,431,524	750,715
1982-83 .....	1,192,920	665,358	162,062	63,498	1,354,982	728,856
1983-84 .....	1,090,857	612,125	158,059	53,058	1,248,916	665,183
1984-85 .....	1,008,995	584,374	167,226	60,998	1,176,221	645,372
1985-86 .....	1,005,143	572,918	171,569	66,156	1,176,712	639,074
1986-87 (est.) .....	1,009,662	580,360	161,831	66,582	1,171,493	646,942
1987-88 (prop.) .....	1,028,846	591,387	164,905	67,846	1,193,751	659,233

Table 1 shows that total headcount enrollment is estimated to be 1.2 million in 1987-88. Although it is an increase of approximately 22,300 over the estimated current-year enrollment level, it is almost 240,000 lower than the peak enrollment period of 1981-82. Headcount enrollment in credit courses is estimated to account for 86 percent of total enrollment.

Average daily attendance (ADA) in both credit and noncredit courses is budgeted to increase 1.9 percent between the current year and the budget year, for a total of 659,233 for 1987-88. This estimate is based on current law which limits state-funded ADA growth to the change in the adult population.

**CALIFORNIA COMMUNITY COLLEGES—Continued****OVERVIEW OF THE BUDGET REQUEST****A. Total Support for Community Colleges**

As shown in Table 2, total funding for the community colleges, including support for the Chancellor's Office, is projected at \$2.4 billion in 1987-88, an increase of \$50 million (2.1 percent) over estimated revenues in the current year. Of the total, \$1.2 billion would come from state funding sources. The remainder would come from local revenues (\$602 million), federal funds which flow directly to community college districts (\$116 million), the mandatory student fee (\$64 million), state lottery revenues (\$73 million), and other sources (\$324 million).

Table 2 and the expenditure tables which follow have not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

**Table 2**  
**California Community Colleges**  
**Total Support from All Sources**  
**1985-86 through 1987-88**  
**(dollars in millions)**

	<i>Actual</i> <i>1985-86</i>	<i>Est.</i> <i>1986-87</i>	<i>Prop.</i> <i>1987-88</i>	<i>Change from 1986-87</i>	
				<i>Amount</i>	<i>Percent</i>
1. State Support:					
State operations .....	\$9.5	\$11.6	\$11.0	-\$0.6	-5.2%
Categorical programs .....	107.2	123.7	115.5	-8.2	-6.6
Apportionments .....	1,097.1	1,111.4	1,108.6	-2.8	-0.3
Subtotals, State .....	\$1,213.8	\$1,246.7	\$1,235.1	-\$11.6	-0.9%
2. Local Support:					
Property taxes .....	\$474.6	\$527.5	\$575.7	\$48.2	9.1%
Subventions .....	15.9	15.9	15.9	—	—
Local debt .....	15.6	13.6	10.7	-2.9	-21.3
Subtotals, Local .....	\$506.1	\$557.0	\$602.3	\$45.3	8.1%
Subtotals, State and Local .....	\$1,719.9	\$1,803.7	\$1,837.4	\$33.7	1.9%
3. Federal Support .....	\$152.2	\$116.2	\$116.0	-\$0.2	-0.2%
4. Other Revenues .....	323.7	323.7	323.7	—	—
5. Enrollment Fee .....	65.9	64.3	63.7	-0.6	-0.9
6. Lottery Revenues .....	85.0	55.2	72.5	17.3	31.3
Totals .....	\$2,346.7	\$2,363.1	\$2,413.3	\$50.2	2.1%
Funding Sources:					
General Fund .....	\$1,171.0	\$1,203.2	\$1,221.1	\$17.9	1.5%
COPPE .....	6.1	0.0	0.0	—	—
Other State/Reimbursements .....	36.7	43.5	14.0	-29.5	-67.8
Local .....	506.1	557.0	602.3	45.3	8.1
Federal .....	152.2	116.2	116.0	-0.2	-0.2
Other/Fees/Lottery .....	474.6	443.2	459.9	16.7	3.8

**B. Summary of Changes From 1986-87 to 1987-88**

Table 3 shows the following components of the \$50 million increase in community college support proposed for 1987-88, by funding source:

- **Baseline adjustments** result in a net reduction of \$32.4 million. This reduction primarily reflects elimination of one-time funding for (1)



**Table 3**  
**California Community Colleges**  
**Proposed 1987-88 Budget Changes**  
**By Funding Source**  
**(dollars in thousands)**

	Funding Sources					Totals
	General Fund	Lottery Fund	Federal Funds	Local Revenues	Other	
1986-87 Expenditures (Revised) .....	\$1,203,199	\$55,200	\$116,200	\$557,000	\$431,500	\$2,363,099
A. Baseline Adjustments:						
Equalization Funding .....	\$8,953	—	—	—	—	\$8,953
Loans .....	-5,191	—	—	—	—	-5,191
Legislation .....	-6,451	—	—	—	—	-6,451
GAIN .....	-210	—	—	—	—	-210
Financial Aid .....	-5,470	—	—	—	—	-5,470
Lottery .....	—	\$17,245	—	—	—	17,245
State Teachers' Retirement .....	-1,103	—	—	—	—	-1,103
Information Systems .....	-250	—	—	—	—	-250
District Fiscal Monitoring .....	100	—	—	—	—	100
Instructional Equipment .....	—	—	—	—	-\$35,000	-35,000
Property Tax and Fee .....	-53,398	—	—	\$45,300	6,846	-1,252
Other .....	-1,662	—	-\$186	—	-1,916	-3,764
Subtotals .....	-\$64,682	\$17,245	-\$186	\$45,300	-\$30,070	-\$32,393
B. Workload and Cost Adjustments:						
ADA Growth .....	\$22,331	—	—	—	—	\$22,331
Cost-of-Living Adjustment .....	26,617	—	—	—	—	26,617
Subtotals .....	\$48,948	—	—	—	—	\$48,948
C. Budget Change Proposals:						
Sunset of Enrollment Fee .....	\$7,500	—	—	—	—	\$7,500
Disabled Students Assessment .....	1,117	—	—	—	—	1,117
Toxics Clean Up .....	5,000	—	—	—	—	5,000
Instructional Equipment .....	12,000	—	—	—	—	12,000
Matriculation .....	7,000	—	—	—	—	7,000
Chancellor's Office Staff .....	993	—	—	—	\$59	1,052
Subtotals .....	\$33,610	—	—	—	\$59	\$33,669
1987-88 Expenditures (Proposed) .....	\$1,221,075	\$72,445	\$116,014	\$602,300	\$401,489	\$2,413,323
Change from 1986-87						
Amount .....	\$17,876	\$17,245	-\$186	\$45,300	-\$30,011	\$50,224
Percent .....	1.5%	31.2%	-0.2%	8.1%	-7.0%	2.1%

equipment replacement (\$35 million), (2) emergency loans to districts in fiscal distress (\$5.2 million), and (3) and new legislation (\$6.5 million). These reductions will be offset by an anticipated increase in lottery revenues of \$17.2 million, and local revenues of \$45.3 million.

- **Workload and cost adjustments** result in an increase of \$48.9 million—\$22.3 million to fund a 1.9 percent increase in community college ADA, and \$26.6 million to fund a 2.7 percent cost-of-living adjustment (COLA), effective January 1, 1988.
- **Budget change proposals** result in an increase of \$33.7 million. (Each of these proposed changes is discussed later in this analysis.)

**CALIFORNIA COMMUNITY COLLEGES—Continued****ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the baseline and workload adjustments and the following program change proposals which are not discussed elsewhere in this analysis:

- **Apportionment redirections**—a \$323,000 redirection of General Fund apportionments to community college districts to fund (1) the Community College Academic Senate (\$40,000), (2) the Chancellor's Office to monitor local affirmative action policies (\$55,000), (3) the Washington D.C. lobbyist (\$128,000), and (4) a study of space standards by the California Postsecondary Education Commission (\$100,000).
- **Chancellor's Office Staff**—\$641,000 from the General Fund for 13.1 personnel-years to be allocated to the GAIN program, Program Evaluation unit, Disabled Students Programs and Services unit, Budget and Accounting unit, Legislative unit, Personnel unit, Central Services, Policy Development unit, Credentials unit, and Matriculation program
- **Office Reorganization**—\$118,000 from the General Fund to reorganize the office and upgrade position classifications.
- **Deferred Maintenance**—\$12.7 million from the General Fund for deferred maintenance.
- **Hazardous Materials Removal**—\$5 million from the General Fund to remove hazardous and toxic materials from community college campuses.
- **Financial Aid**—\$5.8 million from the General Fund to provide full-year funding for the Board Financial Assistance Program.
- **Matriculation**—\$6.9 million from the General Fund for allocation to community college districts to purchase computer equipment needed to implement the matriculation—assessment, counseling, and follow-up—program.

**1. LOCAL ASSISTANCE FOR COMMUNITY COLLEGES (Items 6870-101-001, 6870-101-146, 6870-101-814, and 6870-101-909)**

**A. Ten-Year Funding History**

Table 4 and Chart 1 display total funding for the California Community Colleges, by funding source, for the 10 years 1978-79 to 1987-88.

**Total Community College Revenues.** As shown in Table 4 and Chart 1, total funding for the colleges increased from \$1.4 billion in 1978-79 to an estimated \$2.4 billion in 1987-88—an increase of \$981 million (70 percent). Of the five revenue sources, support from "other miscellaneous" sources has registered the largest percentage increase, up 228 percent, to almost \$400 million. This increase reflects, in large part, (1) interest income earned by community colleges on invested balances, and (2) since 1985-86, revenues from the state lottery. State aid from the General Fund and other state funds has shown a 46 percent increase to \$1.2 billion, while support from the property tax has increased 77 percent to \$602 million. Federal support is expected to increase from \$100 million in 1978-79 to \$116 million in the budget year.

Table 4 also shows that over the ten-year period community college average daily attendance (ADA) is projected to increase 3.8 percent, from 635,372 in 1978-79 to 659,233 budgeted for 1987-88.

**Table 4**  
**California Community Colleges**  
**Total Revenues<sup>a</sup>**  
**(dollars in millions)**

	<i>Local Property Tax<sup>c</sup></i>	<i>State Aid<sup>d</sup></i>	<i>Federal Aid</i>	<i>Mandatory Student Fee</i>	<i>Other<sup>e</sup></i>	<i>Total Funding</i>	<i>Average Daily Attendance</i>	<i>Total Funding</i>		<i>1978-79 Dollars<sup>b</sup></i>	
								<i>Per ADA</i>	<i>Percent Change</i>	<i>Per ADA</i>	<i>Percent Change</i>
1978-79.....	\$360.8	\$839.8	\$99.5	—	\$120.9	\$1,421.0	635,372	\$2,236	—	\$2,236	—
1979-80.....	295.4	1,027.0	121.8	—	164.6	1,608.8	670,623	2,399	7.3%	2,169	-3.0%
1980-81.....	347.8	1,119.5	138.3	—	201.4	1,807.0	725,514	2,491	3.8	2,053	-5.3
1981-82.....	416.4	1,104.3	116.0	—	228.0	1,864.7	750,715	2,484	-0.3	1,903	-7.3
1982-83.....	413.8	1,086.5	104.5	—	230.2	1,835.0	728,856	2,518	1.4	1,820	-4.4
1983-84.....	423.4	1,080.9	99.8	—	258.8	1,862.9	665,183	2,801	11.2	1,937	6.4
1984-85.....	460.9	1,145.3	134.6	\$64.4	308.3	2,113.5	645,372	3,275	16.9	2,150	11.0
1985-86 (Est.).....	506.1	1,204.3	152.2	65.9	408.7	2,337.2	639,074	3,657	11.7	2,296	6.8
1986-87 (Est.).....	557.0	1,235.1	116.2	64.3	378.9	2,351.5	646,942	3,635	-0.6	2,212	-3.6
1987-88 (Prop.).....	602.3	1,224.1	116.1	63.7	396.2	2,402.4	659,233	3,644	0.3	2,139	-3.3
Cumulative Change:											
Amount .....	\$241.5	\$384.3	\$16.6	—	\$275.3	\$981.4	23,861	\$1,408	—	-\$98	—
Percent .....	66.9%	45.8%	16.7%	—	227.7%	69.1%	3.8%	62.9%	—	-4.4%	—

Source: *Financial Transactions of School Districts, Governor's Budget* (various years).

<sup>a</sup> Excludes funding for the Chancellor's Office.

<sup>b</sup> Adjusted by the GNP deflator for state and local government purchases.

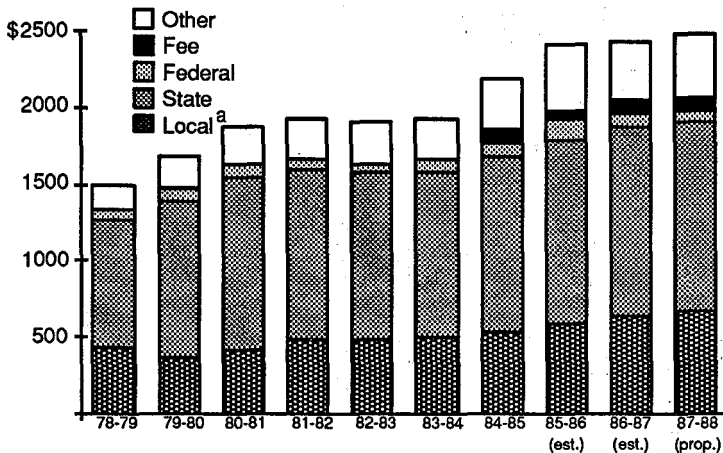
<sup>c</sup> Includes state property tax subventions and local debt.

<sup>d</sup> Includes Board Financial Assistance Funds.

<sup>e</sup> Includes combined state/federal grants, county income, food service revenues, fees for community service courses, nonresident tuition revenues, lottery revenues, and other miscellaneous revenues.

**CALIFORNIA COMMUNITY COLLEGES—Continued**

**Chart 1**  
**Community College Revenues**  
**By Funding Source (In millions)**  
 1978-79 through 1987-88



<sup>a</sup> Includes state property tax subventions and local debt.

**Revenues Per ADA.** Table 4 and Chart 2 display per-ADA funding levels over the 10-year period, in both current dollars and constant dollars (that is, dollars that have been adjusted to reflect the effects of inflation on purchasing power). As shown, per-ADA funding in current dollars is projected to increase \$1,408, or 63 percent, from \$2,236 to \$3,644.

When per-ADA support is adjusted for the effects of inflation, however, the table and chart show that community colleges have actually lost purchasing power over the 10-year period. For 1987-88, the proposed per-ADA expenditure level, as measured in constant dollars, is \$2,139—\$98 below the funding level available 10 years ago.

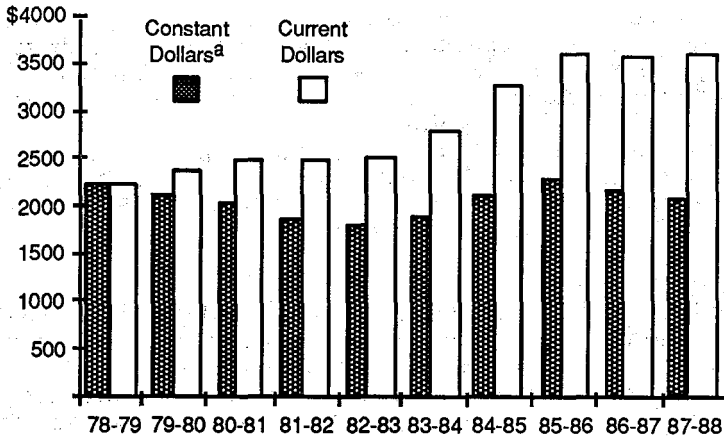
### **B. Community College Apportionments**

The budget proposes \$1.8 billion for community college apportionments in 1987-88—an increase of \$57 million (3.3 percent) from the current-year amount. Combined support from the General Fund, the State School Fund, local property tax revenues, and the student fee would fund the following major changes:

- Base apportionments (\$1.7 billion);

Chart 2

### Community College Funding Per ADA in Constant and Current Dollars 1978-79 through 1987-88



<sup>a</sup> Adjusted by the GNP deflator for state and local government purchases.

- The statutory cost-of-living adjustment of 2.7 percent, effective January 1, 1988 (\$23.9 million);
- "Equalization 2" to reduce funding disparities among districts (\$2.3 million); and
- Average daily attendance growth at 1.9 percent (\$22.3 million).

#### 1. Continuation of Apportionment Funding Under SB 851 and AB 1xx

Community college districts receive support from the state General Fund according to allocation formulas specified in statute. This law, Ch 565/83 (SB 851), is scheduled to expire on June 30, 1987. In addition, the law requiring community college districts to levy an enrollment fee—Ch 1xx/84 (AB 1xx)—is scheduled to expire on January 1, 1988.

The Governor's Budget proposes to continue both the SB 851 community college finance mechanism (with only a half-year COLA) and the AB 1xx student enrollment fee until June 30, 1988.

#### Legislation or Budget Bill Language Needed to Implement Budget

Our review indicates that the Governor's proposal, as introduced, cannot be implemented because the Budget Bill does not authorize (1) the allocation of state General Fund support to the community college districts, and (2) the levying of the mandatory enrollment fee for the entire 1987-88 fiscal year.

While we have some concerns with the current community college finance system (please see *The 1987-88 Budget: Perspectives and Issues*), we agree that the SB 851 mechanism should be continued through

**CALIFORNIA COMMUNITY COLLEGES—Continued**

June 30, 1988. During this time, it should be reviewed and amended to correct the deficiencies evidenced during the four years it has been operative.

Furthermore, left unchanged, current law would leave community college districts with a revenue shortfall of approximately \$38 million because they would not be authorized to levy the enrollment fee for the entire year. Without a corresponding increase in General Fund support, districts would be forced to reduce expenditures by reducing program offerings or postponing equipment purchases or plant maintenance. There are few, if any, immediately available local sources that can be called upon to replace a revenue shortfall of this magnitude.

Accordingly, in order to allocate the proposed appropriation for community college support, the Legislature must either adopt Budget Bill language or legislation to extend the sunset dates of SB 851 (Ch 565/83) and AB 1xx (Ch 1xx/84) to June 30, 1988.

**2. Mandatory Enrollment Fee Issues**

Current law requires community college districts to charge students enrolled in credit courses a general fee of \$50 per semester, or \$5 per unit if the student is enrolled in less than six semester units.

The Legislature, in adopting this fee policy, also appropriated \$52.5 million to provide financial aid to needy students over three and one half years—\$15 million per year for 1984–85, 1985–86, and 1986–87; \$7.5 million, or half-year funding, for 1987–88.

As mentioned, the Governor's Budget proposes that the fee be continued through June 30, 1988. Related to this, it also proposes \$5.8 million for financial aid. Thus, the amount proposed in the budget plus the appropriation in Chapter 1xx (\$7.5 million) would provide a total of \$13.3 million for financial aid in 1987–88. Our analysis indicates that this amount would be sufficient to fully fund the financial aid program during the budget year.

**Impact of Fees.** In the long run, the Legislature must examine whether to return to a "free" community college system, as existed prior to the enactment of AB 1xx or to continue the fee policy. A preliminary report prepared by the Chancellor's Office on the impact of the fee indicates that the fee did affect enrollments in the first year and, to a lesser extent, the second year of its implementation. These effects, however, do not appear to be permanent. An enrollment survey taken in the fall of 1986 indicates that the decline in enrollments which began in 1982–83 appears to have ended, and that enrollments for 1986–87 may be up as much as three percent over the prior year level. The final report on the impact of the fee is due to the Legislature in July 1987.

**Ways to improve the current fee structure.** In January 1987, the Chancellor recommended, and the Board of Governors adopted, six specific fee policies as follows:

- The sunset date for AB 1xx should be extended from January 1, 1988, to July 1, 1994;
- The structure of the enrollment fee should be changed so that students pay \$5 per unit per semester (or a quarter system equivalent) up to a maximum of \$50 per semester;
- The enrollment fee should be adjusted in fall 1988 and in fall 1991 to reflect the prior three-year change in the cost of community college education;

- All other fee changes made by AB 1xx should be retained; however, (a) the health services fee should be reinstated, and (b) the course drop fee should be eliminated;
- Adequate financial aid should be provided and delivery of financial aid should be improved by increasing the resources of community college financial aid offices; and
- Work should continue on identifying and obtaining needed additional financial aid grants for community college students whose financial need and work limit their academic progress.

The Legislature may wish to consider these policies during deliberations on the community college enrollment fee.

### **3. Reversion of Equalization Funding Not Justified**

*We recommend deletion of proposed Budget Bill language reverting \$8,953,000 appropriated in the 1986 Budget Act for community college equalization funding because the reversion is not justified. We further recommend adoption of Budget Bill language authorizing the Chancellor to allocate equalization funds without the approval of the Director of Finance. (Delete Provisions 17 and 18 of Item 6870-101-001 and adopt corresponding Budget Bill language.)*

In the 1986 *Analysis*, we identified several weaknesses in the statutory provisions governing the allocation of funds to reduce per-ADA revenue differences among community college districts. In response, the Legislature adopted a provision in the 1986 Budget Act which specified that, in lieu of the statutory provisions, the Chancellor shall develop a plan for the allocation of \$8.9 million in equalization funds. The budget language further specified that the plan shall be subject to the approval of the Director of Finance and 30 days notification of the Joint Legislative Budget Committee.

**Plan Not Approved.** In a letter dated October 29, 1986 to the Director of Finance, the Chancellor outlined his plan for allocating equalization funds to the community college districts. The plan, however, was not approved by the Director. At the time this analysis was prepared, the Joint Legislative Budget Committee had not received an explanation of the inadequacies of the Chancellor's plan.

The Governor now proposes 1987 Budget Bill language which would revert the \$8.9 million in equalization funding to the General Fund on June 30, 1987. Under current law, if the Director does not approve an allocation plan, these funds will revert to the General Fund on June 30, 1989.

**Reversion Not Justified.** Our analysis indicates that the proposed reversion is not justified for three reasons. First, the Legislature, in appropriating funds for community college equalization for the current year, recognized the shortcoming of the statutory allocation formulas and called upon the Chancellor to devise a plan that better meets the goal of revenue equity among the districts. The Chancellor, in turn, has responded by developing a plan that mitigates some of the effects enrollment changes have had on per-ADA revenues and the allocation of equalization funds. Thus, the Chancellor has met the requirement of the Budget Act.

Second, the Director has not provided reasons explaining his disapproval of the Chancellor's plan. Lacking an explanation of the shortcomings of the initial plan, the Chancellor is not likely to be able to develop a revised plan that meets the requirements of the Director.

**CALIFORNIA COMMUNITY COLLEGES—Continued**

Finally, reversion of the current-year equalization funds may adversely affect the operations of local districts which are planning to receive these funds. While the exact amount to be received by particular districts will not be known until a final plan is adopted, low revenue per ADA districts, nevertheless, anticipate some funding to address this problem. Failure to provide these funds will impair the districts' ability to deliver their planned educational program.

**Recommendation.** For the above reasons we recommend deletion of the proposed Budget Bill language in provisions 17 and 18 of Item 6870-101-001 which revert the current year equalization funds to the General Fund on June 30, 1987. In order to authorize the allocation of these funds without the approval of the Director of Finance, we further recommend that the Legislature adopt the following Budget Bill language in Item 6870-101-001:

"Notwithstanding provision 17 of Item 6870-101-001 of the 1986 Budget Act, the Chancellor of the California Community Colleges shall develop a plan to allocate up to \$8,953,000 in schedule (a) of Item 6870-101-001 of the 1986 Budget Act for purposes of equalizing per-ADA revenues among community college districts. The Chancellor is further authorized to allocate these funds in accordance with the plan."

**4. Language Relating to State's Appropriations Limit is Unnecessary**

*We recommend deletion of Budget Bill language specifying the amount of state apportionments subject to the state's appropriations limit because the provision is unnecessary. (Delete Provision 21 of Item 6870-101-001.)*

Article XIII B of the California Constitution, as established by Proposition 4 of 1979, places a limit on the year-to-year growth in tax-supported appropriations by the state and individual local governments. For the purposes of this article local governments include "any city, county, city and county, school district, special district, authority, or other political subdivision of or within the state." Senate Bill 1352 (Ch 1205/80) implemented the appropriations limit and established the method for determining the proportions of education funding that are to be applied against the state's and local community college districts' appropriations limits.

The Governor proposes Budget Bill language (provision 21 of Item 6870-101-001) specifying the amount of the General Fund appropriation for community college district funding that is subject to the state's appropriations limit (approximately \$47 million out of a total \$1.2 billion appropriation). We believe that this provision is inappropriate because it is purely informational and has no bearing on the determination of total funding for community college districts or the allocation of state apportionments. Therefore, it is unnecessary and we recommend that the provision be deleted.

**5. Budget Fails to Recapture PERS Reduction "Windfall"**

*We recommend that the Legislature (1) reduce the General Fund appropriation for community college apportionments by \$2,740,000 to reflect an anticipated reduction in PERS employer contribution rates and (2) adopt Budget Bill language to require the adjustment of community college district revenues per ADA to reflect the reduction in 1987-88. (Reduce Item 6870-101-001 by \$2,740,000 and adopt corresponding Budget Bill language.)*



In 1982-83, pursuant to Ch 330/82 (SB 46), the Public Employees Retirement Board reduced employer contributions for PERS paid by K-12 school districts and community college districts. In recognition of this cost reduction, the Legislature provided for a corresponding reduction in K-12 and community college district revenues per ADA in the 1982 Budget Act. The Legislature has continued this reduction in subsequent Budget Acts or trailer bills and, until the 1986 Budget Act, had also required the adjustment of district revenues to reflect any actual changes to the PERS contribution rate in the *prior-year*. (For example, in 1985-86, district revenues were adjusted to reflect any changes made to the PERS contribution rate during 1984-85.)

Last year, while the Legislature was deliberating the 1986 Budget Bill, the PERS Board announced a reduction in the employer contribution rate, to take effect July 1, 1986. In recognition of this reduction, the Legislature reduced funding for K-12 and community college district apportionments by \$42.1 million and adopted language requiring the adjustment of 1986-87 district revenues per ADA to reflect changes made to the contribution rate in 1986-87. Under past practice, adjustments would only have been made to reflect changes to the contribution rate during 1985-86.

**1987-88 Proposal.** In 1987-88, the budget proposes to reduce appropriations to various other state agencies to reflect another anticipated reduction in the PERS employer contribution rate, to take effect July 1, 1987. (This proposal is described in greater detail elsewhere in this *Analysis*, under Control Section 3.60.) The Governor's Budget *does not* propose, however, to recapture savings in 1987-88 that will accrue to K-12 and community college districts as a result of the rate reduction. Instead, the budget proposes to go back to the practice, used prior to 1986-87, of adjusting K-12 and community college district revenues per ADA to reflect changes in the PERS rate during the prior year.

Under the Governor's proposal, therefore, district revenues in 1987-88 would only be adjusted to reflect changes in the PERS rate through 1986-87, and would not reflect the July 1, 1987 PERS rate reduction. As a result, K-12 school districts would receive a one-time "windfall" in 1987-88 of approximately \$26.1 million and community college districts would receive a similar windfall of \$2.7 million.

Because the anticipated PERS rate reduction will result in real savings to K-12 and community college districts in 1987-88, we see no reason why the state should not adjust per-ADA revenues and the budget-year appropriation for district apportionments to reflect their reduced need for funding. Such a reduction is consistent with legislative policy established last year. The savings from this reduction could be directed to other high priority programs.

**Recommendation.** Therefore, we recommend that the Legislature reduce the amount provided from the General Fund for community college apportionments by \$2,740,000 and adopt the following Budget Bill language in Item 6870-101-001:

"Notwithstanding any other provision of law, the Chancellor of the California Community College System shall, in the 1987-88 fiscal year, make a permanent reduction to the base revenues per unit of average daily attendance of each community college district for savings resulting from a reduction to the employers' contribution for 1987-88 retirement benefits as adopted by the Board of Administration of the Public Employees' Retirement System. The total amount of this reduction shall equal \$2,740,000 and each district's proportionate share shall be based

**CALIFORNIA COMMUNITY COLLEGES—Continued**

upon 1986-87 employer contributions to the Public Employees' Retirement System."

**6. State Policy on Instruction for Confined Elderly Needs Clarification**

*We recommend that the Legislature adopt supplemental report language directing the Chancellor to report on the Board of Governor's policy regarding the provision of noncredit instruction to the confined elderly.*

Current state policy towards funding community college credit and noncredit courses requires that (1) such courses be conducted in locations easily accessible to the general public, and (2) they offer an appropriate level of academic rigor in order to receive state support. Our review indicates that both of these policies may be, at best, liberally interpreted when it comes to state funded noncredit courses currently being offered to the confined elderly residing in convalescent and rest homes. As discussed below, various colleges are offering these courses, and they are rapidly growing in number.

*Educational content of offering unclear.* In 1982-83, the Legislature decided that numerous programs found to be of an avocational or recreational nature would not be eligible for state funding; however, they could be continued as fee supported "community service" offerings. Courses which generated \$30 million in state support were "defunded" as a result of the Legislature's action.

In reviewing the current noncredit course offerings for the confined elderly, we found that some offerings appear to be recreational and may be of questionable educational content. Courses such as "Foodlore & Folklore," "Garden Appreciation," and "Creative Expression" would appear to be more appropriately designated as fee supported community service offerings. We note that ADA generated in noncredit courses receive support from the state General Fund.

*Programs not generally open to the public.* We found that, although described in course catalogs as being open to the general public, many of the classes were offered only at a retirement facility. Moreover, the courses were offered from 10:30 a.m. to 4:00 p.m. five days a week. While this may make it easier for the residents of the facility to attend the class, it makes it more difficult for members of the general public to attend.

*Significant growth in offerings.* Data provided by the Chancellor's Office indicates that there has been significant growth in these offerings since 1983-84. In that year, 19 colleges offered a total of 359 courses for the confined elderly. These offerings generated 1,549 ADA, which is roughly equivalent to \$1.7 million in apportionments. Two years later, 24 colleges offered a total of 541 courses accounting for 3,025 ADA. This translates into slightly more than \$3.7 million in apportionment funding—a 120 percent increase since 1983-84. (We note that this increase occurred during the same period in which community college enrollments statewide declined 3.9 percent.)

The Chancellor's staff noted that its figures probably *understated* the number of courses offered for the confined elderly because only 74 of the 106 colleges had responded to the request for information on these offerings. In particular, two of the districts that did not respond have significant noncredit offerings, and in turn may have significant offerings for the confined elderly.

**Recommendation.** Given this situation, we believe that the Chancellor should report to the Legislature on the appropriate role of the community colleges in providing noncredit instruction to the confined elderly. Some questions that should be addressed are:

- Should the state establish a level of educational content for these courses if they are to receive state support?
- Should the state require that local districts take special measures to ensure that these courses are truly open to the public?
- What is the apportionment revenue received for these courses in relation to their actual costs?
- Should there be some control on the growth of these offerings?

In order to ensure that the Chancellor's Office addresses these questions, we recommend that the Legislature adopt the following supplemental report language in Item 6870-101-001:

"The Chancellor of the California Community Colleges shall report to the Legislature on the appropriate role of the community colleges in providing noncredit instruction to the confined elderly, including a review of the educational content of these courses, the accessibility of these courses to the general public, the apportionment revenue received by the district for the courses in relation to the cost of providing the instruction, and the growth of these offerings statewide over the last four years. This report shall be submitted to the fiscal committees and the Joint Legislative Budget Committee by November 1, 1987."

### **C. Community College Categorical Programs**

The budget for community colleges proposes \$114.4 million to support 15 categorically funded programs in 1987-88. This is a reduction of \$14.1 million (11 percent) from the amount available for categorical programs in the current year. Table 5 displays the proposed funding level for each program for the prior, current and budget years. The major funding proposals for the categorical programs include:

- a \$23 million reduction in funding to replace instructional equipment;
- a \$6.9 million augmentation to purchase computer hardware and software to help a statewide "matriculation" program assess and counsel students;
- a \$5 million augmentation to remove toxic and hazardous substances; and
- a \$1.1 million augmentation for assessment and academic support services for learning disabled students.

The budget also proposes that no categorical program receive a cost-of-living adjustment for 1987-88.

### **1. No Basis for Funding Level for Disabled Students Assessment**

*We withhold recommendation on \$1.1 million requested to fund assessments of disabled students because the Chancellor's Office has not provided a basis for the funding level requested or a plan to allocate the funds.*

The Disabled Students Programs and Services (DSP&S) program provides supplemental instruction, services, and equipment to disabled students to assist them in achieving their educational goals. Special classes are designed to accommodate a student's functional limitations that would otherwise inhibit his or her ability to succeed in regular classes. Noninstructional DSP&S services include interpreter services; mobility assistance; notetaker and reader services; and special assessment, counseling,

**CALIFORNIA COMMUNITY COLLEGES—Continued**

**Table 5**  
**California Community Colleges**  
**Support for Categorical Programs**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

Program:	Actual	Est.	Prop.	Change from 1986-87	
	1985-86	1986-87	1987-88	Amount	Percent
1. Apprenticeship .....	\$7,313	\$7,579	\$7,479	-\$100	-1.3%
2. DSP&S .....	24,956	24,844	25,961	1,117	4.5
3. Academic Senate .....	73	110	110	—	—
4. EOPS .....	27,684	28,399	28,399	—	—
5. Matriculation .....	—	—	6,900	NMF <sup>a</sup>	NMF
6. Financial Aid .....	8,565	11,100	13,330	2,230	20.1
7. Foster Parent Program .....	881	900	900	—	—
8. Instructional Improvement ..	75	822	603	-219	-26.6
9. Deferred Maintenance .....	13,044	12,726	12,670	-56	-0.4
10. Instructional Equipment .....	25,000	35,000	12,000	-23,000	-65.7
11. Hazardous Substances .....	—	—	5,000	NMF	NMF
12. Voc. Ed. Special Projects .....	353	1,050	1,050	—	—
13. Transfer Centers .....	1,766	1,818	1,818	—	—
14. Transfer and Articulation .....	—	—	65	NMF	NMF
15. Emergency Loans/Repayment .....	394	4,124	-1,882	-6,006	-145.6
Totals .....	\$110,104	\$128,472	\$114,403	-\$14,069	-11.0%
Funding Sources:					
General Fund .....	\$75,217	\$91,072	\$112,130	\$21,058	23.1%
Special Account for Capital Outlay	25,000	—	—	—	—
COPFHE .....	6,071	29	—	-29	NMF
State School Fund .....	3,143	2,085	2,206	121	5.8
Higher Ed. Capital Outlay Bonds ..	—	35,000	—	-35,000	NMF
Instructional Improvement .....	-208	286	67	-219	-76.6
Foster Parent Training Fund .....	881	—	—	—	—

<sup>a</sup> Not a meaningful figure

tutoring, and job placement services. The program is expected to serve approximately 46,800 students in the current year.

**Budget Proposal.** The budget proposes \$26 million for the DSP&S program in 1987-88, an increase of \$1.1 million (4.5 percent) over the amount available in the current year. As discussed previously, the budget provides no funds for a cost-of-living adjustment.

The additional \$1.1 million is requested to serve learning disabled students through (1) additional educational assistance (\$580,000), and (2) special assessment services (\$543,000). Department of Finance staff indicate that the augmentation is to be considered *one-time* funds. Funding in subsequent years must be justified based on successful documentation of need.

As discussed below, our analysis indicates that the Chancellor's Office should provide additional information to justify the amount proposed.

**No link between proposed expenditures and service level.** Neither the Chancellor's Office nor the Department of Finance has provided information which links the \$1.1 million requested to a proposed level of service. No data have been provided indicating (1) the reasons why the current assessment methods are inadequate, (2) the number of learning

disabled students in need of assessments, or (3) the costs of providing the assessments under the Governor's proposal.

In addition, the budget provides no explanation for the requested increase in funding for DSP&S services in light of a decline in the total number of students served—from 51,976 in 1982–83 to a projected 46,800 in 1986–87. Moreover, Chancellor's data indicate that the number of learning disabled students served is expected to *decline* from 12,836 in 1985–86 to 12,000 in the current year.

**No plan for allocation of additional funds.** The Chancellor's Office has not developed an allocation plan. While the office employs an allocation formula to meet the excess cost of DSP&S services currently incurred by districts, the budget proposal does not indicate that the current formula will be used to allocate the \$1.1 million in additional support.

**Recommendation.** For these reasons, we withhold recommendation on the \$1.1 million requested for services for learning disabled students pending receipt of (1) information linking the budget request to the number of students proposed to receive services, and (2) a plan to allocate the additional funds to the community college districts.

## **2. Matching Requirement for Matriculation Funding Needs Clarification**

**We recommend that the Department of Finance indicate during budget hearings what the appropriate local matching funds would be for purposes of receiving state matriculation support.**

Chapter 1467, Statutes of 1986 (AB 3) established a statewide program of orientation, assessment, counseling, and follow-up for community college students. This program, popularly known as "matriculation," is estimated to cost approximately \$50 million for full implementation, including \$13.8 million in one-time costs for computer hardware and software. No funds were provided in Chapter 1467 for program implementation.

**Budget Proposal.** The budget requests \$6.9 million for allocation to community college districts on a dollar-for-dollar matching basis for data processing equipment and systems development. The budget appropriation combined with *new* matching local funds would provide sufficient resources to cover the estimated one-time cost of data processing hardware and software. The sources of the district matching funds, however, are not specified and will have differing effects at the local level.

**Recommendation.** We believe that the Department of Finance should indicate during budget hearings what local revenues would constitute an acceptable match for receiving matriculation funds. There are at least three general sources of revenues that districts might use as appropriate matching funds: (1) revenues redirected from other items of expenditure, (2) revenues currently spent on activities related to matriculation, such as counseling and assessment, or (3) revenues devoted to data processing for matriculation services. In the latter two cases, funds would not be diverted from a nonmatriculation activity in order to secure the state matching funds. In the first case, however, expenditures in nonrelated matriculation functions would have to be curtailed with a potential adverse impact on these functions.

We recommend that the Department of Finance clarify its position on what would be deemed acceptable matching funds from community college districts in applying for a share of the \$6.9 million proposed appropriation.

**CALIFORNIA COMMUNITY COLLEGES—Continued****3. Restriction on Use of Funds for Instructional Equipment Replacement Not Justified**

*We recommend that proposed Budget Bill language governing the use of funds for instructional equipment replacement be amended to allow districts to also use these funds for maintenance and repair of such instructional equipment. (Amend Provision 1 of Item 6870-106-001 and Items 6870-490 and 6870-491.)*

The 1985 Budget Act appropriated \$25 million from the Special Account for Capital Outlay for allocation to community college districts to purchase instructional equipment. This appropriation was followed by a \$35 million appropriation for the same purpose from the Capital Outlay Higher Education Bond Fund in the 1986 Budget Act. The 1986 appropriation was subject to a 25 percent local match.

**Budget Proposal.** For 1987-88, the budget proposes \$12 million for instructional equipment and library materials, subject to the same matching requirement established in the 1986 Budget Act. Of the total, \$3 million is proposed from the General Fund, and an estimated \$9 million is proposed from a reappropriation of General Fund savings resulting from higher-than-estimated property tax revenues (property tax revenues offset General Fund apportionment requirements on a dollar-for-dollar basis) that would otherwise revert to the General Fund on June 30, 1989.

The budget proposes a new restriction on the use of these funds. Specifically, the Budget Bill would prohibit community college districts from using any of the \$12 million for the maintenance or repair of instructional equipment. We believe that this restriction is not justified and may result in a misallocation of local resources.

The 1986 Budget Act does not prohibit districts from using funds to maintain or repair existing equipment. In some cases, it may be more cost effective to repair existing equipment than to purchase new equipment as its replacement. These decisions, however, should be made by local administrators and business officers because they are more knowledgeable about the needs of the district, rather than established by a uniform state directive.

**Recommendation.** We can find no analytical basis for restricting the use of funds for instructional equipment and library materials so as to preclude repair and maintenance of existing equipment. Accordingly, we recommend that Provisions 1 of Item 6870-106-001 and Items 6870-490 and 6870-491 of the proposed Budget Bill be amended to eliminate any restriction on the use of these funds for repair and maintenance of equipment.

**4. Budget Bill Language Needed to Prevent Excess Funding**

*We recommend adoption of Budget Bill language specifying a limit on the amount that may be provided from the reappropriation of General Fund savings in 1986-87 for equipment replacement and library materials. (Amend Item 6870-491.)*

As discussed above, the budget proposes to reappropriate General Fund savings that may accrue in 1986-87 as a result of higher-than-anticipated property tax revenues. The reappropriated funds are to be used for purchasing instructional equipment and library materials in 1987-88. The proposed 1987 Budget Bill language, however, does not specify any limit on how much of the unanticipated General Fund savings shall be reappropriated for this use.

The most recent estimate provided by the Department of Finance indicates that current-year property taxes may be \$13.6 million above the amount estimated in the 1986 May Revision, resulting in a corresponding General Fund savings in 1986-87. Of this potential General Fund savings, the budget proposes using \$4.6 million to fund 1986-87 average daily attendance generated in excess of the district enrollment cap. The balance (assumed to be \$9 million) is proposed for reappropriation in 1987-88 to replace instructional equipment and purchase library materials. The Budget Bill language, however, does not specify a dollar amount for such a reappropriation.

**Recommendation.** We recommend that Budget Bill language be adopted which limits the amount that may be reappropriated for equipment replacement and library materials. The exact amount of property tax revenues collected and any resultant savings will not be known until the close of the current fiscal year. If property tax revenues exceed the \$13.6 million currently projected, the amount available for reappropriation will also increase. The Legislature, however, may wish to use any additional savings to fund other priorities.

In order to provide the Legislature access to General Fund revenues that may result because of higher-than-anticipated property taxes in the current year, while at the same time maintaining the Governor's proposal to provide \$9 million to community colleges for replacement of instructional equipment and purchase of library materials, we recommend adoption of the following amendment to Budget Bill language proposed in Item 6870-491:

"Notwithstanding any other provision of law, *up to \$9 million* of the balance on the effective date of this act, of Item 6870-101-001, schedule (a) 10-apportionments, is reappropriated for the purpose of providing community college districts with funds to replace instructional equipment and purchase of library materials, and shall be available for expenditure until June 30, 1988."

##### **5. Current-Year Expenditures for Instructional Equipment in Doubt**

*We recommend that the Department of Finance explain what action will be taken in the event that revenues from the sale of bonds from the Higher Education Facilities Bond Act are not available for loans to community college districts during the current year.*

As mentioned, the 1986 Budget Act provided for the appropriation of \$35 million from the Higher Education Capital Outlay Bond Fund for allocation to community college districts on a matching basis for the purchase of instructional equipment.

Subsequently, in November 1986, California voters passed Proposition 56—the Higher Education Facilities Bond Act. Among other things, Proposition 56 specified that "the proceeds of the bonds may also be used to provide short-term loans to community colleges for the purchase of instructional equipment. Those loans shall be repaid from the first moneys available in the Capital Outlay Fund for Public Higher Education (COFPHE) beginning in the 1987-88 fiscal year." Presumably, this proposition supercedes the 1986 Budget Act provision.

At the time this analysis was prepared, no bonds had been sold and no funds had been allocated from the COFPHE Fund to repay any loans made pursuant to Proposition 56. As a result, funds may not be available for loans to the community colleges for instructional equipment replacement in 1987-88.

**CALIFORNIA COMMUNITY COLLEGES—Continued**

This situation poses an unresolved issue: if bond funds are made available, how will appropriations from the Higher Education bond fund be repaid? Neither the 1986 Budget Act nor the 1987 Budget Bill provides funding from the COFPHE fund for loan repayments.

We believe that the Department of Finance should indicate during budget hearings if, and how, instructional equipment funds will be made available to the community colleges given status of the COFPHE fund and its ability to repay loans made from the Higher Education Bond Fund and given the current delay in the sale of Proposition 56 bonds.

**6. Fund for Instructional Improvement (Item 6870-101-909)**

*We recommend approval.*

Chapter 714, Statutes of 1977 (AB 1173), established the Fund for Instructional Improvement, which provides grants and loans on a competitive basis to districts for support of alternative educational programs and services.

The budget requests \$536,000 from the General Fund for *grants* under this program in 1987-88. This is the same level of funding provided in the current year. Support for *loans* is provided through a revolving fund; the budget does not request a net augmentation for these loans.

Because the program is being funded and implemented in a manner consistent with the Legislature's intent as expressed in AB 1173, we recommend that the amount requested be approved as budgeted.

**7. Control Section 24.00—Mineral Resources 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 \$14.7 million in 1987-88. This is 5.8 percent above the estimated amount available in the current year. The budget proposes to allocate \$2.2 million (15 percent) of the revenues for community college apportionments and the remaining \$12.5 million (85 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 the state aid required for community college and K-12 apportionments.

**8. Greater Avenues for Independence (GAIN) Implementation Status**

Assembly Bill 2580 (Ch 1025/85) established the Greater Avenues for Independence (GAIN) program. GAIN is a comprehensive statewide employment and training program for recipients of Aid to Families with Dependent Children (AFDC). The program is designed to help participants find unsubsidized employment and become financially independent. Program participants are offered a full range of employment training and support services tailored to their specific needs. The State Department of Social Services (DSS) is the lead agency responsible for implementation of the GAIN program.

Among other things, the GAIN program requires specified AFDC



recipients to enter into an individual contract with the local county department of social services (welfare agency). The individual contract must describe the GAIN program and its services, the responsibilities and duties of the participant, and the consequences of a participant's failure to meet the requirements of the contract. The contract may call for educational services, counseling and assessment, vocational training, child care, and other support services.

**Community Colleges.** Under the GAIN program, the local county department of social services may require an AFDC recipient to enroll in a community college to receive remedial education or vocational training. The educational services should be specified in the participant's contract.

At the time this analysis was prepared, community colleges serving Fresno and Napa counties had begun limited participation in the program. County plans for Kern, Ventura, Madera, Yuba, and Stanislaus have been approved by DSS, but the community college programs are not yet operational.

**Chancellor's Office.** Under the GAIN program, the Chancellor's Office is required to (1) survey the community college districts to determine the services available to AFDC recipients, (2) develop a plan outlining the level of participation of the districts, (3) identify sources and levels of funding to support community college programs available to participants, and (4) develop a monitoring and reporting system for the community colleges providing services.

In the current year, the Chancellor received \$210,000 to hire additional staff and contract for a survey of services available to potential GAIN participants attending the community colleges. The survey results are expected to be available for the May Revision to the 1987 Budget Bill.

In addition, the budget proposes an increase of \$198,000 for two permanent positions and one temporary position within the Chancellor's Office to provide additional statewide oversight and monitoring of the GAIN program.

**Unresolved Funding Issues.** At the time this analysis was prepared, the Board of Governors had not adopted a funding policy for community colleges participating in the GAIN program. Some unresolved questions include:

- Will districts receive funding for GAIN-related ADA generated in excess of the district's enrollment cap?
- At what rate will districts receive funding for serving GAIN students if these students are in excess of the district's enrollment cap?
- Will state reimbursements for GAIN participation include support for noninstructional activities such as counseling, job placement, child care and other support services provided by the community colleges?

We will be prepared to comment during budget hearings on these issues and others related to the implementation of the GAIN program in the community colleges. (For a more detailed discussion of GAIN issues, see the 1987-88 Budget: Perspectives and Issues.)

## **II. COMMUNITY COLLEGE STATE OPERATIONS (Item 6870-001-001)**

### **A. Proposed Support for the Chancellor's Office**

The Chancellor's Office is the administrative arm of the Board of Governors of the California Community Colleges. The office is responsible for carrying out the board's directives and implementing statutes enacted by the Legislature.

**CALIFORNIA COMMUNITY COLLEGES—Continued**

The office is currently organized into three major sections:

- *The Fiscal Services section* administers community college apportionments and categorical funding to the districts.
- *The Special Services and Operations section* develops and administers regulations and program guidelines for the major categorical programs—Extended Opportunity Programs and Services (EOPS), Disabled Student Programs and Services (DSP&S), vocational education, deferred maintenance, and capital outlay.
- *The Administrative section* oversees the day-to-day operations of the Chancellor's Office and provides direct staff support for the Board of Governors.

**Table 6**  
**California Community Colleges**  
**State Operations Budget**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

	<i>Actual</i> 1985-86	<i>Estimated</i> 1986-87	<i>Proposed</i> 1987-88	<i>Change from 1986-87</i>	
				<i>Amount</i>	<i>Percent</i>
A. Fiscal Services.....	\$1,650	\$1,835	\$1,623	-\$212	-11.6%
B. Special Services and Operations:					
1. EOPS .....	1,566	2,046	1,627	-419	-20.5
2. DSP&S .....	387	437	318	-119	-27.2
3. Other Student Services .....	225	—	—	—	—
4. Transfer Centers .....	204	223	73	-150	-67.3
5. Matriculation .....	—	—	100	100	NMF <sup>a</sup>
6. Credentials .....	559	940	974	34	3.6
7. Affirmative Action .....	129	300	304	4	1.3
8. Academic Affairs .....	—	310	320	10	3.2
9. Program Evaluation .....	1,147	967	1,092	125	12.9
10. Vocational Education .....	2,861	2,712	2,673	-39	-1.4
11. Program Accountability .....	—	100	—	-100	NMF
12. Academic Standards and Skills .....	—	122	223	101	82.8
13. JTPA—Employment Training .....	—	756	770	14	1.9
14. Transfer Ed. and Articulation .....	—	—	131	131	NMF
15. Facilities .....	814	824	784	-40	-4.9
C. Administration:					
1. Board of Governors .....	(182)	(72)	(91)	(19)	(26.4)
2. Chancellor's Office .....	(3,346)	(3,478)	(3,570)	(92)	(2.7)
Totals, State Operations .....	\$9,542	\$11,572	\$11,012	-\$560	-4.8%
Funding Sources:					
General Fund .....	\$6,350	\$8,289	\$7,866	-\$423	-5.1%
Credentials Fund .....	553	663	712	49	7.4
Federal Trust Fund .....	155	186	—	-186	NMF
Reimbursements .....	2,391	2,051	2,051	—	—
Special Deposit Fund .....	93	383	383	—	—
Personnel-Years .....	142.3	151.0	167.9	16.9	11.2%

<sup>a</sup> Not a meaningful figure.

As shown in Table 6, the budget proposes \$11 million to support the Chancellor's Office in 1987-88—a reduction of \$560,000 (4.8 percent) from the amount available in the current year. The net reduction reflects (1) elimination of one-time costs totaling \$1.2 million, (2) funding for Budget Change Proposals totaling \$1.1 million and (3) reductions for other miscellaneous adjustments of \$370,000.

### Major Staff Augmentation

Table 7 shows that 17.8 new personnel-years are proposed for the Chancellor's Office in 1987-88. This significant increase is proposed "to strengthen the internal operations of the office, provide additional support for the Board of Governors, increase coordination of the disabled students program, implement GAIN, and ensure district compliance with minimum standards."

**Table 7**  
**California Community Colleges**  
**Proposed Staffing Increases**  
**1987-88**

<i>Unit or Function</i>	<i>Personnel-Years</i>	<i>Proposed Expenditures</i>
<b>A. Group One:</b>		
1. Personnel Unit.....	1.0	\$42,000
2. Budget & Accounting .....	1.0	68,000
3. Credentials .....	2.8	59,000
4. GAIN .....	2.8	198,000
5. Policy Development.....	1.0	39,000
6. Matriculation .....	1.0	100,000
<b>B. Group Two:</b>		
1. Program Evaluation .....	1.0	43,000
2. DSP&S Staff .....	1.0	61,000
3. Legislative Staff.....	0.5	13,000
4. Central Services .....	1.0	32,000
<b>C. Group Three:</b>		
1. Transfer Education and Articulation.....	1.4	196,000
2. Compliance .....	1.9	104,000
3. Academic Standards.....	1.4	97,000
<b>Totals.....</b>	<b>17.8</b>	<b>\$1,052,000</b>

In our recent report titled *Staffing Requirements of the Chancellor's Office California Community Colleges (86-16)*, we recommended that positions be added to the Chancellor's Office in order to strengthen its internal management functions and provide leadership for the community college system. We recommended the establishment of 9.6 of the proposed 17.8 personnel-years (shown as group one in Table 7).

Since the time our report was prepared, we have received information to support the 3.5 additional positions proposed for the Program Evaluation unit, the DSP&S unit, the Legislative unit, and Central Services (shown as group two in table 7).

Our analysis indicates that the remaining 4.7 personnel-years (group three in Table 7) proposed for (1) Transfer Education and Articulation, (2) Compliance with Minimum Standards, and (3) Academic Standards are not justified. We discuss each of these proposals in detail below.

**CALIFORNIA COMMUNITY COLLEGES—Continued****1. Transfer and Articulation Staff Not Justified**

*We recommend a reduction of \$96,000 and 1.4 personnel-years from the amount requested for staff for transfer and articulation projects because the amount budgeted is not justified. (Reduce Item 6870-001-001 by \$96,000).*

The Chancellor's Office is responsible for administering several programs designed to promote the transfer of community college students to four-year educational institutions.

The transfer center pilot project, first funded in the 1985 Budget Act, involves 20 community colleges and both the University of California (UC) and California State University (CSU) in providing transfer information to community college students from a central location on the student's community college campus. The 1985 Budget Act also established a pilot program to test the feasibility of using a computerized course-to-course articulation system to facilitate transfer. Finally, the 1986 Budget Act funded a joint UC, CSU, CCC project to develop a common course numbering system to simplify the identification of transferable courses.

The Chancellor's Office currently has one professional to work full time on issues related to articulation. In addition, the office maintains a full-time position plus clerical support to provide statewide oversight and monitoring of the Transfer Center Pilot Project and three positions to monitor intersegmental affairs (the intersegmental affairs unit also has responsibility for affirmative action policy review).

**Budget Proposal.** For 1987-88, the budget requests an additional \$96,000 to fund one professional position and a half-time clerical position to perform new duties related to transfer and articulation.

Our review indicates that the additional staff are not justified for several reasons:

**No additional workload.** The Chancellor requested over \$600,000 to (1) develop a model "2+2" curriculum to assist high school students in their transition to the community college, and (2) implement a basic skills project to improve the performance of high school students in reading, writing, and math. Neither project, however, is proposed to be funded in the 1987-88 budget.

As a result, we can find no additional duties or responsibilities that would justify the proposed staff augmentation.

**Evaluation of current projects pending.** Projects currently underway to improve the transfer of community college students have not yet been evaluated, and the common course numbering system is far from complete. The evaluations had not been submitted to the Legislature at the time this analysis was prepared.

**Recommendation.** We believe that it is premature to add staff to the Chancellor's Office to address general articulation and transfer issues when the results of current projects are not yet available. A complete evaluation of the projects currently under the direction of the Chancellor's Office will provide useful information concerning the need for additional staff and where such staff, if needed, should be directed.

**2. Additional Compliance Staff Premature**

*We recommend deletion of \$104,000 requested to add two positions to monitor district compliance with minimum academic standards because these positions are not justified on a workload basis. (Reduce Item 6870-001-001 by \$104,000.)*

Among other duties, the Chancellor's staff is responsible for monitoring district compliance with laws and regulations governing minimum academic standards for courses and programs. In the current year, the Program Evaluation and Approval unit maintains 8.6 positions to fulfill this and other responsibilities.

**Budget Proposal.** Budget requests \$104,000 to establish two more positions for the Program Evaluation and Approval unit. Our analysis indicates that this requested increase is not justified for three reasons:

**Amended academic standards not effective until July 1988.** The Chancellor's staff indicates that workload for the unit is expected to increase as a result of changes in regulations adopted by the Board of Governors in September 1986. We note, however, that these regulations were once rejected (in May 1986) and have yet to be adopted by the Office of Administrative Law. Even if they are adopted, a workload change, if any, resulting from a change in board regulations will not occur until 1988-89, at the earliest.

**Redirection of current staff.** In our review of the staffing requirements of the Chancellor's Office conducted in the fall of 1986, we found that although 8.6 positions were assigned to the Program Evaluation and Approval unit, between 1.4 positions and 2 positions have been redirected from the unit to other duties within the office. While we recognize that this redirection is within the purview of management's authority to meet internal staffing demands, we question the necessity of adding staff to the Program Evaluation and Approval unit in light of this recent redirection of resources.

**Enforcement mechanism not used.** In the proposal to add the two positions to this unit, the Chancellor's staff noted that "Experience has demonstrated that attention directed by college staff to compliance issues is proportional to the seriousness with which the Chancellor's Office addresses the matter and is able to follow through."

We note, however, that the Chancellor is currently empowered to withhold a portion of a district's general education apportionment if he finds that the district is not in compliance with the minimum standards for courses and programs adopted by the Board of Governors. To date, this authority has never been exercised; consequently, new staff alone is not likely to have much enforcement effect.

**3. Uniform Statewide Test Conflicts With Matriculation Plan**

*We recommend deletion of \$97,000 requested for 1.4 personnel-years and contract services to develop a statewide assessment process because the test would conflict with policies adopted by the Legislature and the Board of Governors. (Reduce Item 6870-001-001 by \$97,000.)*

Chapter 1467, Statutes of 1986 (AB 3) established a statewide system of orientation, assessment, counseling, and follow-up for community college students. In January 1987, the Board of Governors adopted an implementation plan for the program, more commonly referred to as the "matriculation program."

This statewide initiative is designed to increase the chances that com-

**CALIFORNIA COMMUNITY COLLEGES—Continued**

munity college students reach their educational objectives by providing each student a more careful assessment of his or her skill level and a more appropriate educational plan based on that assessment.

**Budget proposal.** In addition to the \$100,000 requested to provide direct statewide oversight of this program (see Table 7, group one), the budget requests \$97,000 for staff and contract services to develop a statewide assessment procedure for the matriculation program.

Our analysis indicates that the \$97,000 should be deleted because the development of a statewide assessment procedure is in conflict with both Chapter 1467 and the implementation plan adopted by the board.

**Diversity in student body calls for flexibility in implementation of matriculation plan.** One of the most significant features of the California Community College system is the diversity of its student population. The system serves many part-time students, ethnic minorities, educationally disadvantaged students, older students, and self-supporting students.

This diversity also extends to an examination of the student populations among the districts. Some districts serve a traditional student population that is primarily concerned with transfer to four-year educational institutions. Other districts serve students with greater need for remedial or basic skills instruction. In some cases, particular colleges within a district have distinguished themselves by offering vocational instruction not available elsewhere in the district.

This diversity of the student population was recognized in both the enabling legislation for the matriculation program and the board's subsequent implementation plan. Chapter 1467 authorizes districts to select assessment instruments appropriate for their student body, provided that the Chancellor has reviewed the instrument and found that it is sensitive to cultural and language differences between students.

Moreover, the board's implementation plan calls on the community college districts to develop local three-year matriculation plans, including locally selected assessment instruments, and submit the plans for review by the Chancellor. The minimum requirements sought by the board were stated as "outcome(s)," rather than "in language that implies overly prescriptive methods about how to achieve the desired results." Thus, the board's policy was to allow for local flexibility in implementing the matriculation plan.

In summary, we find that the \$97,000 proposed for staff and contract services to develop a uniform assessment and placement process is not justified and contradicts policies adopted by both the Legislature and the Board of Governors. These funds should therefore be deleted.

**B. Community College Credentials Fund (Item 6870-001-165)*****We recommend approval.***

Under current law, 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 on each application.

The budget requests an appropriation of \$712,000 from the Credentials Fund, which is 12 percent above the amount provided in the current year. The proposed increase would fund a temporary staff increase equivalent to 2.8 personnel-years to reduce a backlog in applications. Our analysis

confirms the need for additional staff to reduce the credentials backlog, and we recommend that the proposal be approved as budgeted.

## CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY

Item 6870-301 from the Public  
Building Construction Fund  
and the Higher Education  
Capital Outlay Bond Fund

Budget p. E 142

Requested 1987-88 .....	\$49,637,000
Recommended approval .....	23,418,000
Recommended reduction .....	18,095,000
Recommendation pending .....	8,124,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. Revenue Bonds. Recommend that the Department of Finance explain, prior to budget hearings, how the bond payments for the community colleges capital projects will be budgeted. 1240
2. Statewide Asbestos Removal. Withhold recommendation on \$3,441,000 in Item 6870-301-782(40), pending receipt of cost estimates and a detailed report. 1241
3. Kern CCD—Library and Counseling Remodel. Withhold recommendation on \$40,000 for equipment under Item 6870-301-782(8), pending certification from the district that all proposed equipment will have useful life of at least ten years. 1242
4. *Allan Hancock CCD—Consumer Education and Humanities Building. Reduce Item 6870-301-782(1) by \$53,000 and Item 6870-301-660(1) by \$2,286,000.* Recommend deletion of funds for working drawings and construction, because the scope of the work proposed does not reflect legislative intent as specified in the *Supplemental Report of the 1985 Budget Act*. 1244
5. Kern CCD—Classroom Addition. Withhold recommendation on \$1,095,000 in Item 6870-301-782(9), pending information on the possibility of using/remodeling laboratory rooms for classrooms and the useful life of the proposed equipment. 1244
6. Los Rios CCD—Performing Arts Addition and Reconstruction. Withhold recommendation on \$227,000 in Item 6870-301-782(18), pending justification of the size of the new music building and/or redesign/reduction of the scope and cost of the project. 1245
7. Rancho Santiago CCD—Johnson Campus Center Addition. Withhold recommendation on \$134,000 for the equipment funded under Item 6870-301-782(25), pending information on the useful life of the proposed equipment. 1246

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

8. *Redwoods CCD—Vocational Building. Reduce Item 6870-301-782(27) by \$657,000.* Recommend deletion of funds for a new vocational arts building, because the need for the additional space is not justified. 1246
9. *Santa Barbara CCD—Interdisciplinary Center. Reduce Item 6870-301-782(33) by \$223,000.* Recommend deletion of working drawing funds for a new interdisciplinary center on the Santa Barbara campus, because the size of the proposed building is greater than needed. 1246
10. *Ventura CCD—Occupational Graphic Arts Building. Reduce Item 6870-301-782(34) by \$102,000.* Recommend deletion of working drawing funds for the Ventura CCD Occupational/Graphic Arts Building, because the district has not adequately justified the need for the project or its high cost. (Future savings: \$2.7 million.) 1247
11. *Los Angeles CCD—Instructional/Administration Building. Reduce Item 6870-301-660(5) by \$334,000.* Recommend reduction of \$334,000 from funds proposed for construction of an instructional/administration building at Los Angeles Mission College to eliminate funding for two skylights and the mission clay tile roof. 1247
12. *San Diego CCD—Instructional Center. Reduce Item 6870-301-660(10) by \$3,250,000.* Recommend deletion of working drawings and construction funds for a new instructional center at the Miramar campus, because the projected growth in the district's population over the near future does not necessitate additional capacity. 1248
13. *Kern CCD—Remodel Existing Nursing Facility and Computer Lab. Reduce Item 6870-301-782(12) by \$262,000.* Recommend deletion of funds for working drawings, construction and equipment for remodeling buildings on the Porterville college campus, because the district has inadequately justified the need for the project and much of the proposed work is more appropriately budgeted as maintenance. 1249
14. *Palomar CCD—Remodel Seven Buildings for Space Utilization. Reduce Item 6870-301-782(23) by \$572,000.* Recommend reduction of funds for working drawings and construction to remodel seven buildings at Palomar College, because the need for the work is not adequately justified. 1250
15. *Peralta CCD—Conversion of Existing Space. Reduce Item 6870-301-782(24) by \$1,259,000.* Recommend deletion of working drawings and construction funds to remodel Merritt College, because the district's plan is uncertain and is insufficiently justified. (Future savings: \$104,000.) 1250
16. *Kern CCD—Science Laboratory Reconstruction. Reduce Item 6870-301-660(3) by \$728,000.* Recommend deletion of funds for working drawings and construction of a project to renovate the science laboratory at Bakersfield College, because the scope of the proposed work appears excessive and much of the work is more appropriately budgeted as maintenance. 1251



17. Los Rios CCD—Remodel for Library Resource Center. 1251  
Withhold recommendation on \$214,000 for the equipment portion of Item 6870-301-782(15), pending certification of the useful life of the proposed equipment.
18. *West Hills CCD—Library Addition. Reduce Item 6870-301-660(14) by \$606,000.* 1252  
Recommend deletion of working drawings and construction funds for the West Hills Library Addition, because the district should use existing space to meet its library needs. (Future savings: \$77,000)
19. *Kern CCD—Multi-Purpose Physical Education Facility. Reduce Item 6870-301-782(11) by \$83,000.* 1253  
Recommend reduction because the cost of the proposed facility is unnecessarily high. (Future savings: \$1.6 million)
20. *Mendocino-Lake CCD—Indoor and Outdoor Physical Education Facilities. Reduce Item 6870-301-782(20) and (21) by a total of \$365,000.* 1253  
Recommend deletion of working drawings for projects to plan two physical education facilities on the Mendocino College campus, because the district's proposal is unnecessarily expensive. (Future savings: \$4.9 million)
21. *Glendale CCD—Renovate Classrooms, Laboratories and Administrative Space. Reduce Item 6870-301-782(5) by \$152,000.* 1254  
Recommend deletion of funds to prepare working drawings to renovate classrooms, laboratory and administrative space at Glendale College, because the project is insufficiently justified, does not substantially increase office space, and includes equipment items more appropriately purchased with support funds. (Future savings: \$2.3 million)
22. Santa Barbara CCD—Student Services Center. 1255  
Withhold recommendation on \$109,000 in Item 6870-301-660(12), pending receipt of a revised project proposal which is based on no net increase in building space.
23. *Utility/Energy Projects—Energy Conservation, Music Building, Batmale Hall. Reduce Item 6870-301-782(2) by \$171,000, Item 6870-301-782(14) by \$840,000 and Item 6870-301-782(32) by \$453,000.* 1256  
Recommend a total reduction of \$1,464,000 from three utility/energy efficiency projects, because the need for the work is not justified.
24. *Rancho Santiago CCD—Site Acquisition. Reduce Item 6870-301-782(26) by \$3,184,000.* 1257  
Recommend deletion of funds to acquire 22 acres for the Rancho Santiago Orange campus, because the campus does not need to purchase the land at this time.
25. *San Bernardino CCD—Removal of Architectural Barriers. Reduce Item 6870-301-782(30) by \$193,000.* 1257  
Recommend deletion of funds to remove architectural barriers at San Bernardino, because the district's proposal is unclear as to what work is proposed and why it is necessary.
26. *Yuba CCD—Woodland Educational Center. Reduce Items 6870-301-782(36), (37) and (38) for a total savings of \$2,121,000.* 1258  
Recommend deletion of funds for the three projects related to the creation of a permanent off-campus center in Woodland, because the need for the center has

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

- not been established. (Future savings: at least \$3.3 million)
27. Five Districts—Child Care Centers. Withhold recommendation on a total of \$2,836,000 from Items 6870-301-782(4), (7), (10), (19) and (22), pending further review and receipt of additional information (please see Table 10, page 1259, for summary of these projects.) 1259
28. *Los Rios CCD—Cafeteria Building. Reduce Item 6870-301-782(17) by \$201,000.* Recommend reduction of \$201,000 in the amount proposed for the Cosumnes River College cafeteria building, because the costs are excessive. 1260

**ANALYSIS AND RECOMMENDATIONS**

The budget proposes a total appropriation of \$49.6 million to fund the state's share of the California Community Colleges' capital outlay program in 1987-88. These funds will come from the Higher Education Bond Act of 1986 (general obligation bonds)—\$31.6 million under Item 6870-301-782—and from revenue bonds authorized by Ch 1224/86—\$18 million under Item 6870-301-660.

The budget document indicates that the various community colleges will provide a total of \$4.8 million to support these projects, bringing total proposed expenditures for community college capital outlay to \$54.4 million. Thus, the state will fund 91 percent of the community colleges capital outlay program and the various districts will contribute 9 percent.

**Method of Repayment of Revenue Bonds is Not Clear**

*We recommend that, prior to budget hearings, the Department of Finance explain to the Legislature how the administration proposes to repay the principal and interest on the revenue bonds sold to finance community college capital outlay.*

This is the first time that the administration has proposed financing a portion of the California Community Colleges' capital outlay program with "revenue" bonds. Under this program, projects are constructed on the various campuses through bonds issued by the State Public Works Board. The board owns the facilities and leases them to the respective district. The "revenue" for repayment of principal and interest on the bonds is from lease payments to be made by the districts for use of the facilities. The budget document, however, does not state how the bond principal and interest payments will be budgeted.

If the bond payments are made from the districts' apportionment funds, then the bond payments will *reduce* the funds available for college instruction. If on the other hand, the revenue bond payments are made from an additional appropriation from the General Fund, then the colleges' instructional programs will not suffer, but the General Fund will be decreased accordingly.

Prior to budget hearings, the Director of Finance should notify the Legislature as to the administration's intentions regarding repayment of the revenue bonds.

**1987-88 Capital Outlay Program**

The 1987-88 capital outlay program for the colleges includes funds for a total of 51 projects. For discussion purposes, we have divided the projects into ten descriptive categories summarized in Table 1. A discussion of the

projects in each category follows. While we have recommended that the Legislature *not* use "revenue" bonds to finance capital projects (please see our *Analysis* under the University of California capital outlay program, Item 6440-301, page 1109), we have analyzed each project on its merits, regardless of proposed funding source.

**Table 1**  
**California Community Colleges**  
**1987-88 Capital Outlay Program**  
**Project Categories**  
**(dollars in thousands)**

<i>Category</i>	<i>Number of Projects</i>	<i>Total</i>
A. Mitigate Hazards .....	1	\$3,441
B. Complete New Facilities .....	6	2,813
C. Add Instructionally Related Facilities .....	11	21,127
D. Upgrade Instructionally Related Facilities .....	6	3,490
E. Libraries .....	2	1,148
F. Add New Support Facilities .....	6	4,675
G. Upgrade Support Facilities .....	2	261
H. Other .....	8	5,678
I. Creation of Permanent Off-Campus Centers .....	3	2,121
J. Ancillary Facilities .....	6	4,883
Total .....	51	\$49,637

#### **A. PROJECTS TO MITIGATE HAZARDS**

The budget proposes one project to mitigate hazards in community college districts—Minor Capital Outlay Asbestos Removal, Phase III.

##### **Asbestos Removal**

*We withhold recommendation on \$3,441,000 under Item 6870-301-782(40) for working drawings and construction of asbestos removal, pending receipt of cost estimates and a detailed report on the expenditure of asbestos funds appropriated under the 1985 and 1986 Budget Acts.*

The Budget Bill proposes \$3.4 million for the third phase of a program to remove asbestos in community college districts. The Legislature has previously appropriated a total of \$5.3 million for asbestos removal in the 1985 and 1986 Budget Acts. A 1985 report by the Chancellor's Office indicated that there were 55 "top priority" asbestos projects and estimated that the cost to remove asbestos at these locations would be \$10.6 million. Based on the previous appropriations and the 1985 Chancellor's report, therefore, the funds proposed in the Budget Bill should enable the districts to complete over 80 percent of the top priority asbestos projects.

While the need to remove the hazardous asbestos is evident, the Chancellor's Office has not submitted detailed information indicating where it intends to remove asbestos in the budget year or what the costs will be. Moreover, despite frequent requests to the Chancellor's Office for information regarding the expenditure of the funds appropriated for this purpose in the 1985 and 1986 Budget Acts, the Chancellor's Office has not submitted information which explains where and how the funds were used.

Consequently, we withhold recommendation on the \$3.4 million proposed for the third phase of asbestos removal, pending:

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

- information and budget estimates for the projects proposed for 1987–88,
- information and budget estimates for the projects undertaken with the funds appropriated in 1985 and 1986,
- a report on the status of the community college's efforts to remove asbestos from district facilities, and
- a cost estimate, timeline and project list, in priority order, of all remaining asbestos removal projects.

**B. PROJECTS TO COMPLETE NEWLY CONSTRUCTED FACILITIES**

As Table 2 shows, the Budget Bill proposes six projects, totaling \$2.8 million to complete newly constructed college facilities. Of this amount, a total of \$2.7 million for four equipment projects and one site development project is justified and we recommend approval. Our discussion of the remaining project follows.

**Table 2**  
**California Community Colleges**  
**1987–88 Capital Outlay Program**  
**B. Complete New Facilities**  
**(dollars in thousands)**

Item	Sub-Item	Location/Project Title	Phase	Budget Bill Amount	Analyst's Recommendation
6870-301-782	(8)	Kern CCD, Cerro Coso Community College, Remodel Library, Counseling—Equipment .....	e	\$40	pending
	(13)	Lake Tahoe CCD, Lake Tahoe College, Site Development, Phase II .....	wc	673	\$673
		Subtotal General Obligation Bond .....		\$713	\$673
6870-301-660	(4)	Lake Tahoe CCD, Lake Tahoe Community College, Permanent Buildings, Phase I—Equipment .....	e	\$765	\$765
	(6)	Mira Costa CCD, San Elijo Center, Permanent Buildings, Phase I—Equipment .....	e	770	770
	(7)	Mira Costa CCD, San Elijo Center, Initial Complement of Library Books .....	e	268	268
	(8)	Peralta CCD, College of Alameda, Diesel Laboratory Building—Equipment .....	e	297	297
		Subtotal Revenue Bond .....		\$2,100	\$2,100
		Totals .....		\$2,813	\$2,773

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

**Kern CCD—Equipment for Library and Counseling Remodel**

*We withhold recommendation on \$40,000 under Item 6870-301-782 (8) to purchase equipment for Kern CCD, pending certification from the district that the proposed equipment has a useful life of at least ten years.*

The district requests \$40,000 to purchase equipment for its newly remodeled library and counseling center. The Higher Education Bond Act of 1986 specifies, however, that none of the general obligation bond proceeds is available for the purchase of equipment that has a useful life of less than ten years. The district has not indicated the expected life of the proposed equipment in its request. Accordingly, we withhold recommen-

dation on this request, pending the district's submittal of this evaluation of its proposed equipment items.

### C. ADD INSTRUCTIONALLY RELATED FACILITIES

As Table 3 shows, the community colleges request a total of \$21.1 million for 11 projects to add instructionally related facilities. Of this amount, one project totaling \$4.4 million to construct a vocational technology building at Saddleback CCD is justified and the requested amount is reasonable. We recommend approval of this project. We discuss the remainder of the projects below.

**Table 3**  
**California Community Colleges**  
**1987-88 Capital Outlay Program**  
**C. Add Instructionally Related Facilities**  
**(dollars in thousands)**

Item	Sub-Item	Location/Project Title	Phase	Bill Amount	Analyst's Recommendation	Estimated Future Cost <sup>b</sup>
6870-301-782	(1)	Allan Hancock CCD, Allan Hancock College, Consumer Education Building .....	w	\$53	—	\$819
	(9)	Kern CCD, Cerro Coso College, Classroom Addition .....	wce	1,095	pending	—
	(18)	Los Rios CCD, Cerro Coso College, Performing Arts Addition and Reconstruction.....	w	227	pending	3,152
	(25)	Rancho Santiago CCD, Rancho Santiago College, Johnson Campus Center Addition .....	wce	350	pending	—
	(27)	Redwood CCD, Mendocino Coast Education Center, Vocational Building .....	wce	657	—	—
	(29)	Saddleback CCD, Saddleback College, Vocational Technology Building .....	wc	4,352	\$4,352	543
	(33)	Santa Barbara CCD, Santa Barbara City College, Interdisciplinary Center .....	w	223	—	3,742
	(34)	Ventura CCD, Moorpark College, Occupational Graphic Arts Building .....	w	102	—	2,740
		Subtotal General Obligation Bond .....		\$7,059	\$4,352	\$10,177
6870-301-660	(1)	Allan Hancock CCD, Allan Hancock College, Humanities Building .....	c	\$2,286	—	\$177
	(5)	Los Angeles CCD, Los Angeles Mission College, Instructional and Administration Building ....	c	8,532	\$8,198	1,031
	(10)	San Diego CCD, San Diego Miramar Center, Instructional Center .....	wc	3,250	—	unknown
		Subtotal Revenue Bond .....		\$14,068	\$8,198	\$1,208
		Totals .....		\$21,127	\$12,550	\$12,204

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

<sup>b</sup> Some projects have future equipment costs which have not been identified.

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued****Allan Hancock CCD—Consumer Education Building and Humanities Building**

*We recommend deletion of \$53,000 for working drawings for a new Consumer Education Building and deletion of \$2,286,000 for construction of a new Humanities Building on the Allan Hancock campus, because the scope of the work proposed does not reflect the legislative intent as specified in the Supplemental Report of the 1985 Budget Act. (Reduce Item 6870-301-782(1) by \$53,000 and Item 6870-301-660(1) by \$2,286,000.)*

In 1985, the Legislature appropriated \$62,000 for working drawings for a new 20,600 assignable square foot (asf) Humanities Building for the Allan Hancock campus. The Legislature specified its intent in the *Supplemental Report of the 1985 Budget Act* that the new building is to replace all buildings on the campus which do not meet the structural safety requirements of the Field Act. The report also specifies that the future construction cost of this project is \$2,260,000.

Over the 18 months since this appropriation was made, the scope of the project has changed substantially. Instead of *one* 20,600 asf humanities building, the district now proposes *three* projects totaling 31,868 asf: a 14,386 asf humanities building, a 6,636 asf consumer education building and a 10,846 asf renovation of existing space to house various programs (future project). The cost of the three projects is \$3.7 million, or \$1.3 million (56 percent) over the amount which the district identified for the Legislature when funds for working drawings for the humanities building were appropriated in 1985. The district also informs us that even after these three projects are complete, the district will still have programs in structures which do not comply with the Field Act.

While the need for Allan Hancock Community College District to have classrooms and offices which can withstand the pressures of an earthquake has been established, our review of the district's proposal indicates that it (1) ignores the specified legislative intent and (2) builds more space than the district needs. (If all three projects were completed as the district proposes, the district will have 118 percent of the state's guidelines for lecture space, 115 percent of laboratory space and 98 percent of office space.) Consequently, we recommend deletion of \$53,000 for working drawings for the Consumer Education Building under Item 6870-301-782(1), and \$2,286,000 for construction of the Humanities Building under Item 6870-301-660(1). The district should use previously appropriated funds to develop working drawings which conform with the scope and cost previously approved by the Legislature.

**Kern CCD—Classroom Addition**

*We withhold recommendation on \$1,095,000 under Item 6870-301-782(9) for working drawings, construction and equipment for the classroom addition at Cerro Coso College (Kern Community College District), pending information on the possibility of using/remodeling laboratory rooms for classrooms and certification from the district that the proposed equipment has a useful life of at least ten years.*

Kern CCD proposes to add 5,118 asf to an existing classroom building to create space for ten new general purpose classrooms. We have two

concerns with the district's proposal. First, while the campus has a shortage of classroom space (only 31 percent of the state's guidelines, a 7,898 asf deficiency), the campus has a surplus of laboratory space (292 percent of the state's guidelines, a 7,423 asf surplus.) We are not sure why the college cannot teach some lecture classes such as math and business in laboratory rooms. Second, the district proposes \$1.1 million for working drawing, construction *and* equipment funds from the Higher Education Bond Act of 1986. As we have discussed previously, the bond act restricts the use of the funds for equipment purchases to include only equipment which has a useful life of ten years or more. Kern CCD has not specified the expected life of the equipment it requests.

Accordingly, we withhold recommendation on this proposal, pending receipt of the following information:

- a description and utilization (from the district's space inventory) of all laboratory classrooms at Cerro Coso,
- a description and utilization (from the district space inventory) of all lecture classrooms at Cerro Coso College, and
- the expected lifetime of the requested equipment.

#### **Los Rios CCD—Performing Arts Addition and Reconstruction**

*We withhold recommendation on \$227,000 under item 6870-301-782(18) for working drawings for the performing arts addition and reconstruction on the Sacramento City College campus, pending justification of the size of the new music wing, and/or redesign/reduction of the scope and cost of the project.*

The budget includes \$227,000 for working drawings for a construction/renovation project to improve the facilities for the music, performing arts and drafting programs at Sacramento City College. The music program is currently housed in part of a 50-year old auditorium building, in portable facilities and in the Library annex. The district indicates that the current music facilities are inadequate for many reasons, the most critical of which being acoustical isolation. Despite numerous attempts to rectify the problem, the existing quarters are not acoustically sound, making it difficult for other classes to be taught in an area where a music class is being conducted.

The district proposes to build a new 8,938 asf music wing to the auditorium building and to remodel a total of 34,603 asf of lecture, lab, office and assembly space in the auditorium building and the Library annex. The remodeling will permit several programs such as adaptive physical education, drafting, and financial aid to move from temporary facilities into more appropriate permanent space. The remodeling will also add theatre lights and renovate the assembly in the auditorium building.

Our review of the district's proposal indicates that the project will substantially improve the facilities for many programs. We withhold recommendation, however, because the district has not fully justified the size of the proposed new music wing. According to state space guidelines, after the project's completion, the district will have 106 and 121 percent, respectively of the space needed for lecture and laboratory classes. Accordingly, we withhold recommendation on this request, pending justification of the need for 8,938 asf of new construction—or resubmittal of the project, at reduced size and cost.

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued****Rancho Santiago CCD—Johnson Campus Center Addition**

*We withhold recommendation on \$134,000 under Item 6870-301-782 (25) for the equipment for Johnson Campus Center Addition, pending certification from the district that the useful life of the proposed equipment is at least ten years.*

The budget proposes \$350,000 for working drawings, construction and equipment for a project to convert a patio of the Johnson Center into a 3,330 square foot learning laboratory. The new space will be used for the assessment and remediation of students with learning disabilities. This new space will bring the district to 95 percent of the state guidelines for laboratory space. While the need for the proposed project is justified, the district has not indicated if the equipment (\$134,000) to be purchased with these funds will have a useful life of at least ten years. Accordingly, we withhold recommendation, pending an evaluation of the proposed equipment.

**Redwoods CCD—Vocational Building**

*We recommend deletion of \$657,000 for working drawings, construction and equipment for a vocational building at the Mendocino Coast Education Center, because the need for the additional space is not justified. (Reduce Item 6870-301-782 (27) by \$657,000.)*

The budget provides \$657,000 for working drawings, construction and equipment for a new 4,440 asf building to house vocational arts at the Mendocino Coast Education Center. The district indicates that this building will enable it to hold photography, art, graphics and ceramic classes at the center, rather than in leased facilities.

Our analysis indicates that it would be less expensive for the district to maintain its existing leases, than to build new space. The district's annual lease cost is \$20,600. The state's cost for the new building is \$657,000. Thus, it would take more than 30 years for the lease costs to exceed the cost of new construction. On this basis, we recommend deletion of this project, for a savings of \$657,000.

**Santa Barbara CCD—Interdisciplinary Center**

*We recommend deletion of working drawing funds for a new interdisciplinary center on the Santa Barbara campus, because the size of the proposed building is greater than needed. (Reduce Item 6870-301-782 (33) by \$223,000.)*

The budget proposes working drawings funds for a new 23,600 asf building for English, mathematics and social sciences classes. These classes are currently conducted in nine temporary buildings. The district informs us that, upon completion of this new building, eight of the temporary buildings would be removed from the campus and one temporary building would be used for storage.

Based on our site visit, we understand that replacing the temporary buildings with a permanent structure would be desirable, however, the district's proposal is excessive. According to information submitted by the district, once this project is completed, the district will have 124 percent of the lecture space indicated by state guidelines. Moreover, two years after completion, because of a projected decline in weekly student contact hours, the district estimates that it will have 128 percent of the space indicated by state guidelines.



Accordingly, we recommend deletion of the \$223,000 requested for working drawings. The district should reevaluate its space needs and develop a more modest proposal.

**Ventura CCD—Occupational Graphic Arts Building**

*We recommend deletion of \$102,000 for working drawings for the Ventura CCD Occupational Graphic Arts Building, because the district has not adequately justified either the need for the project or its high cost. (Reduce Item 6870-301-782(34) by \$102,000. Future savings of \$2.7 million.)*

Ventura County CCD proposes to build one 10,116 asf building to house its radio/television, journalism, and commercial and graphic arts programs. These programs are currently housed in classrooms and laboratories throughout the campus. The district indicates that this project would consolidate the programs and house them in more appropriately designed space.

Our review of the district's proposal indicates that the district has not adequately justified its need for the new buildings. The district has submitted no information to indicate that the existing facilities are inadequate and/or that the existing facilities could not be modified to meet the program's needs. In addition, according to state space guidelines, the district currently has 106 percent of laboratory need and 143 percent of lecture needs. Finally, the district's proposal is very costly—\$3.2 million (\$315 per asf) to plan, construct and equip the 10,116 asf facility. In comparison, similar construction/equipment costs in CSU would be approximately \$200 per asf. Accordingly, we recommend deletion of the \$102,000 under Item 6870-301-782(34) for working drawings.

**Los Angeles CCD—Instructional and Administration Building**

*We recommend a reduction of \$334,000 for construction of an instructional/administration building at Los Angeles Mission College to eliminate skylights enclosing two courtyards and the mission clay tile roof. (Reduce Item 6870-301-660(5) by \$334,000.)*

The budget proposes \$8.5 million to construct an instructional/administration building at Los Angeles Mission Community College. This building would be the first building constructed for the new Mission campus at Sylmar. The college currently conducts classes in a dozen rented facilities, located over a five mile range of the northern San Fernando Valley.

Ordinarily, we would not recommend that this project proceed, because the Los Angeles Community College District has a substantial surplus of lecture and laboratory space—158 percent and 127 percent, respectively, of state guidelines. Moreover, the new Sylmar site is only 15 miles from Valley Community College and 21 miles from Pierce College, both of which have surplus classroom capacity.

In the case of Los Angeles Mission, however, there are extenuating factors which suggest that existing classroom capacity outside of the Los Angeles Mission area may not be utilized by many of Mission's students. Our review of the district's proposal indicates that the decision to build a campus for Los Angeles Mission, despite the surplus district capacity, is a policy issue that should be addressed by the Legislature. In this section, we discuss the Mission campus proposal and offer recommendations regarding possible cost reductions, should the Legislature decide to approve this request.

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

**Proposal.** Los Angeles Mission College has offered classes in the northern San Fernando Valley since 1975. Mission's enrollment has varied from a low of 2,000 students in 1975 to a high of 4,926 in 1986. Seventy percent of L. A. Mission's students are women, nearly half are over 35 years of age and less than 15 percent are full-time. The service-area population of the College is Pacoima, the City of San Fernando and Sylmar. The area is comprised primarily of low-income people and contains a high percentage of minority-group members, particularly Hispanics.

In requesting funds for construction of the instructional/administration building, the district contends that while existing surplus capacity on neighboring campuses could accommodate Los Angeles Mission students, these students are not apt to attend the other campuses because: (1) public transportation is costly and time consuming and this is a particular disincentive for Mission's many part-time students, (2) Pierce and Valley Colleges do not offer Mission's unique array of programs, designed to serve the needs of socioeconomically deprived students and, most importantly, (3) minority students, particularly Hispanics, are much less likely to attend college if the school is located outside of their community.

The California Postsecondary Education Commission (CPEC) evaluated the Los Angeles Community College District's proposal in early 1986, employing nine criteria that have been used since 1975 to determine whether a new campus is needed. CPEC concluded that, although Mission College did not meet portions of two of the Commission's criteria related to district capacity and the lack of a negative impact on neighboring colleges, the proposal satisfies the requirement that "compelling local needs" exist. In addition, the commission concluded that the residents of Mission's service area have unique needs that cannot be met by neighboring colleges.

**Project Costs.** Should the Legislature decide to approve construction funds for this project, we recommend reducing the cost by \$334,000 to eliminate two unnecessary architectural features. The building is designed to have two large, two-story interior courtyards. Although the climate in southern California is mild, the district proposes to install two 2,500 square foot skylights over the courtyards—and heat and cool the interior space. These skylights are both costly and unnecessary. The district also proposes to use mission clay tile on the roof of the building. This expensive tile is not needed to complement neighboring architecture. Moreover, other community colleges use less costly tile roofing materials when constructing new buildings. Consequently, we recommend deletion of the skylights and the use of less expensive tile roofing materials, for a total savings of \$334,000.

**San Diego CCD—Instructional Center**

*We recommend deletion of working drawings and construction funds for a new instructional center at the Miramar Campus, because the projected growth in the district's population over the near future does not necessitate additional capacity. (Reduce Item 6870-301-660 (10) by \$3,250,000. Future Savings: unknown cost for equipment.)*

The budget proposes \$3.3 million for working drawings and construction of a 16,828 asf building for business, management, computer science and general purpose classrooms. Construction of the building would enable the district to remove several "temporary" facilities from the campus.

While the district has been offering classes at Miramar since 1969 (initially as an off-campus center), the proposed building would be the first state funded facility on the campus.

Our review of the district's proposal indicates that the proposal is premature. According to state guidelines, the district has sufficient facilities at its three colleges and eleven centers to accommodate current and projected space needs. Moreover, in comparison with the temporary facilities on many other community college campuses, these "temporary" buildings are sturdy and in good condition. Consequently, we recommend that the Legislature delete funds for this project for a savings of \$3,250,000.

#### D. UPGRADE INSTRUCTIONALLY RELATED FACILITIES

As shown on Table 4, the budget proposes six remodeling projects, totaling \$3.5 million, to improve the usability of existing community college facilities. We recommend approval of a project to remodel the San Diego City College science laboratories and the Orange Coast biology laboratory modifications. A discussion of the remaining projects in this category and our recommendation for each follows:

Table 4  
California Community Colleges  
1987-88 Capital Outlay Program  
D. Upgrade Instructionally Related Facilities  
(dollars in thousands)

Item	Sub-Item	Location/Project Title	Phase <sup>a</sup>	Budget Bill Amount	Analyst's Estimated Recommendation	Future Cost <sup>b</sup>
6870-301-782	(12)	Kern CCD, Porterville College, Remodel Existing Nursing Facility and Computer Lab .....	wce	\$262	—	—
	(23)	Palomar CCD, Palomar College, Remodel Seven Buildings for Space Utilization .....	wc	572	—	—
	(24)	Peralta CCD, Merritt College, Conversion of Existing Space.....	wc	1,259	—	\$104
	(31)	San Diego CCD, San Diego College, Remodel Existing Facilities, Life Science, Phase I .....	wc	205	\$205	—
		Subtotal General Obligation Bond .....		\$2,298	\$205	\$104
6870-301-660	(2)	Coast CCD, Orange Coast College, Biology Modification .....	wc	\$464	\$464	—
	(3)	Kern CCD, Bakersfield College, Science Laboratory Reconstruction .....	wc	728	—	—
		Subtotal Revenue Bond.....		\$1,192	\$464	—
		Totals .....		\$3,490	\$669	\$104

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

<sup>b</sup> Some projects have future equipment costs which have not been identified.

#### Kern CCD—Remodel Existing Nursing Facility and Computer Lab

*We recommend deletion of \$262,000 for working drawings, construction and equipment to remodel buildings on the Porterville College campus, because the district has not adequately justified the need for the project*

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

*and much of the proposed work is not capital improvements and would be more appropriately budgeted as maintenance. (Reduce Item 6870-301-782(12) by \$262,000.)*

The budget proposes \$262,000 for working drawings, construction and equipment to remodel three 30-year old buildings on the Porterville College campus. The project is intended to increase the buildings' energy efficiency, comfort and utility. The district has not provided, however, information justifying the need for an energy upgrade or the need for many other items—such as installing windows in windowless offices or increasing the size of the classrooms and laboratories. (The campus is currently at 169 percent and 187 percent, respectively, of state space guidelines for lecture and laboratories.) Furthermore, much of the work/equipment proposed in the project, such as replacing the roof and carpets and purchasing new equipment, should not be financed through the capital outlay program. This work is more appropriately financed, on a priority basis, through deferred maintenance and support budgets. Consequently, we recommend deletion of \$262,000 under Item 6870-301-782(12).

**Palomar CCD—Remodel Seven Buildings for Space Utilization**

*We recommend deletion of \$572,000 to remodel seven buildings at Palomar College, because the need for most of the work is not adequately justified. (Reduce Item 6870-301-782(23) by \$572,000.)*

The Palomar CCD is requesting \$572,000 to remodel seven buildings on the Palomar campus to increase the buildings' usability or safety. This work includes minor alterations such as enlarging rooms, adding offices, installing fume hoods and upgrading a dance floor and repairs such as replacing lights and seats.

Our review of the districts proposal indicates that the work is insufficiently justified or is more appropriately budgeted as a repair. Accordingly, we recommend deletion of \$572,000 under 6870-301-782(23).

**Peralta CCD—Conversion of Existing Space**

*We recommend deletion of \$1,259,000 for working drawings and construction to remodel several buildings at Merritt College, because the district's plan is uncertain and is insufficiently justified. (Reduce Item 6870-301-782(24) by \$1,259,000. Future savings: \$104,000.)*

The district proposes a major remodeling of Merritt College. Based on our site visit, it appears that some consolidation/alterations may be desirable to improve facilities for student services and data processing/computer classes at Merritt College. We have three concerns, however, with the proposal. First, the district has not completed preliminary plans, thus it cannot substantiate the dollar amount of its request. Second, the district informs us that it may have to substantially redesign its proposal, because it may not be possible to put classrooms in the student union building, as the district originally planned. Third, the proposed remodeling appears to be unnecessarily complicated (involving five buildings and 38,875 asf) and costly, given the benefits to be derived by students from the alterations.

Consequently, we recommend that the Legislature delete funding for this project, for a savings of \$1,259,000 and a future savings of \$104,000.

**Kern CCD—Science Laboratory Reconstruction**

*We recommend deletion of \$728,000 for working drawings and construction to renovate the science laboratories at Bakersfield College, because the scope of the proposed work appears excessive and much of the work is not capital improvements and would be more appropriately budgeted as maintenance. (Reduce Item 6870-301-660(3) by \$728,000.)*

The budget provides \$728,000 for working drawings and construction for the Kern Community College District to undertake a major renovation of its science laboratories. Based on our site visit, it appears that some work may be needed at the Bakersfield Science laboratories to install eyewashes and other safety devices, upgrade chemical storage and increase ventilation.

The scope of the proposed project, however, is excessive. For example, the project includes installation of emergency shut-off valves for natural gas and emergency switches for electric service for almost every room. These valves/switches are not required by code. In addition, the district's proposal includes many items that should be part of the district's maintenance program.

Consequently, we recommend deletion of \$728,000 under Item 6870-301-660(3) for this project.

**E. LIBRARIES**

As Table 5 indicates, the budget proposes two projects, totaling \$1.1 million to add library space to the community colleges. Our discussion of the proposed projects and recommendations follow.

**Table 5**  
**California Community Colleges**  
**1987-88 Capital Outlay Program**  
**E. Libraries**  
**(dollars in thousands)**

Item	Sub-Item	Location/Project Title	Phase <sup>a</sup>	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost <sup>b</sup>
6870-301-782	(15)	Los Rios CCD, American River College, Remodel for Learning Resource Center .....	wce	\$542	pending	—
6870-301-660	(14)	West Hills CCD, West Hills College, Library Addition .....	wc	606	—	77
		Totals .....		\$1,148	—	\$77

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

<sup>b</sup> District estimate.

**Los Rios CCD—Remodel for Library Resource Center**

*We withhold recommendation on \$214,000 for equipment purchases under Item 6870-301-782(15) for a project to remodel the American River College Library, pending certification that the useful life of the proposed equipment is at least ten years.*

The district proposes to convert ten classrooms into a library resources/learning assistance center and split twelve large classrooms into 18 smaller classrooms. (The small classrooms are appropriate for communications

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

and humanities classes, which generally have fewer than 30 students.) As the district has a surplus of lecture space and a shortage of library space (approximately 117 percent and 83 percent of space guidelines, respectively), the remodel is a sensible and cost effective way for the district to meet its space needs. We withhold recommendation on the equipment portion (\$214,000) for this proposal, however, pending district certification that the equipment it plans to purchase will have a useful life of at least ten years.

**West Hills CCD—Library Addition**

*We recommend deletion of working drawing and construction funds for the West Hills Library Addition, because the district should use existing space to meet its library needs. (Reduce Item 6870-301-660 (14) by \$606,000. Future savings: \$77,000.)*

The district proposes to add 4,819 asf of library space by expanding the existing library on two sides. While the district has an 11,682 asf shortage of library space, the district has a 35,580 asf surplus of lecture space (386 percent of state guidelines). The district has not explained why existing facilities cannot be remodeled, at a lower cost, to meet the district's library needs. Accordingly, we recommend deletion, for a savings of \$606,000.

**F. ADD NEW SUPPORT FACILITIES**

As Table 6 shows, the Budget Bill proposes six projects to add various physical education facilities on community college campuses. Three projects totaling \$4.1 million are justified and are needed to enable the Cuyamaca, Irvine Valley and Columbia Colleges to offer physical education programs. Accordingly, we recommend approval. Our comments regarding the three remaining projects follow.

**Table 6**  
**California Community Colleges**  
**1987-88 Capital Outlay Program**  
**F. Add New Support Facilities**  
**Item 6870-301-782**  
**(dollars in thousands)**

Sub-Item	Location/Project Title	Phase <sup>a</sup>	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost
(6)	Grossmont-Cuyamaca CCD, Cuyamaca College, Outdoor Physical Education Facility....	w	\$135	\$135	\$1,492
(11)	Kern CCD, Cerro Coso College, Multi-Use Physical Education Facility .....	w	251	168	3,966
(20)	Mendocino-Lake CCD, Mendocino College, Outdoor Physical Education Facility .....	w	167	—	1,880
(21)	Mendocino-Lake CCD, Mendocino College, Indoor Physical Education Facility, Phase I	w	198	—	3,015
(28)	Saddleback CCD, Irvine Valley College, Outdoor Physical Education Facility .....	w	139	139	1,641
(35)	Yosemite CCD, Columbia College, Multi-Purpose Instructional Facility, Gymnasium..	c	3,785	3,785	unknown
	Total .....		\$4,675	\$4,227	\$11,994

<sup>a</sup> Phase symbols indicate: w = working drawings and c = construction

<sup>b</sup> Some projects have future equipment costs which have not been identified

**Kern CCD—Multi-Purpose Physical Education Facility**

*We recommend a reduction of \$83,000 from working drawings for the Cerro Coso College Multi-Use Physical Education Facility, because the cost of the proposed facility is unnecessarily high. (Reduce Item 6870-301-782(11) by \$83,000. Future savings: \$1.6 million.)*

The budget includes \$251,000 to develop working drawings for construction of a 26,296 asf physical education multipurpose facility, with a basketball court (seating for 4,000), four racquetball courts, a weight training room, and ancillary facilities. While the college currently offers indoor physical education classes, the district informs us that the facility in which the college holds classes—the Naval Weapons Center at China Lake—will no longer be available for lease by the general public. The district also indicates that there is little other space in the Indian Wells Valley which would be suitable to lease for physical education purposes.

Our review of the district's proposal indicates that, although a physical education facility is needed, the cost of the proposed project is high—exceeding the California State University's (CSU) cost guidelines for physical education facilities by 33 percent. The reason for this high cost is not apparent. From the information provided by the district, the design of, and materials proposed for the facility do not appear to be unusual or costly. Consequently, we believe that either the cost estimate is inflated, or there are design elements that are not shown in the drawings. Accordingly, we recommend that the Legislature reduce the amount proposed for working drawings by 33 percent to reflect a total project cost that would be consistent with the cost guidelines of CSU. Thus, we recommend that Item 6870-301-782(11) be reduced by \$83,000, with a future savings of \$1.6 million.

**Mendocino-Lake CCD Indoor Physical Education Facility and Mendocino-Lake CCD Outdoor Physical Education Facility**

*We recommend deletion of \$365,000 for working drawings for two physical education facilities on the Mendocino College campus, because the district's total plan to provide physical education facilities is unnecessarily expensive. (Reduce Item 6870-301-782(20) and (21) for a savings of \$365,000. Future savings: \$4.9 million plus an unknown amount for equipment for the indoor physical education facility.)*

The budget bill provides funds for working drawings for a 20,300 asf indoor physical education facility plus outdoor physical education areas at Mendocino College. The estimated future cost of these proposed facilities is \$4.9 million. These projects, however, represent just half of the physical education facilities proposed in the district's five-year plan. The total cost of *all* the facilities is unknown, but is likely to exceed \$8 million.

Our review of the district's proposed *indoor* physical education facility indicates that the cost of the building exceeds the CSU guidelines by 16 percent. Moreover, the building provides only a portion of the district's stated indoor physical education facility needs. The 20,300 asf building primarily includes space for lockers and showers (10,000 asf), a weight room (2,500 asf) and exercise, dance and human performance testing areas (6,000 asf). Construction of other indoor activity areas is proposed under a *future* gymnasium project, estimated to cost \$2.1 million.

Our review of the district's *outdoor* facility indicates that its cost is also

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

unnecessarily high. This is because the outdoor facility includes items such as a *covered* golf driving area, a *mile* long jogging trail, and separate baseball, football, softball and soccer playing fields. We believe that this extensive development of outdoor physical education facilities is excessive for a college which has a total enrollment of fewer than 3,500 students (19,100 weekly student contact hours).

Accordingly, we recommend that the Legislature delete funds for these projects. We urge the district to reconsider its five-year plan and develop an alternate proposal for meeting its physical education needs which (1) makes maximum use of existing community facilities and (2) minimizes cost.

**G. UPGRADE SUPPORT FACILITIES**

As Table 7 shows, the Budget Bill includes two projects to upgrade support facilities at community colleges. Our comments follow.

**Table 7**  
**California Community Colleges**  
**1987-88 Capital Outlay Program**  
**G. Upgrade Support Facilities**  
**(dollars in thousands)**

Item	Sub-Item	Location/Project Title	Phase <sup>a</sup>	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost <sup>b</sup>
6870-301-782	(5)	Glendale CCD, Glendale College, Renovate Classroom, laboratories and administration space.....	w	\$152	—	\$2,256
6870-301-660	(12)	Santa Barbara CCD, Santa Barbara City College, Student Services Center—Working Drawings .....	w	109	pending	1,526
		Totals .....		\$261	—	\$3,782

<sup>a</sup> Phase symbol indicates: w = working drawings.

<sup>b</sup> Some projects have future equipment costs which have not been identified.

**Glendale CCD—Renovate Classrooms, Laboratories and Administrative Space**

*We recommend deletion of \$152,000 to prepare working drawings to renovate classrooms, laboratory and administrative space at Glendale College, because the project is insufficiently justified and the majority of the work proposed is more appropriately budgeted as maintenance, not capital outlay. (Reduce Item 6870-301-782(5) by \$152,000. Future savings: \$2.3 million.)*

The budget includes \$152,000 for working drawings to remodel the classroom/laboratory and administration building. This project includes:

- major renovation of the first floor of the building, which houses administrative offices (32 percent of total project cost),
- minor remodeling of the classrooms on the second floor (4 percent of total project cost),
- new equipment and office furniture (17 percent of total project cost), and



- a general upgrade of the building's infrastructure, including a new heating/air conditioning system, lighting, and installation of insulation, glare reducing glass and weather-stripping (47 percent of total project cost).

The district contends that the existing building is difficult to heat and cool, has insufficient office space and would function better with modern furniture and equipment.

Our review of the district's proposal indicates that: (1) the district has not adequately justified the need for the utility upgrades, (2) despite the high cost of the project, the remodeling will add only 3,015 asf of office space and this will not substantially improve the district's inventory of office space and (3) some of the proposed cost, such as the new office furniture for the administrative areas, is more appropriately budgeted through the district's support funds.

Given the above, we recommend deletion of \$152,000 under Item 6870-301-782(5). (Future savings: \$2.3 million.)

#### **Santa Barbara CCD—Student Services Center**

*We withhold recommendation on \$109,000 under Item 6870-301-660(12) for working drawings to remodel the Santa Barbara library into a student services building, pending receipt of a revised project proposal which is based on no net increase in building space.*

The 1986 Budget Act appropriated funds to construct a new learning resources center on the Santa Barbara campus. The district now requests funds for working drawings to remodel the old library into a student services center. The new center will enable the district to consolidate student services into a single building and remove eight temporary structures from the campus.

The existing library has a total of 18,508 asf of space on the main floor, second floor and basement. The district proposes to remodel this space and construct 5,120 new square feet within the existing building by adding a second floor over an open space area. The district notes that the internal addition represents a substantial portion of the cost of this approximately \$1.6 million project.

Our review of the district's proposal indicates that the renovation of the old library is justified, but that the addition of the 5,120 asf may not be needed. While the district has a shortage of office space, the district exceeds state guidelines for lecture and laboratory space. Accordingly, we asked the Chancellor's Office to work with the district to see if an alternative plan for the building could be developed which did not add the second floor. We have not yet received the requested plan. Consequently, we withhold recommendation, pending receipt of a revised project proposal and cost estimate.

#### **H. OTHER PROJECTS**

The Community Colleges capital outlay program includes funds for eight projects such as utility/energy upgrades, projects to provide handicapped accessibility, land acquisition and planning. Table 8 summarizes the projects and our recommendations. Three projects, totaling \$576,000 are justified. These remove barriers to the physically impaired and provide funds for the community colleges to prepare preliminary plans. The proposed work and associated costs are reasonable and we recommend funding at the requested amounts. Our comments regarding the remaining projects follow.

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

**Table 8**  
**California Community Colleges**  
**1987-88 Capital Outlay Program**  
**H. Other Projects**  
**Item 6870-301-782**  
**(dollars in thousands)**

<i>Sub-Item</i>	<i>Location/Project Title</i>	<i>Phase<sup>a</sup></i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>
(2)	Cerritos CCD, Cerritos College, Energy Conservation Measures	wc	\$432	\$261
(3)	Coast CCD, Golden West Campus, Removal of Architectural Barriers, Phase II .....	wc	200	200
(14)	Los Angeles CCD, Los Angeles City College, Music Building HVAC .....	wc	840	—
(16)	Los Rios CCD, Cosumnes River College, Removal of Architectural Barriers .....	wc	176	176
(26)	Rancho Santiago CCD, Orange Campus, Site Acquisition, Inc. # 2 .....	a	3,184	—
(30)	San Bernardino CCD, San Bernardino Valley College, Removal of Architectural Barriers, Phase II .....	wc	193	—
(32)	San Francisco CCD, San Francisco City College, Batmale Hall Code Compliance .....	wc	453	—
(39)	Statewide—Preliminary Plans for 1988-89 .....	p	200	200
	Total .....		\$5,678	\$837

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

**Utility/Energy Projects**

***We recommend a total reduction of \$1,464,000 from three utility/energy efficiency projects, because the need for the work is not justified. (Reduce Item 6870-301-782(2) by \$171,000, Item 6870-301-782(14) by \$840,000 and Item 6870-301-782(32) by \$453,000.)***

The budget proposes three projects to upgrade energy efficiency or increase/provide air conditioning. Our review indicates:

- The need for replacing fluorescent lights at Cerritos College has not been substantiated. Moreover, this type of work is usually budgeted from support funds. Accordingly, we recommend a reduction of \$171,000 from Item 6870-301-782(2) to delete this portion of the work. The remainder of the project provides for energy improvements which are justified and which have paybacks of 1.6 to 4.2 years.
- The need for providing a chiller and additional chilled water coils to the air handling system of the Los Angeles Music Building has not been substantiated. The proposed chiller was originally part of the building's design, but was deleted by the district, on a priority basis, because of the high cost. Accordingly, we recommend that the requested \$840,000 under Item 6870-301-782(14) for this project be deleted.
- It may not be necessary to air-condition the *entire* Batmale Hall at San Francisco City College, because some of the interior classrooms get warm. Usually in temperate climates such as San Francisco, the build-

ing's ventilation system can be adjusted to maintain a comfortable temperature in the building. Should increasing ventilation not rectify the problem, the district should consider air conditioning *only* the interior classrooms. We recommend deletion of the requested \$453,000 under Item 6870-301-782(32).

#### **Rancho Santiago CCD—Site Acquisition**

*We recommend deletion of \$3,184,000 to acquire 22 acres at Rancho Santiago Orange campus, because the campus does not need to purchase the land at this time. (Reduce Item 6870-301-782(26) by \$3,184,000.)*

The budget proposes \$3.2 million for the Rancho Santiago CCD to purchase 22 acres of land on the east boundary of the existing 30 acre campus. The district contends that the purchase is necessary because, (1) a new instructional building will be needed in a few years to accommodate student enrollment growth and (2) the district's master plan shows the future building located on a parcel which the district does not own.

Our review of the district's proposal indicates that the need to place the new building on the proposed parcel, rather than on district owned land, has not been substantiated. The existing 30 acre Rancho Santiago campus is largely undeveloped. We see no reason a building could not be constructed on the existing campus land. Furthermore, we believe that the district should reconsider its master plan, because it does not appear to develop land efficiently and the adjacent parcels are very expensive.

The district's master plan is based on a total of 96 acres (66 acres more than are currently owned by the district) and includes: 35 acres of parking, almost 11 acres for a community equestrian center, six to ten acres of a landscaped "buffer", 28 acres for a sports center and playing field and only 12 to 16 acres of buildings and related open space. Accordingly, we recommend that the Legislature delete the \$3.2 million under Item 6870-301-782(3) for the land acquisition and urge the district to reconsider its master plan and the siting of the next building.

#### **San Bernardino CCD—Removal of Architectural Barriers**

*We recommend deletion of \$193,000 to remove architectural barriers at San Bernardino, because the district's proposal is unclear as to what work is proposed and why it is necessary. (Reduce Item 6870-301-782(30), \$193,000).*

The budget proposes \$193,000 for the removal of architectural barriers at San Bernardino CCD. The district's requests consists of four sentences and is very unclear as to what work is to be done or why it is necessary. In November 1986, we requested the Chancellor's Office to ask the district to submit information explaining the scope of the project. At the time the analysis was prepared, we had received no information. We therefore recommend deletion of \$193,000 under Item 6870-301-782(30).

#### **I. CREATION OF PERMANENT OFF-CAMPUS CENTER**

The budget proposes three projects, summarized in Table 9, related to the creation of a permanent off-campus center in Woodland.

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued****Table 9****California Community Colleges  
1987-88 Capital Outlay Program****I. Creation of Permanent Off-Campus Centers****Item 6870-301-782****(dollars in thousands)**

Sub-Item	Location/Project Title	Phase <sup>a</sup>	Budget Bill Amount	Analyst's Recom- mendation	Estimated Future Cost <sup>b</sup>
(36)	Yuba CCD, Woodland Center, Off-Site Development.....	wc	\$187	—	—
(37)	Yuba CCD, Woodland Center, On-Site Development.....	wc	1,739	—	—
(38)	Yuba CCD, Woodland Center, Permanent Facilities.....	w	195	—	\$3,728
	Total.....		\$2,121	—	\$3,278

<sup>a</sup> Phase symbols indicate: w = working drawings and c = construction.<sup>b</sup> District estimate.**Yuba CCD—Creation of a Permanent Woodland Educational Center**

*We recommend deletion of \$2,121,000 for three projects related to the creation of a permanent off-campus center in Woodland, because the need for the center has not been established. (Reduce Items 6870-301-782(36), (37) and (38) for a total savings of \$2,121,000. Future savings: at least \$3.3 million.)*

The Yuba CCD has operated a center in Woodland since 1976. The center consists of several portable buildings located on leased property. The lease expires in 1989, with the allowance for a one-year extension.

The Yuba CCD requests funds to construct a new Woodland Center on district owned land to the south of the city. Specifically, the budget proposes a total \$2.1 million for working drawings and construction of on- and off-site development and working drawings for an instructional/administration building. The future cost of these projects is \$3.3 million.

Our review of the district's proposal indicates that the need for the Woodland center has not been established. There is sufficient classroom and laboratory space in the Yuba and nearby Los Rios Community College Districts to accommodate *all* the Woodland students without any new construction. The Yuba CCD currently has 145 and 115 percent, respectively of the lecture and laboratory space recommended by state guidelines. The proposed construction will increase these percentage to 153 and 124 percent. The neighboring Los Rios CCD has lecture and laboratory capacities of 118 and 124 percent respectively.

In addition, the number of students expected to enroll at the new center is very low, especially in light of the high costs to create the center. The Department of Finance estimates that there will be only 1,140 students (9,800 weekly student contact hours) enrolled at the Woodland Center when it opens in 1989-90 and only 2,410 students (22,400 weekly student contact hours) in 1994.

The total cost, on the other hand, to the state and district to develop the proposed site, move the relocatable buildings and construct one new building will be approximately *\$7.3 million*. Furthermore, the district's five-year plan calls for future construction at the center of a library, additional classroom and laboratory space, a cafeteria and bookstore building and physical education facilities. Thus, the center would basically become another campus in the district. The district has not provided estimates for the cost of these future projects.

Rather than construct a permanent center (campus) the district should consider (1) consolidating its programs at the Marysville campus, (2) entering into an inter-district agreement with Los Rios CCD to serve Yuba CCD students and/or (3) leasing facilities in Woodland.

In view of the excess capacity within the Yuba CCD and the Los Rios CCD coupled with the relatively low enrollment, we recommend deletion of the \$2,121,000 under Items 6870-301-782(36), (37) and (38). (Future savings: at least \$3.3 million.)

#### J. ANCILLARY

As Table 10 indicates, the budget proposes a total of \$4.9 million for five child care centers and one cafeteria. Our discussion and recommendations follow.

**Table 10**  
**California Community Colleges**  
**1987-88 Capital Outlay Program**  
**J. Ancillary Facilities**  
**Item 6870-301-782**  
**(dollars in thousands)**

Sub-Item	Location/Project Title	Phase <sup>a</sup>	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost <sup>b</sup>
(4)	Glendale CCD, Glendale College, Child Development Center .....	wce	\$760	pending	—
(7)	Grossmont-Cuyamaca, Grossmont College, Child Development Center .....	wce	507	pending	—
(10)	Kern CCD, C��ro Coso College, Child Care Center .....	wce	970	pending	—
(17)	Los Rios CCD, Cosumnes River College, Cafeteria Building .....	wc	2,047	\$1,846	unknown
(19)	Mendocino-Lake CCD, Mendocino College, Child Care Facility .....	wc	498	pending	unknown
(22)	Napa Valley CCD, Napa Valley College, Child Care Facility .....	w	101	pending	\$1,600
Totals .....			\$4,883	\$1,846	\$1,600

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

<sup>b</sup> Some projects have future equipment costs which have not been identified.

#### Child Care Centers—Five Districts

*We withhold recommendation on a total of \$2,836,000 for five projects for child care centers on five community college campuses, pending further review and receipt of additional information. (Withhold recommendation on Items 6870-301-782(4), (7), (10), (19) and (22).)*

For the first time, the state's capital outlay program for the community colleges requests funds for child care centers. The districts have not requested nor (to our knowledge) has the state financed projects that predominantly are for child care.

The change in the community college's capital outlay program reflects the legislative intent expressed in Ch 843/85. This chapter amended the Education Code to permit community college districts to apply for state funding for child care centers and stated that "The Legislature finds and declares that the lack of adequate child care facilities may bar a parent's access to education, with particular regard to equal education opportuni-

**CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued**

ties, and expresses the intent that the state government assist in providing child care and development services on each campus of the California Community Colleges."

Our review of the five child care or child care/child development projects is not yet complete, as we have several remaining policy and project specific concerns.

**Policy.** To our knowledge, if the Legislature funds these community college day care centers, the centers would be the *first permanent construction* child care centers funded by the state. While the Legislature has appropriated funds for day care centers in the past, under a variety of K-12 and K-14 oriented programs, all previous monies have been appropriated for the purchase of *relocatable facilities*. According to Department of Education staff, relocatable buildings cost approximately \$150,000 to purchase and install. Each of the community colleges proposals, on the other hand, is for a permanent building and costs between \$500,000 and \$1,750,000 (state and district cost) for design and construction. While it may be cost advantageous in the long run to construct permanent facilities, it is not clear why these state-funded day care centers should be the only ones constructed in a permanent fashion.

In addition, the California Community Colleges annually place all proposed projects in a priority order. It is not clear how the need for these child care centers compares with the need for child care centers on the other college campuses—or what criteria the Chancellor's Office used in placing these projects in a priority order amid other community college projects in the same category. While the community colleges have guidelines for lecture space and laboratory space, the colleges have yet to develop guidelines regarding the capacity of a child care facility. We recommend that the Chancellor's Office survey the existing campus child care facilities and develop criteria for evaluating competing child care, academic support and instructionally related capacity proposals.

**Project-Related.** The district's proposals do not contain certain important information, such as:

- the center's policy regarding the admission of students' children versus faculty, staff and community members' children,
- documentation of any deficiencies of the current day care center facility,
- the criteria used to determine the proposed center's child care capacity,
- certification of the expected life of all proposed equipment, in order to comply with terms of the Higher Education Bond Act of 1986, and
- the cost guidelines used, if any, in designing the proposed facility.

Consequently, we withhold recommendation on these proposals, pending further review of the policy issues and receipt of additional information from the community college districts.

**Los Rios CCD—Cafeteria Building**

*We recommend a reduction of \$201,000 from the amount proposed for working drawings and construction for the Cosumnes River College Cafeteria Building, because the costs are excessive. (Reduce Item 6870-301-782(17) by \$201,000.)*

The budget proposes \$2 million to plan and construct a 11,664 asf cafeteria for the Cosumnes River College. The building will include a 7,761 asf

dining area, a 1,062 asf serving area, a 2,043 asf kitchen and 798 asf for food storage. This new cafeteria will replace 3,824 asf of portable buildings which are currently used to provide food service on the campus. The existing facilities are inadequate and a permanent cafeteria is warranted. The amount proposed for construction, however, exceeds the California State University cost guidelines by 13 percent. There is no obvious reason for the high construction costs. Accordingly, we recommend that the Legislature reduce the amount budgeted for working drawings and construction by \$201,000. This reduction will bring the construction costs in accord with CSU guidelines.

### Supplemental Report Language

For purpose of project definition and control, we recommend that the fiscal subcommittees adopt supplemental report language which describes the scope of each of the capital outlay projects approved under this item.

## STUDENT AID COMMISSION

Item 7980 from the General  
Fund and various funds

Budget p. E 147

Requested 1987-88 .....	\$318,976,000
Estimated 1986-87 .....	357,212,000
Actual 1985-86 .....	342,241,000
Requested decrease (excluding amount for salary increases) \$38,236,000 (-10.7 percent)	
Total recommended reduction .....	1,256,000
Recommendation pending .....	6,004,000

### 1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
7980-001-001—SAC, commission support	General	\$6,727,000
7980-001-951—SAC, Guaranteed Loan Program	State Guaranteed Loan Reserve	21,185,000
7980-011-890—SAC, purchase of defaulted loans	Federal Trust	(148,000,000)
7980-011-951—SAC, purchase of defaulted loans	State Guaranteed Loan Reserve	160,000,000
7980-101-001—SAC, awards	General	118,339,000
7980-101-890—SAC, awards	Federal Trust	12,725,000
Total		\$318,976,000

### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. *Cal Grant A Program. Reduce Item 7980-101-001 by \$950,000.* Recommend reduction because the amount requested exceeds estimated number of awards to be funded. 1267
2. *Cal Grant C Program. Withhold recommendation on \$3,039,000, because the amount proposed does not correspond to the number of awards proposed for funding.* 1267

**STUDENT AID COMMISSION—Continued**

3. Graduate Fellowship Program. Withhold recommendation on \$2,965,000, because the amount proposed does not correspond to the number of awards proposed for funding. 1268
4. *Assumption Program of Loans for Education. Reduce Item 7980-101-001 by \$50,000.* Recommend reduction because the amount proposed exceeds projected program requirements. 1271
5. California Student Opportunity and Access Program. Recommend adoption of supplemental report language directing the commission to prepare a report on the allocation of state support for the outreach program. 1271
6. *State Work-Study Administration. Reduce Item 7980-001-001 by \$87,000.* Recommend reduction in administrative support to correct for double-budgeting. 1274
7. *Office Space. Reduce Item 7980-001-001 by \$125,200 and Item 7980-001-951 by \$44,000.* Recommend reduction because the amount requested reflects space requirements for staff not authorized. 1274

**GENERAL PROGRAM STATEMENT**

The Student Aid Commission (SAC) is composed of 15 members, 11 of whom are appointed by the Governor and confirmed by the Senate, two are appointed by the Senate Rules Committee, and two are appointed by the Speaker of the Assembly.

The commission administers:

- seven student grant programs;
- a program which guarantees federally-insured loans to students;
- an outreach program (known as Cal-SOAP) designed to promote access to postsecondary education to disadvantaged and underrepresented students;
- a state-funded work-study program; and
- a state-funded loan assumption program (known as APLE) designed to encourage students to pursue a teaching career.

The commission is also responsible for collecting and analyzing information on student financial aid, evaluating commission programs, assessing the statewide need for financial aid, and disseminating information on financial aid to students, parents, and California educational institutions.

The commission is authorized 201.2 personnel-years in the current year.

**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes total expenditures by the Student Aid Commission (SAC) of \$319 million in 1987-88. This is a decrease of 11 percent (\$38 million) below the current-year level. Table 1 shows funding levels for the commission's programs in the prior, current, and budget years.

For 1987-88, the budget proposes:

- \$131 million for the financial aid grant programs, a \$5.4 million (4.3 percent) increase;
- \$620 million for new federally-insured student loans, a \$2.0 million (0.3 percent) decrease;
- \$160 million to purchase defaulted loans under the Guaranteed Student Loan Program, a \$46.9 million (23 percent) decrease; and
- \$28 million to support the commission's administrative operations, a \$3.1 million (12 percent) increase.



**Table 1**  
**Student Aid Commission**  
**Budget Summary**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

<i>Program</i>	<i>Actual</i>	<i>Est.</i>	<i>Prop.</i>	<i>Change from 1986-87</i>	
	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>	<i>Amount</i>	<i>Percent</i>
Grant Awards .....	\$111,788	\$125,631	\$131,064	\$5,433	4.3%
Student Loans Guaranteed .....	(698,124)	(622,000)	(620,000)	(-2,000)	(-0.3)
Purchase of Defaulted Loans .....	206,879	206,879	160,000	-46,879	-22.7
Administrative Operations .....	23,866	24,896	27,978	3,082	12.4
Subtotals, Expenditures .....	\$342,533	\$357,406	\$319,042	-\$38,364	-10.7%
Less Reimbursements .....	-292	-194	—	194	NA
Totals, Expenditures .....	\$342,241	\$357,212	\$319,042	-\$38,170	-10.7%
<b>Funding Sources:</b>					
General Fund .....	\$105,781	\$119,304	\$125,132	\$5,828	4.9%
Guaranteed Loan Reserve Fund..	38,470	40,446	33,185	-7,261	-18.0
Federal Trust Fund .....	197,990	197,462	160,725	-36,737	-18.6
Total Personnel-years .....	182.6	201.2	208.2	7.0	3.5%

Table 1 and the expenditure tables that follow have not been adjusted to reflect any potential savings in 1986-87 which may be achieved in response to the Governor's December 22, 1986 directive to state agencies and departments to reduce General Fund expenditures.

Table 1 also shows that funding sources include:

- \$125 million from the General Fund, an increase of \$5.8 million (4.9 percent);
- \$33 million from the Guaranteed Loan Reserve Fund (the Loan Fund), a decrease of \$7.3 million (18 percent); and
- \$161 million from the Federal Trust Fund, a decrease of \$36.7 million (19 percent).

### Significant Program Changes

Table 2 displays, by funding source, the components of the \$38 million reduction in total expenditures for the commission in 1987-88.

**Table 2**  
**Student Aid Commission**  
**Proposed 1987-88 Budget Changes,**  
**By Funding Source**  
**(dollars in thousands)**

	<i>General</i>	<i>Guaranteed</i>	<i>Federal Trust</i>	<i>Totals</i>
	<i>Fund</i>	<i>Loan</i>	<i>Fund</i>	
		<i>Reserve Fund</i>		
1986-87 Expenditures (Revised) .....	\$119,304	\$40,446	\$197,462	\$357,212
A. Baseline Adjustments .....	\$4,988	\$910	-\$1,055	\$4,843
1. Pro Rata Adjustments .....	—	(640)	—	—
2. Reduction per Sec. 3.60 Budget Act of 1986 .....	(-78)	(-32)	—	—
3. Indirect Cost Adjustment .....	—	(345)	—	—

**STUDENT AID COMMISSION—Continued**

4. Awards .....	(5,785)	—	—	—
5. Other .....	(-719)	(-43)	(-1,055)	—
B. Budget Change Proposals.....	\$840	\$8,171	\$35,682	\$43,013
1. Information System Develop- ment .....	—	(1,408)	—	—
2. New Facility .....	(367)	(158)	—	—
3. Teacher Incentive Program ....	(-510)	—	(1,055)	—
4. Work Study Program .....	(893)	—	—	—
5. Five positions—CELP Compli- ance .....	—	(298)	—	—
6. Mass Mail Equipment .....	(118)	—	—	—
7. Redirect Position—Fraud Pre- vention .....	(-28)	(32)	—	—
8. Data Gathering Contract— CELP .....	—	(75)	—	—
9. Purchase Defaulted Loans.....	—	(-10,142)	(-36,737)	—
1987-88 Expenditures (Proposed) ....	\$125,132	\$33,185	\$160,725	\$319,042
Changes from 1986-87:				
Amount .....	\$5,828	-\$7,261	-\$36,737	-\$38,170
Percent .....	4.9%	-18%	-18.6%	-10.7%

**ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the following program changes which are not discussed elsewhere in this analysis:

- **Equipment**—An increase of \$118,000 from the General Fund for mass mailing equipment;
- **Information**—An increase of \$75,000 from the Loan Fund to contract for the collection of information to support criminal investigations in the guaranteed loan program.
- **Staff**—An increase of \$302,000 from the Loan Fund for four specialists, an investigator, and clerical support for increased compliance and monitoring in the loan unit, offset by a reduction of one position in the Cal Grant A program.
- **Automation**—An increase of \$1,408,000 from the Loan Fund to develop an integrated financial aid information and delivery system, including a redirection of one position from the Cal Grant B program.
- **Loans**—A reduction of \$46,879,000 from the Loan and Federal Trust Funds in the amount needed to purchase defaulted student loans based on the most recent estimate of Guaranteed Student Loan program activity.

**A. STUDENT FINANCIAL AID IN CALIFORNIA**

Student financial aid can be broadly defined as consisting of three basic types of awards—grants, loans, and work study. *Grants* are awards that do not have to be repaid by the recipient. These awards, sometimes referred to as “gift aid,” usually are provided to students based on their financial need and academic achievement. *Loans*, on the other hand, must be repaid by the borrower. Generally, student loans carry a lower interest rate and a longer term than commercial loans. The third type of award—*work study*—involves some program of subsidized compensation in which a student’s wages are supported by financial aid and employer funding. A student’s financial aid “package” may consist of all three types of aid.

The Student Aid Commission administers most of the state-supported

financial aid programs. Students attending postsecondary institutions in California, however, receive financial assistance from many sources other than the commission.

The commission estimates that *\$1.5 billion* in financial aid will be provided to students attending postsecondary institutions in California. This amount is approximately \$72 million, or 4.9 percent, more than the amount estimated to have been made available in 1985-86.

Data provided by SAC indicate that:

- state-supported financial aid programs provide \$167 million, or just over 10 percent, of the total;
- the postsecondary institutions themselves provide \$340 million, or 22 percent, of the total;
- the Guaranteed Student Loan program provides \$583 million, or 40 percent, of the total; and,
- federal programs, excluding the Guaranteed Student Loan program, provide \$422 million, approximately one-quarter of all student financial aid.

#### B. GRANT PROGRAMS (Items 7980-101-001 and 7980-101-890)

Table 3 displays the funding levels for the commission's seven grant programs for the prior, current, and budget years. The table shows that the budget proposes *total* funding for these programs of \$130 million in 1987-88—an increase of \$5.2 million, or 4.2 percent, over the amount available in the current year. *General Fund* support for these six programs is proposed at \$117 million, an increase of 4.6 percent over the current year level. *Federal* support is budgeted at the current-year level of \$13 million.

**Table 3**  
**Student Aid Commission Grants**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

	<i>Actual</i> 1985-86	<i>Est.</i> 1986-87	<i>Prop.</i> 1987-88	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Cal Grant A—Scholarship .....	\$72,396	\$79,504	\$83,325	\$3,821	4.8%
2. Cal Grant B—College Opportunity Grants .....	29,880	35,589	38,108	2,519	7.1
3. Cal Grant C—Occupational Education and Training Grants .....	2,982	3,514	3,039	-475	-13.5
4. Graduate Fellowship .....	2,638	3,045	2,965	-80	-2.6
5. Bilingual Teacher Development .....	2,979	1,711	1,111	-600	-35.1
6. Law Enforcement Personnel Dependents .....	9	14	14	—	—
7. Congressional Teacher Grants .....	—	1,055	1,055	—	—
Totals, Awards .....	\$110,884	\$124,432	\$129,617	\$5,185	4.2%
<i>General Fund</i> .....	\$99,170	\$111,707	\$116,892	\$5,185	4.6%
<i>Federal Trust Fund</i> .....	11,714	12,725	12,725	—	—

Table 4 shows the maximum grant level and the total number of awards proposed by the budget for each grant program in 1986-87 and 1987-88. The budget proposes no increase in the the maximum award for any of the seven programs, nor does it provide funding to increase the number of new awards granted. Baseline adjustments, however, result in an increase of 4,033 awards.

**STUDENT AID COMMISSION—Continued**

**Table 4**  
**Student Aid Commission**  
**Number and Maximum Size of Grant Awards**  
**1986-87 and 1987-88**

	<i>Maximum Award Amount</i>		<i>Total Number of Awards</i>			
	<i>1986-87</i>	<i>1987-88</i>	<i>1986-87</i>	<i>1987-88</i>	<i>Change</i>	
					<i>Amount</i>	<i>Percent</i>
Cal Grant A (Scholarships) .....	\$4,320	\$4,320	43,231	45,508	2,277	5.3%
Cal Grant B (Opportunity) .....	4,060	4,060	24,592	26,460	1,868	7.6
Cal Grant C (Occupational) .....	2,360	2,360	2,287	2,287	—	—
Graduate Fellowships .....	6,490	6,490	855	950	95	11.1
Bilingual Teachers .....	4,045	4,045	583	376	-207	-35.5
Law Enforcement Dependents .....	1,500	1,500	9	9	—	—
Congressional Teacher Grants .....	5,000	5,000	211	211	—	—
Totals .....	NA	NA	71,768	75,801	4,033	5.6%

*We recommend approval* of the proposed funding shown in Table 4 for the following grant programs which are not discussed elsewhere in this analysis:

- **College Opportunity Grants (Cal Grant B)**—\$38.1 million from the General Fund (\$34.7 million) and Federal Trust Fund (\$3.4 million). This amount represents an increase of \$2.5 million (7.1 percent) over the current year to provide funding for a baseline adjustment of 1,868 additional awards.
- **Bilingual Teacher Grant Program**—\$1.1 million from the General Fund to provide 376 renewal awards to encourage students to pursue careers as bilingual teachers.
- **Law Enforcement Dependents Grants**—\$14,000 from the General Fund for nine awards to dependents of law enforcement officers or public officials who were killed or permanently disabled in the line of duty.
- **Congressional Teacher Grants (Item 7980-101-890)**—\$1.1 million from the Federal Trust Fund to establish a new program to provide up to 211 grant awards to students pursuing a teaching career. Under this program, eligible students would receive a \$5,000 grant each year for up to four academic years. As a condition of receiving this award, the recipient would be required to teach for a period of two years for every year of grant assistance received. If a recipient fails to complete the teacher credentialing program or to teach the required number of years, he or she would have to repay the grant plus interest (currently at 14 percent annually) to the commission.

Our concerns and recommendations with the remaining grant programs are discussed below.

**1. Cal Grant A—Scholarship**

The Cal Grant A program, established in 1955–56 as the California State Scholarship program, provides grants to needy, academically able students to assist them in completing a four-year degree program at a California college or university of their choice. Awards are provided for tuition and fees only.

The Governor's Budget requests \$83.3 million, an increase of 3.8 million (4.8 percent) over the amount budgeted in 1986–87. The funding would provide for 45,508 awards in the budget year—an increase of 2,277 awards due to (1) the renewal of 1,000 additional *new* awards first funded in 1985–86 which will be in their third year of support, and (2) the renewal of awards to college sophomores who qualified for awards at a higher-than-anticipated rate two years ago.

**Cal Grant A Overbudgeted**

*We recommend deletion of \$950,000 from the amount requested for the Cal Grant A program because the commission has overestimated the number of awards to be funded. (Reduce Item 7980-101-001 by \$950,000.)*

Our analysis indicates that the commission has overestimated the number of awards—45,550—to be funded in 1987–88. In making this estimate, the SAC used renewal rates that were higher than any of the historical averages for the program. We can find no analytical basis for this decision. The budget would fund 10,266 awards to first-time freshmen, 95 more than were issued in the current year and 383 more than would be provided based on the historical rate at which new awards were granted to other first-time award winners.

Based on (1) historical renewal rates in the program, and (2) no increase in the number of awards issued to first-year students above current-year levels, we estimate that the commission will need funding for only 44,990 awards in 1987–88—518 fewer than requested. Accordingly, the budget should be reduced by \$950,000.

**2. Cal Grant C—Occupational Training Grant Program**

The Cal Grant C program provides financial aid to needy students in order to assist them in completing their vocational training. Applicants must be enrolled in a vocational training program of four months to two years duration (although individuals enrolled in three-year hospital-based nursing programs are also eligible to participate). The awards are granted on the basis of the applicant's financial need and vocational interest. Applicants expressing interest in fields identified by the SAC as experiencing a labor shortage are given priority for awards.

**Budget Request Not Viable**

*We withhold recommendation on \$3,039,000 requested for the Cal Grant C program because the amount does not correspond to the estimated number of awards to be issued.*

The Governor's Budget requests \$3,039,000 for the Cal Grant C program in 1987–88, a decrease of 14 percent from the current level. As Table 4 indicates, however, the SAC anticipates issuing 2,287 grants under this program in the budget year, *the same number to be issued in the current year*. Commission staff have not adequately explained how the budget would fund the same number of awards in 1987–88 as in 1986–87 even

**STUDENT AID COMMISSION—Continued**

though the total dollars available to the program would be reduced by almost 14 percent (\$475,000).

We therefore withhold recommendation on the Governor's proposal for the Cal Grant C program until the apparent anomaly is explained.

**3. Graduate Fellowships**

The Graduate Fellowship program provides grants covering tuition and fees to qualified students pursuing post-baccalaureate degrees. Approximately 855 new and renewal awards will be provided in the current year.

**Fewer Dollars Fund More Awards**

*We withhold recommendation on \$2,965,000 requested for the Graduate Fellowship program because the amount does not correspond to the estimated number of awards to be issued.*

The Governor's Budget proposes \$2,965,000 for this program in 1987-88, a decrease of \$80,000 (2.6 percent) from the current level. This amount reflects only a baseline adjustment; no funds are provided for new awards or an increase in the maximum award.

Despite the 2.6 percent *reduction* in baseline funding, the budget, as shown in Table 5, indicates that an *additional* 95 awards are anticipated under the program. This is an increase of 11 percent over the 855 awards estimated to be made in the current year. Our review indicates that the baseline adjustment to the program does not account for the additional awards.

We therefore withhold recommendation on \$2,965,000 requested for the Graduate Fellowship program, pending receipt of information explaining how a 2.6 percent reduction in total program support would fund an 11 percent increase in awards.

**C. STATE WORK-STUDY PROGRAM (Item 7980-101-001(j))**

*We recommend approval.*

Senate Bill 417 (Ch 1196/86) established the California State Work-Study program to provide financial assistance through state-subsidized jobs to needy college students. The program also is designed to provide students with job opportunities that complement their undergraduate or graduate education. Students attending public or private postsecondary educational institutions are eligible to participate in the program. Employment of eligible students is restricted to public educational institutions and both profit and nonprofit organizations.

Chapter 1196 appropriated \$200,000 to SAC in the current year to fund (1) administrative and developmental costs of the commission (\$125,000), and (2) administrative costs of participating educational institutions (\$75,000). No funds were provided for work-study awards.

The Governor's Budget proposes \$750,000 for work-study awards in the budget year. This amount would fund, on average, 100 awards at 15 participating institutions. Eligible students would receive a grant of \$1,000, half of which would be provided from the budget appropriation and the balance by the grant recipient's employer. In return, the student would be required to work in a specified job deemed relevant to the student's educational goals. Because the program is meeting its intended purpose, we recommend approval as budgeted.

# **D. GUARANTEED STUDENT LOAN PROGRAM (Items 7980-011-951 and 7980-011-890)**

The Guaranteed Student Loan (GSL) program is a federally-backed program administered by the state which provides low interest loans to college students.

Effective July 1, 1987 the maximum loan for undergraduate students will be \$2,625 per year for the first two years of college, increasing to \$4,000 for each subsequent year. An undergraduate student may borrow a total of \$17,250 under the program. Graduate students may borrow \$7,500 per year, with total borrowing, including undergraduate loans, not to exceed \$54,750.

The current interest rate on GSL loans is 8 percent. Students are required to begin making payments on their loans six months after completing their education, and have up to ten years to repay.

Table 5 shows the volume of loans guaranteed by the state during the current and previous four years. The table shows that both the number of loans and the total dollar volume guaranteed are expected to decline in 1986-87. This will be the second consecutive year of declining participation in the GSL program since 1984-85 when the commission guaranteed almost 282,000 loans totaling three-quarters of a billion dollars.

**Table 5**  
**Student Aid Commission**  
**Volume of Loans Guaranteed**  
**1982-83 through 1986-87**  
**(dollars in millions)**

	Number of Loans	Dollar Volume	Dollar Change	
			Amount	Percent
1982-83.....	193,683	\$567.3	—	—
1983-84.....	258,300	687.1	\$119.8	21.1%
1984-85.....	281,800	756.8	69.7	10.1
1985-86.....	258,300	698.1	-58.7	-7.8
1986-87 (est.).....	230,300	622.0	-76.1	-10.9
Totals .....	1,222,383	\$3,331.3	—	—

## **1. Default Rate Continues to Rise**

Table 6 displays the default rate in the GSL program by educational segment for the current year and the previous two years. The table shows that:

- the default rate statewide has increased from 16.8 percent in 1984-85 to 18.4 percent in the current year,
- each educational segment has experienced an increase in the default rate, although the rates vary considerably,
- private vocational institutions and the California Community Colleges each show the highest default rate at 32 percent, followed by two-year private colleges (18 percent), and
- the University of California continues to register the lowest default rate of the six segments, 7.9 percent in the current year.

**STUDENT AID COMMISSION—Continued**

**Table 6**  
**Default Rates for the GSL Program by Segment**  
**1984-85 through 1986-87**

Segment	Default Rates		1986-87
	1984-85	1985-86	
University of California .....	5.5%	7.6%	7.9%
California State University .....	9.1	12.7	13.3
California Community Colleges .....	23.3	31.6	32.4
Private Colleges, Two-Year .....	14.2	16.9	18.0
Private Colleges, Four-Year .....	7.7	10.3	10.9
Private Vocational Institutions .....	24.7	29.8	32.4
Statewide Average .....	16.8%	17.5%	18.4%

**2. Amount Needed for Purchase of Defaulted Loans Declines**

The Governor's Budget requests \$160 million from the Guaranteed Loan Reserve Fund in 1987-88 to purchase defaulted student loans under the GSL program. This is a decrease of \$46.9 million, or 23 percent, from the amount budgeted for the current year. There are several reasons for this reduction.

***Decline Overstated.*** Our review indicates that the magnitude of the reduction in defaulted loans may be overstated. In the current year, the budget provides \$206 million from the Loan Fund for the purchase of defaulted student loans. Preliminary estimates provided by the SAC based on default purchases for the first six months of this fiscal year indicate that default purchases will more likely total \$180 million for 1986-87, rather than \$206 million as originally budgeted. Thus, nearly half of the \$46.9 million reduction shown in the budget may be due to a revision in the base-year amount.

***Fewer High Risk Students in Program.*** In addition, lower default claims projected for 1987-88 are, in part, the result of a reduction in loans made to students attending community colleges and proprietary schools last year and two years ago. In general, students attending these institutions have shown a higher tendency to default on their student loans than students attending the other segments. A decrease in the number of loans made to these "high risk" students will eventually result in fewer defaults overall.

***Stronger Administration.*** Finally, the commission is in the process of implementing a "supplemental preclaims" program which is expected to reduce loan defaults. This program, established through federal legislation, requires the commission to persuade borrowers to begin or to continue payments on their loan *before* they are declared in default. This program was coupled with a statutory change increasing from 120 days to 180 days the period in which a loan must remain inactive before it is declared in default.

In conclusion, we believe that the measures initiated by the SAC will reduce the number of defaults on educational loans held by California students. These measures, however, are only partially responsible for the projected reduction in default purchases for the budget year.

**E. ASSUMPTION PROGRAM OF LOANS FOR EDUCATION**

The Assumption Program of Loans for Education (APLE) provides financial assistance to eligible students pursuing a teaching career. It does this by assuming responsibility for repaying their educational loans—GSL loans, National Direct Student Loans, and others—up to \$8,000.



As originally implemented, the APLE program applied only to currently employed teachers. Students considering a teaching career were not eligible.

Senate Bill 1208 (Ch 1483/85) redesigned the program to focus on attracting *students* into the teaching profession. The program now provides a warrant for a loan assumption which is redeemable after completion of (1) an academic program leading to a teaching credential in math, science, bilingual education, or other subject matter shortage area designated by the Superintendent of Public Instruction, and (2) actual teaching experience. The size of the award varies with the number of years of teaching completed by the winner.

For 1987-88, the budget requests \$200,000 from the General Fund—\$165,000 to fund 51 awards remaining under the original program and \$35,000 to fund 10 recipients under the newly amended APLE program.

#### **Funding Request Exceeds Requirements**

*We recommend a reduction of \$50,000 in APLE program funding because the amount requested exceeds the maximum amount that may be awarded. (Reduce Item 7980-101-001 by \$50,000.)*

Under the provisions of both the original and the new APLE programs, the maximum award that can be granted is \$8,000 over a three-year period. A loan balance of up to \$2,000 may be assumed after the first year of teaching service is completed, and an additional \$3,000 per year may be assumed in the second and third years. However, based on the past experience of the program, few award recipients hold loan balances as high as \$8,000.

Our analysis indicates—and SAC staff concurs—that \$150,000 would be sufficient in the budget year to fund all anticipated awards under the old and new APLE programs. Accordingly, we recommend a reduction of \$50,000 in this item.

#### **F. CALIFORNIA STUDENT OPPORTUNITY AND ACCESS PROGRAM—Cal-SOAP**

The California Student Opportunity and Access Program (Cal-SOAP) is designed to promote access to postsecondary education to students from historically underrepresented groups—low-income families and ethnic minority groups. The program attempts to increase the enrollment of underrepresented students in higher education by (1) disseminating information about college, and (2) raising the achievement levels of students through tutoring programs.

Organized as locally-governed consortia of secondary and postsecondary institutions, program participants reduce duplication of outreach efforts among the public segments of higher education and the private colleges and universities. In the current year, six consortia will receive \$497,000 in General Fund support and \$826,000 in matching support from member educational institutions to serve approximately 22,400 students.

The Governor's Budget proposes \$504,000 in General Fund program support—\$497,000 for local assistance and \$7,000 for state administration—the same level budgeted for the current year.

#### **Study of Program Expansion Warranted**

*We recommend that the Legislature adopt supplemental report language directing the Student Aid Commission to develop a plan for expanding the Cal-SOAP program to additional consortia through a reallocation of General Fund support from currently-funded programs.*

Legislation establishing the Cal-SOAP program required the California

**STUDENT AID COMMISSION—Continued**

Postsecondary Education Commission (CPEC) to evaluate the program and report its findings to the Legislature by January 1, 1983. Based on a favorable assessment of the program by CPEC, the Legislature enacted Ch 1199/83 (SB 800) continuing the program through 1988.

In a more recent December 1986 draft report on Cal-SOAP, CPEC concluded that:

"The improvements in coordinating services and disseminating information that the Cal-SOAP projects can claim and the evidence that the older projects show in improving postsecondary participation strongly suggest that some mechanism for coordinating and providing a core of such services should exist in all California communities with sizable populations of historically underrepresented students."

Our review confirms the need for greater coordination of outreach efforts to promote access to higher education for low-income and minority students. The Cal-SOAP program is a viable means of promoting this goal. It does not necessarily follow, however, that additional funding is required to provide for program expansion.

**Statewide Services Not Available.** As currently structured, the Cal-SOAP program does not serve a *statewide* interest. It merely provides additional state funds to six selected areas in the state. CPEC's 1986 draft report indicates that "two of the most critical sites in the state—central Los Angeles and San Jose—are not currently served." Under the current funding arrangements, these areas will continue to lack coordinated outreach services unless a significant budget augmentation is provided. Our analysis indicates, however, that it may be possible to expand the program with the existing level of resources.

**Only Seed Money Needed.** Our review of innovative programs indicates that state support may be needed only to initiate an untested program. This "seed money" should be sufficient to prompt local administrators to try an otherwise risky educational venture. Once the program is established and has fostered a degree of community support, however, the state seed money can be gradually withdrawn and reallocated to establish another program. The Cal-SOAP program appears to be a good candidate for this type of funding policy.

**Evidence of Increasing Local Support.** Currently, as a condition of receiving state funding for the Cal-SOAP program, members of the local consortium are required to match the state dollars provided at least on a 50/50 basis. Local support for the program, as measured by these matching contributions, is increasing. In 1979-80, the first year of the outreach program, local contributions totaled \$316,000. This contribution was 26 percent above the required minimum of \$250,000. In the current year, local contributions are estimated to be \$826,000, an amount 66 percent over the minimum matching requirement. Thus, the six programs have cultivated a level of local financial support which suggests that program participants recognize the benefits of a coordinated outreach effort.

Given this situation, we believe that a gradual reduction in state funding from programs that have established a solid base of local support is warranted. The state funds freed-up from the reduction in support of existing programs could be used as seed money to establish additional programs in other high priority areas of the state.

**In summary,** we find that the Cal-SOAP program offers benefits of a coordinated, interinstitutional outreach program targeted at underrepre-

sented students and should be expanded to other areas of the state. The commission's current funding policy, however, does not promote the establishment of new programs, but merely continues funding successful programs year after year. This program could be expanded without an increase in General Fund support if state funding were gradually withdrawn from existing, well established programs and reallocated to new programs.

We therefore recommend that the Legislature adopt the following supplemental report language in Item 7980-101-001 which directs the Student Aid Commission to develop a plan to gradually withdraw state support from existing programs in order to establish programs in other regions with high concentrations of students underrepresented in higher education:

"The Student Aid Commission shall prepare a report which examines the feasibility of reallocating state support under the Cal-SOAP program from the six currently funded consortia to new programs commencing in 1988-89. The report shall propose a method for reallocating these funds which minimizes disruption of local programs and promotes offsetting increases in local support. The report shall be submitted to the Joint Legislative Budget Committee by November 1, 1987."

#### G. SAC ADMINISTRATION (Items 7980-001-001 and 7980-001-951)

The SAC administration unit provides the services necessary to support the commission's programs. Table 7 shows proposed administrative expenditures for the commission by program unit for the prior, current, and budget year. The budget proposes total support of \$28 million for the administration unit in 1987-88, an increase of 12 percent over the current level. The General Fund would provide \$6.8 million or 24 percent of the total, and the Loan Fund would provide \$21.2 million, or 76 percent.

**Table 7**  
**Student Aid Commission**  
**Administration**  
**1985-86 through 1987-88**  
**(dollars in thousands)**

	<i>Actual</i> 1985-86	<i>Est.</i> 1986-87	<i>Prop.</i> 1987-88	<i>Percent</i> <i>Change</i> <i>from</i> <i>1986-87</i>
1. Grant Program Administration:				
a. Cal Grant A .....	\$2,573	\$2,731	\$2,945	7.8%
b. Cal Grant B .....	1,684	1,820	1,952	7.3
c. Cal Grant C .....	434	391	416	6.4
d. Graduate Fellowship .....	276	310	332	7.1
e. Bilingual Teacher Grant .....	608	763	—	—
f. Law Enforcement Personnel Dependent Program .....	2	3	3	—
g. Teacher Incentive Grants and Loans/Work-Study .....	127	371	1,136 <sup>a</sup>	206.2
h. Cal-SOAP .....	3	9	9	—
2. California Educational Loan Program .....	18,159	18,498	21,185	14.5
3. Administration and Support .....	(2,833)	3,890	(4,768)	22.6
Totals .....	\$23,866	\$24,896	\$27,978	12.4%
General Fund .....	\$5,707	\$6,398	\$6,793	6.2%
State Guaranteed Loan Reserve Fund .....	18,159	18,498	21,185	14.5
Personnel-Years .....	182.6	201.2	208.2	3.4%

<sup>a</sup> Includes Bilingual, APLE, Congressional Teacher Scholarships, and State Work-Study.

**STUDENT AID COMMISSION—Continued****Staffing and Support for State Work-Study Overbudgeted**

*We recommend a reduction of \$87,000 for administration of the State Work-Study program to eliminate overbudgeting. (Reduce Item 7980-001-001 by \$87,000.)*

The budget requests \$195,000 from the General Fund to administer the newly-established State Work-Study program. This funding consists of (1) a budget augmentation of \$83,000 for contract personnel plus associated administrative expenses, and (2) a redirection of staff and related administrative expenses totaling \$112,000 which is available because of the phase out of the Bilingual Teacher Grant program.

Our analysis indicates that only \$108,000 will be needed to administer the State Work-Study program in 1987-88. Consequently, a reduction of \$87,000 is warranted as follows:

First, the \$83,000 augmentation is not needed because sufficient staff and support for the State Work-Study program will be made available through the proposed redirection of resources.

Second, \$4,000 budgeted for facilities operations should be deleted because these funds are already provided elsewhere in the commission's budget.

Commission staff concur with these reductions.

**Space Request Exceeds Authorized Staffing Level**

*We recommend that the amount requested for the commission's relocation to a new facility be reduced by \$169,200 to eliminate space for personnel not approved by the Legislature. (Reduce Item 7980-001-001 by \$125,200 and Item 7980-001-951 by \$44,000.)*

The commission plans to consolidate its operations—now located in three separate sites—into a single building by July 1, 1987. Accordingly, the budget requests \$825,000 for rent—an increase of \$327,000 (66 percent) over the current year—to house the commission's staff in the new facility. The move would provide an additional 8,500 square feet of space, an increase of 23 percent over the 36,500 currently available in the three facilities.

Our review indicated that the amount requested should be reduced because the proposal would provide office space for additional staff that have not been approved by the Legislature.

In December 1986, the Director of the Department of General Services informed the Chairman of the Joint Legislative Budget Committee of his intent to enter into the new lease for SAC building space. In response, the Chairman informed the Director that the amount of office space proposed in the new facility exceeded the amount needed because it included space for commission staff not yet approved by the Legislature.

For the current year, the commission is authorized 201 personnel-years. The proposed new facility contains space for a projected staff of 269 personnel-years. Based on the average amount of space proposed per employee, the Chairman advised the Director that the amount of lease space should be amended to provide for 35,600 square feet of space, an amount sufficient to house the currently authorized staff.

On this basis, we recommend that the budget be reduced by \$169,200 to provide for leased office space sufficient to accommodate only those personnel-years that have been authorized by the Legislature.

### OFFICE OF CRIMINAL JUSTICE PLANNING

Item 8100 from the General

Fund and various funds

Budget p. GG 1

Requested 1987-88 .....	\$43,318,000
Estimated 1986-87 .....	46,385,000
Actual 1985-86 .....	36,824,000
Requested decrease (excluding amount for salary increases) \$3,067,000 (-6.6 percent)	
Total recommended reduction .....	None
Recommend funding shift .....	750,000

#### 1987-88 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8100-001-001—Support	General	\$4,343,000
8100-001-241—Support	Local Public Prosecutors and Public Defenders Training	67,000
8100-001-425—Support	Victim/Witness Assistance	1,499,000
8100-001-890—Support	Federal Trust	(412,000)
Chapter 1434/86—Support, Victim Assistance Training	Victim/Witness Assistance	100,000
8100-101-001—Local assistance	General	23,667,000
8100-101-241—Local assistance	Local Public Prosecutors and Public Defenders Training	808,000
8100-101-425—Local assistance	Victim/Witness Assistance	12,320,000
8100-101-890—Local assistance	Federal Trust	(11,411,000)
Chapter 1445/85—Local assistance, Homeless Youth Act	General	230,000
Reimbursements		284,000
Totals		\$43,318,000

#### SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis  
page

1. *Alternate Funding Source. Increase Item 8100-001-425 by \$50,000 and Item 8100-101-425 by \$700,000. Reduce Item 8100-001-001 by \$50,000 and Item 8100-101-001 by \$700,000. Recommend that Child Sexual Abuse Training Centers be financed from the Victim/Witness Assistance Fund rather than from the General Fund.*

1278