

POSTSECONDARY EDUCATION

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1. OVERVIEW

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

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

2. ORGANIZATION

California's system of public postsecondary education is the largest in the nation, and consists of 136 campuses serving approximately 1.7 million students. This system is separated into three distinct public segments—the University of California (UC) with 9 campuses, the California State University (CSU) with 19 campuses, and the California Community Colleges (CCC) with 106 campuses. The state also supports the Hastings College of the Law, the California Maritime Academy, and five intersegmental programs—the Mathematics, Engineering, Science Achievement (MESA) Program, the California Mathematics Project, the California Writing Project, the Academic Partnership Program, and the California Student Opportunity and Assessment Program.

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

3. ENROLLMENT AND STUDENT FEES

a. Enrollment

Table 1 compares headcount to the number of full-time equivalent (FTE) students or, in the case of the CCC, the average daily attendance (ADA) for the three segments since 1979–80. An FTE is one student taking 15 units, three students taking five units, or any variation thereof. ADA refers to the number of students actually present on each day throughout the year, divided by the total number of school days in the school year.

In total, some 1.7 million individuals are expected to enroll in California's public institutions of higher education in 1985–86. As Table 1 shows, this is 1.8 percent more than estimated headcount enrollment in the current year. On an FTE/ADA basis, the increase in enrollment projected for the three segments in the budget year is 1.2 percent. This is attributable almost entirely to the community colleges. We discuss the projected community college growth in greater depth in our analysis of the CCC budget.

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Table 1
California Enrollment in Public Higher Education
1979-80 through 1985-86

	Community College		CSU		UC		Total	
	Headcount	ADA	Headcount	FTE	Headcount	FTE	Headcount	FTE/ADA
1979-80	1,248,459	670,115	328,654	232,936	127,857	122,681	1,704,970	1,025,732
1980-81	1,383,236	725,269	336,915	238,646	131,591	126,119	1,851,742	1,090,034
1981-82	1,435,745	750,715	338,572	239,927	134,497	127,985	1,908,814	1,118,627
1982-83	1,354,982	706,733	337,276	241,407	134,946	129,643	1,827,204	1,077,783
1983-84	1,243,005	664,433	334,726	241,989	137,175	130,822	1,714,906	1,037,244
1984-85 (Estimated) ..	1,193,740	640,510	336,350	242,439	136,600	134,699	1,666,580	1,017,648
1985-86 (Proposed) ...	1,212,290	652,039	343,240	242,870	140,468	134,628	1,695,998	1,029,537
Percent Change								
1984-85 to 1985-86..	1.6%	1.8%	2.0%	0.2%	2.8%	-0.1%	1.8%	1.2%

Ethnic Composition of Students. Table 2 shows the latest available information on the racial and ethnic make-up of students within each of the three public segments. These data, compiled by the California Postsecondary Education Commission (CPEC) and the segments, reflect voluntary self-designations made by students. The data have not been verified and are not complete because many students choose not to report their racial or ethnic status to their campus.

Table 2
Postsecondary Education Enrollment
Distribution of Students by Racial/Ethnic Group
Fall Data

	CCC			CSU			UC		
	1982	1983	1984 ^a	1982	1983	1984	1982	1983	1984
Undergraduate:									
White	68.2%	67.6%	67.0%	70.5%	70.3%	69.4%	73.0%	71.4%	69.6%
Black	9.5	9.3	8.3	6.8	6.5	6.3	4.0	4.2	4.3
Hispanic	12.5	12.3	12.5	9.5	9.7	9.8	6.1	6.6	7.1
Asian	8.2	9.1	10.6	11.3	12.0	13.1	14.8	17.4	18.5
American Indian	1.6	1.6	1.6	1.9	1.5	1.3	2.0	0.5	0.5
Graduate:									
White	—	—	—	76.4%	76.6%	77.9%	79.4%	78.4%	78.4%
Black	—	—	—	5.2	4.8	4.4	3.8	4.0	3.7
Hispanic	—	—	—	7.8	7.6	6.4	6.1	6.2	6.3
Asian	—	—	—	8.8	9.7	10.1	10.2	10.8	10.8
American Indian	—	—	—	1.8	1.3	1.2	0.6	0.6	0.7

^a 1984 data excludes the following districts because data were not submitted in time for publication: Glendale, Long Beach, Marin, San Francisco, and West Valley. These districts comprise approximately 11 percent of statewide ADA.

Table 2 shows that the community colleges have the most diverse ethnic enrollment of any segment.

b. Student Fees

Table 3 shows the level of systemwide mandatory fees charged to students at the public postsecondary education institutions in the prior and current years, and the proposed level of fees for the budget year.

Table 3
Postsecondary Education
Student Fees in California
Public Institutions
1983-84 through 1985-86

	Actual 1983-84	Actual 1984-85	Proposed 1985-86	Change 1985-86 over 1984-85	
				Amount	Percent
University of California:					
Undergraduate	\$1,387	\$1,324	\$1,324	—	—
Graduate	1,434	1,369	1,369	—	—
California State University:					
Undergraduate (Full-time)	692	658	658	—	—
Graduate (Full-time)	728	694	658	-\$36	-5.2%
Hastings College of the Law	1,430	1,212	1,212	—	—
California Maritime Academy	1,259	1,163	1,163	—	—
Community Colleges	—	100	100	—	—

As the table indicates, the Governor proposes (1) no change from the current-year level of fees for full time undergraduate students at all segments, and (2) elimination of the \$36 differential which graduate students must pay at the California State University. We discuss these issues in our analyses of CPEC, UC, CSU, and Hastings.

4. EXPENDITURES

Table 4 summarizes proposed expenditures for postsecondary education in 1985-86. Total support for all public higher education is proposed at \$10.2 billion in the budget year. Of the total, the state General Fund would provide \$4.2 billion, or 41 percent. The budget also proposes \$56.6 million in expenditures for UC, CSU, and the community colleges from funds received through the State Lottery Fund in 1985-86.

Table 4
Postsecondary Education
Summary of Proposed 1985-86 Budget for Support
By Funding Source
(dollars in thousands)

	General Fund ^a	State Lottery	Other State	Federal	Property Tax	Student Fees	Other ^b	Totals
University of California	\$1,627,908	\$7,425	\$33,295	\$2,338,305	—	\$300,157	\$1,566,960	\$5,874,050
California State University	1,253,814	13,136	13,838	68,962	—	194,158	356,342	1,900,250
Community Colleges ^c ..	1,167,504	36,000	6,092	92,000	\$491,800	69,200	258,084	2,120,680
Student Aid Commission	110,355	—	18,370	108,807	—	—	195	237,727
Hastings College of the Law	11,247	—	—	501	—	1,818	815	14,381
California Maritime Academy	5,359	—	—	389	—	1,931	398	8,077
California Postsecondary Education Commission	2,760	—	—	24	—	—	—	2,784
Totals	\$4,178,947	\$56,561	\$71,595	\$2,608,988	\$491,800	\$567,264	\$2,182,794	\$10,157,949
Percent of Totals	41.1%	0.6%	0.7%	25.7%	4.8%	5.6%	21.5%	100.0%

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

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

^c Includes expenditures not shown in Governor's Budget.

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The \$2.6 billion from the federal government is the second largest source of support for higher education; however, \$1.8 billion of this amount is allocated to the UC for support of the Department of Energy laboratories at Los Alamos, Livermore, and Berkeley.

The only segment of higher education receiving local support is the community college system, which will receive an estimated \$491.8 million from property tax revenues in 1985-86.

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Item 6420 from the General Fund and Federal Trust Fund	Budget p. E 67
Requested 1985-86	\$2,760,000
Estimated 1984-85.....	3,037,000
Actual 1983-84	2,468,000
Requested decrease (excluding amount for salary increases) \$277,000 (-9.1 percent)	
Total recommended reduction	None

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6420-001-001—CPEC, support	General	\$2,760,000
6420-001-890—CPEC, support	Federal Trust	(24,000)
6420-490—CPEC, reappropriation	General	—

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

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| 1. Foreign Graduate Student Study. We recommend that CPEC report on the policy and fiscal implications of continuing the heavy concentration of foreign graduate students in computer science and several areas of engineering. | 1222 |
| 2. Lower Division/Upper Division Policy Conflict. We recommend that CPEC or the Commission for the Review of the Master Plan study and make recommendations for resolving the inconsistency between (a) current state policies limiting the lower division proportion of full-time undergraduate enrollment to approximately 41 percent and (b) the state's long-time policy of providing access to all qualified undergraduate students. | 1224 |
| 3. Research Study. We recommend that CPEC prepare a report on the trends, program, and fiscal issues related to the growth of extramurally and state-funded research at the University of California. | 1226 |

GENERAL PROGRAM STATEMENT

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

The commission has 52.2 full-time equivalent positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes two appropriations totaling \$2,784,000 for support of CPEC in 1985-86. This is \$298,000, or 9.7 percent, less than estimated current-year expenditures.

Table 1 summarizes expenditures and funding sources for the commission in the prior, current, and budget years. As the table shows, the budget proposes an appropriation of \$2,760,000 from the General Fund for support of the commission in 1985-86. This is \$277,000, or 9.1 percent, less than estimated current-year expenditures. This decrease will be offset to some extent, however, by the cost of any salary or staff benefit increases that may be approved for the budget year. In addition, the table shows that federal support is expected to decline to a level of \$24,000, which is \$21,000 (47 percent) less than the current-year amount.

Table 1 also shows a proposed reduction of 2.0 positions in 1985-86. This reduction consists of (1) a workload-related reduction of 1.5 positions and (2) 0.5 positions deleted from temporary help on the basis of identified efficiencies. Partially offsetting these position reductions is a proposed increase of \$15,000 for contract services.

Table 1
California Postsecondary Education Commission
Expenditures and Funding
1983-84 through 1985-86
(dollars in thousands)

Programs	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change	
				Amount	Percent
1. Academic affairs	\$1,070	\$1,278	\$1,317	\$39	3.1%
2. Analytical studies	647	707	709	2	0.3
3. Administration	808	1,097	799	-298	-27.2
4. Unallocated.....	—	—	-41	-41	NA
Totals.....	\$2,525	\$3,082	\$2,784	-\$298	-9.7%
General Fund	\$2,468	\$3,037	\$2,760	-\$277	-9.1%
Federal Funds	31	45	24	-21	-46.7
Reimbursements	26	—	—	—	—
Personnel-years	51.6	52.2	50.2	-2.0	-3.8%

Table 2 identifies the specific factors accounting for the net \$277,000 decrease in General Fund support proposed for 1985-86. The significant General Fund budget changes consist of:

- Elimination of \$262,000 in one-time funds provided in 1984-85 for office automation equipment.
- Elimination of \$44,000 in one-time funds provided in the current year

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for a study of the Guaranteed Student Loan program.

The budget proposal does not include any funds for merit salary increases (estimated cost in 1985-86: \$17,000) or inflation adjustments for operating expenses and equipment (\$24,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

Table 2
California Postsecondary Education Commission
General Fund 1985-86 Budget Changes
(dollars in thousands)

1984-85 Expenditures (Revised)		\$3,037
Proposed Changes:		
A. Workload Changes		-47
1. Guaranteed student loan study	-\$44	
2. Graduate assistance contracting	15	
3. Management task force	-11	
4. Administrative services	-7	
B. Cost Adjustments		32
1. Salary annualization	29	
2. Membership dues	3	
C. One-time Expenditures		-262
1. Office automation equipment	-262	
1985-86 Expenditures (Proposed)		\$2,760
Change from 1984-85:		
Amount		-\$277
Percent		-9.1%

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

Our analysis indicates that the level of expenditures proposed for the commission in 1985-86 is reasonable. Accordingly, we recommend approval of the proposed budget, including the changes displayed in Table 2. In addition, we recommend that CPEC report on several issues. These study recommendations are discussed below.

1. Study of Graduate Education in California

We recommend that the Legislature direct CPEC to report by December 15, 1985, on the policy and fiscal implications of continuing the heavy concentration of foreign graduate students in computer science and engineering.

In recent years, education planners have focused attention on the future of graduate education programs in institutions of higher education. This attention has been prompted by several considerations, including:

- the depressed job market for new faculty positions, particularly in liberal arts disciplines,
- the significant proportion of foreign students in graduate programs, particularly in expensive engineering and computer science disciplines, and
- the relative scarcity of fiscal resources to support the most expensive component of the instructional program—graduate programs.

In light of these concerns, CPEC recently issued an in-depth 124-page

report on graduate programs in California. The CPEC report reviews (a) the history and prospects of graduate study, (b) recent trends in graduate enrollments and degrees, including data from individual campuses of California's public universities, and (c) ethnic minority and foreign students in California's public universities.

While the report is too extensive to summarize in detail here, its major findings include the following:

- The most conspicuous development within graduate education during recent years has been the shift of enrollments to a few fields, with corresponding losses in many others. In general, the rapidly expanding programs are in "applied" subjects; those shrinking in enrollments are in the traditional liberal arts fields.
- There has been a significant increase in graduate enrollments at independent institutions. While graduate enrollments in the University of California and the California State University increased slightly during the past decade (from 88,000 in 1973 to 91,000 in 1982) enrollments in independent universities rose 62 percent. As a result, 40 percent of all graduate students in the state are now enrolled in independent institutions.
- The graduate proportion of total enrollment has declined in both the University of California and the California State University to 20 percent. Ten years earlier, graduate enrollments amounted to 30 percent of total enrollment in the university and 23 percent in the state university.
- As a group, the percentage of ethnic minority students enrolled and earning degrees has increased at all levels in both segments since 1978. Enrollment for different groups of minority students, however, has not followed a consistent pattern.
 - (a) Asian students made up 10 percent of the graduate enrollment in the university and 8 percent in the state university in 1982.
 - (b) Asian students concentrate heavily in engineering and computer science programs in both the University of California and the California State University. They represent 20 percent of all students in engineering in the university and 30 percent of these students in the state university.
 - (c) Hispanic students made up 6 percent of the graduate enrollment in the university and 7.6 percent in the state university.
 - (d) Black students as a percentage of total graduate enrollments fell between 1978 and 1982 to under 4 percent in the university and just over 5 percent in the state university.
 - (e) In both segments, Black and Hispanic students represents a small proportion of the graduate enrollments in engineering, computer science, biological and physical sciences, business administration, and letters.
- Foreign students constitute a significant portion of graduate enrollments in several fields of study. In 1982, foreign students received one-fourth of all doctorates and one-fifth of all master's degrees awarded by the University of California. In computer science and several engineering fields, *over half of the doctorates awarded by UC and roughly 40 percent of the master's degrees conferred by the CSU went to foreign students.* The high proportion of graduate degrees awarded to foreign students in these fields appears to have resulted not so much from increased numbers of such students but from declining numbers of domestic students.

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There are advantages to the state and the two public segments of higher education in enrolling students from other nations. The heavy concentration of these students on UC and CSU campuses, thus, is not necessarily undesirable. It does, however, raise a number of questions that warrant consideration, including:

- How are applications from foreign students dealt with during the admissions process?
- Are any qualified domestic students being denied admission to high-cost, high-demand graduate programs because of foreign student enrollments?
- How many foreign students remain in the state and nation after receiving graduate degrees here?
- What are the fiscal implications of continuing a high percentage of foreign students in certain programs?

CPEC advises that a more thorough investigation would be needed to answer these questions.

So that the Legislature will have answers to these and related questions as it considers the budgets for UC and CSU in future years, we recommend that the Legislature direct CPEC to prepare a follow-up study on foreign students by adopting the following supplemental report language in Item 6420-001-001.

"The California Postsecondary Education Commission is directed to examine the policy and fiscal implications of the heavy concentration of foreign graduate students in computer science and several areas of engineering and report its findings to the legislative fiscal committees and Joint Legislative Budget Committee by December 15, 1985."

2. Inconsistent State Policies Governing Undergraduate Enrollment Need to Be Reconciled

We recommend that the Legislature direct CPEC (or the Commission for the Review of the Master Plan) to study and make recommendations for resolving the conflict between (1) current state policies limiting the lower division proportion of full-time undergraduate enrollment to approximately 41 percent and (2) the state's long-time policy of providing access to all qualified undergraduate students.

The 40/60 Policy. In order to plan for the rational distribution of students between UC, CSU, and the CCCs, the 1960 California Master Plan for Higher Education provides that the "lower division proportion of the full-time undergraduate enrollment of the two public segments will be reduced gradually so that by 1975 it will be, for each segment, in the neighborhood of 41 percent. This would be, in each case, a systemwide average, not necessarily true for each campus within the system."

According to the Master Plan, this policy "will place emphasis on the state colleges and the University of California on the divisional levels most appropriate to their defined functional responsibilities. Such modifications will allow these segments to concentrate more of their resources on the upper division and graduate students. . . . The reduction in the number of lower division students attending these institutions will, moreover, contribute to the further strengthening of California's well-developed junior college program."

This "40/60 policy" was not included in the Donahue Act (1960), but was adopted as policy by the UC Board of Regents as part of its overall

adoption of the Master Plan. In 1974, the Legislature expressed its intent through ACR 150 that: "... The University of California and California State University shall continue to maintain an undergraduate ceiling of 40 percent lower division students (this is intended to be a ceiling, not a floor; a campus may fall below 40 percent or even eliminate the lower division if circumstances justify) . . ."

The CSU has complied with this policy. The UC, however, has not. Table 3 shows that while the 40/60 policy goal was achieved by UC in 1975, there was a steady erosion of the policy in subsequent years to the point where the lower division accounted for 46.1 percent of total enrollment in 1982-83. In the current year, it accounts for 43.6 percent of total enrollment.

Table 3
UC Lower Division-Upper Division
FTE Student Enrollment
1974-75 to 1984-85

	<i>FTE Percent Lower^a</i>		<i>FTE Percent Upper^a</i>	
	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
1974-75	39.7%	40.3%	60.3%	59.7%
1975-76	40.2	40.4	59.8	59.6
1976-77	40.1	40.5	59.9	59.5
1977-78	40.6	41.2	59.4	58.8
1978-79	40.8	42.5	59.2	57.5
1979-80	42.6	44.5	57.4	55.5
1980-81	44.1	44.8	55.9	55.2
1981-82	44.1	44.4	55.9	55.6
1982-83	44.2	46.1	55.8	53.9
1983-84	43.5	43.4	56.5	56.6
1984-85	42.9	43.6	57.1	56.4

^a Historic counting method.

Source: UC

Open Access. The UC recognizes that it is not in compliance with the state's 40/60 policy. It points out, however, that this policy is in conflict with the state's open access policy. According to UC "applications from, and the percentage of eligible students opting to enter UC have been increasing over the last few years. At least some UC campuses would prefer to increase the number of upper division students. These are the campuses, however, where applications for freshman admission have increased substantially over the last few years. These are also the campuses which face intense political pressure and incur public wrath when parents of students with exceptional high school GPAs are turned down for admission."

Policy Reconciliation Needed. We believe the university has a point. Accordingly, we suggest that the Legislature be given a basis for reconciling the conflict between the state's 40/60 policy and its open access policy. Normally, this task would be assigned to CPEC. The Legislature, however, may want to assign it to the Commission for the Review of the Master Plan for Higher Education, which was recently created by Ch 1507/84 (SB 1570).

(The 16-member Commission for the Review of the Master Plan has four members appointed by the Governor, three members appointed by the Speaker of the Assembly, and three appointed by the Senate Rules

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Committee. The other six members of the commission include one member for each of the three public segments of higher education, one for the California Postsecondary Education Commission, and one for the Association of Independent California Colleges and Universities. The Superintendent of Public Instruction or his designee completes the membership. No member of the commission may be an employee of an institution of postsecondary education, nor be retained by an institution. The commission must report to a 14-member joint legislative committee by January 1, 1987, which in turn must review the study, hold hearings, and make its own recommendations by March 1, 1987. Funding for the commission in the amount of \$500,000 was contained in Chapter 1507—there is no proposed 1985–86 Budget Bill item.)

Regardless of which commission is chosen to conduct the study, we recommend that the Legislature adopt the following supplemental report language in Item 6420-001-001.

“The (CPEC or Commission for the Review of the Master Plan) is directed to study and attempt to reconcile the conflict between the state’s policies of (a) limiting lower division enrollment to 40 percent and (b) providing access to all qualified applicants. A report on this matter shall be submitted to the Legislature’s education policy and fiscal committees and Joint Legislative Budget Committee by January 1, 1987.”

3. State Policy on Research Needed

We recommend that the Legislature adopt supplemental report language which requires CPEC to prepare a report on the trends, program, and fiscal issues related to the growth of extramurally and state-funded research at the University of California.

The state and extramurally funded research function in the University of California (UC) is estimated to cost \$685.4 million in 1985–86. This amount is 17 percent of UC’s proposed 1985–86 expenditures (exclusive of the energy laboratories), and exceeds proposed budgeted expenditures for general campus instruction. In addition, the proposed expenditure level for 1985–86 continues a trend of increased support for this function as shown in Table 4.

Table 4
University of California
Support for Research, Exclusive of
Department of Energy Laboratories
1980–81 through 1985–86
(in millions)

<i>Funding Source:</i>	<i>Actual 1980–81</i>	<i>Actual 1981–82</i>	<i>Actual 1982–83</i>	<i>Actual 1983–84</i>	<i>Estimated 1984–85</i>	<i>Proposed 1985–86</i>
General Fund.....	\$89.9	\$93.4	\$98.9	\$106.0	\$126.3	\$131.3
Restricted funds.....	19.3	24.1	19.6	25.7	20.6	20.8
Regents’ funds.....	6.9	8.4	10.7	9.3	18.5	18.5
Extramural funds.....	395.9	412.9	429.7	471.3	484.3	514.8
Totals	\$512.0	\$538.8	\$558.9	\$612.3	\$649.7	\$685.4

Of all the activities conducted by the university, research is among the most difficult to budget for. How much research is “enough”? What is the “proper balance” between research and instruction? There are no ready

answers to these questions. Yet, the Legislature confronts them each time it considers the university's budget.

We believe that legislative decision making would be facilitated if it had a policy framework within which to make decisions on research. Such a framework could 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.

As a means of laying the foundation for such a policy framework, we recommend that the Legislature adopt the following supplemental report language in Item 6420-001-001:

“The California Postsecondary Education Commission (CPEC) is directed to prepare a report on the program and fiscal impact of the continued growth of extramurally funded research at the UC. This study shall include, but not be limited to, the history and background of research in the university, trends in the sources and amount of funding for research, characteristics of the type of research conducted by the university, the optimal level of research to be conducted, the capital outlay and operating expense costs associated with the research program, and CPEC's recommended policy. This report shall be submitted to the legislative fiscal committees and Joint Legislative Budget Committee by April 15, 1986.”

4. Recommended Long-Term Student Fee Policy

The *Supplemental Report of the 1984 Budget Act* directed CPEC to convene meetings of specified officials for the purpose of developing a long-term student fee policy. As specified in the supplemental report, representatives of the following agencies participated in meetings convened by CPEC for this purpose during the fall of 1984:

- University of California,
- California State University,
- Hastings College of the Law,
- Staff of appropriate legislative policy and fiscal committees,
- Department of Finance,
- Legislative Analyst,
- Authorized student representatives, and
- CPEC.

The procedures established by CPEC required that the participants review and criticize successive drafts of policy elements and optional methodologies. The CPEC distributed the final report of the fee policy group on December 31, 1984, accompanied by the following statement:

“. . . the participants came to the committee deliberations with their convictions that settled, long-term fee policy was more important and more urgent than any particular point of view put forward in the past. The recommendations are not a mere amalgamation of discrete items of special interest, but reflect true compromise on an integrated student fee policy.”

The eight major elements of the recommended fee policy are summarized below:

- **General Principles.** To keep fees as low as possible, the state shall bear the primary responsibility for the cost of providing postsecondary education, but students shall be responsible for a portion of the total cost associated with their education. If necessary, increases in mandatory systemwide student fees shall be gradual, moderate, predictable, and shall be

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equitably distributed among the students in each segment.

- **Use of Fees.** Use of fee revenue shall be left up to the governing boards which must establish formal consultation processes with student representatives. However, fee revenue shall not be used to fund costs related to instruction.

- **Predictability.** Fee levels shall be set 10 months prior to the fall term in which they become effective.

- **Changes in Fee Levels.** Annual changes in fees shall be indexed to a three-year moving average of changes in state support per FTE student. The base for each segment shall be either (1) all state support budget appropriations except state appropriations for instruction, organized activities, research, public services and teaching hospitals or (2) all state support budget appropriations. State appropriations for capital outlay and financial aid shall not be part of the base.

It is anticipated that the segments will select their base for fee changes by April 1, 1985.

- **Cap on Fee Changes.** Fee increase or decrease in any one year shall not exceed 10 percent of the fee for the prior year. Any change in excess of 10 percent called for by the methodology shall be carried forward and applied to subsequent years, again subject to the 10 percent limit.

- **Unusual State Fiscal Circumstances.** In the event that state revenues and expenditures are in substantial imbalance because of factors unforeseen by the Governor and Legislature, such as initiative measures, natural disasters, or sudden deviations from expected economic trends, mandatory systemwide student fees may be increased or decreased, provided, however, that such fee increases or decreases in any one year shall not exceed 10 percent of the fee for the prior year.

- **Student Financial Aid to Offset Fee Increases.** When systemwide, mandatory student fees are raised, the state shall provide sufficient student financial aid to offset the additional fees. (The fee policy group, in addition, recommended that the Legislature request a comprehensive study of policy issues related to student financial aid.)

- **Graduate Fees.** Systemwide mandatory graduate fees shall not be higher than systemwide mandatory undergraduate fees. However, the state shall not be obligated for any costs that might be associated with elimination of the higher graduate fees existing in 1984-85.

We believe that these elements represent a reasonable long-term student fee policy. Accordingly, our recommendations on student fee levels elsewhere in this *Analysis* seek to implement this policy.

5. Status of CPEC Office Automation (Item 6420-490)

We recommend approval.

The 1984 Budget Act provided CPEC with \$262,000 for office automation equipment, contingent on the Department of Finance's approval of a Feasibility Study Report (FSR) for the project which, among other things, contained a plan for evaluating the benefits from the equipment. The *Supplemental Report of the 1984 Budget Act* directed the Legislative Analyst to review CPEC's implementation of office automation and report on the impact that automation will have on CPEC's workload and staffing requirements.

The CPEC completed the FSR for the equipment in December 1984 and is awaiting approval of the FSR by the Department of Finance. The

equipment is scheduled for installation in July 1985. The budget proposes to reappropriate the \$262,000 provided for office automation in the 1984 Budget Act because the equipment purchase will most likely be made in the 1985-86 budget year. We recommend approval of this reappropriation and will continue to review this project and report on its implications for CPEC's workload and staffing in the 1986-87 *Analysis of the Budget Bill*.

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

We recommend approval.

The budget proposes the expenditure of \$24,000 from the Federal Trust Fund for continued support of a project to develop models for evaluating remedial courses and services for postsecondary education students. This project is currently in its second year and should be completed in 1985-86.

THE UNIVERSITY OF CALIFORNIA

Item 6440 from the General
Fund and various funds

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Requested 1985-86	\$1,627,908,000
Estimated 1984-85.....	1,457,147,000
Actual 1983-84	1,110,012,000
Requested increase (including amount for salary increases) \$170,761,000 (+11.7 percent)	
Total recommended reduction	29,126,500
Recommendation pending	2,937,000

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6440-001-001—UC, support	General	\$1,499,925,000
6440-001-036—UC, deferred maintenance and special repairs	Special Account for Capital Outlay	(12,445,000)
6440-001-046—UC, Transportation Institute	Transportation	(940,000)
6440-001-140—Environmental projects	Environmental License Plate	(210,000)
6440-001-144—UC, Mosquito research	Water	(100,000)
6440-001-814—UC, Instructional computers and equipment	State Lottery Education	(7,425,000)
6440-006-001—UC, Student financial aid	General	23,644,000
6440-011-001—UC, Employee compensation	General	89,339,000
6440-016-001—UC, Teaching hospital subsidy	General	15,000,000
6440-490—UC, Reappropriation of savings	General	—
Total		\$1,627,908,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- | | <i>Analysis
page</i> |
|---|--------------------------|
| 1. Faculty Time-Use Report. Recommend UC discontinue its current time-use report because it is not useful and instead report on faculty workload policies at UC in comparison to faculty workload policies at other specified universities. | 1244 |
| 2. Graduate Enrollment. Withhold recommendation on \$367,000 requested for graduate enrollment increase, pending receipt of a response from UC to concerns raised by the California Postsecondary Education Commission on the expansion. | 1245 |

THE UNIVERSITY OF CALIFORNIA—Continued

3. **Instructional Computing.** Recommend that the Legislature direct UC to request a review by the Academic Senate of the university's report on instructional use of computers. Further recommend that the Legislature direct the university to report on its (1) existing computer inventory and (2) plans for evaluating the educational effectiveness of its instructional computer plan. 1246
4. **Instructional Equipment.** Recommend the Legislature direct the UC to submit the following information: (1) the criteria used systemwide to determine whether UC should accept donated instructional equipment and (2) an estimate of the rate at which acceptable donations are being depreciated. 1248
5. **Health Science Instruction Program.** Recommend that \$2.2 million in unallocated savings be transferred from unallocated adjustments to the health sciences instruction program because no information has been provided to substantiate a restoration of the unspecified reduction to this program approved in the 1984 Budget Act. Further recommend adoption of supplemental language exempting (1) the medical class, (2) family practice residencies, and (3) preventive health residencies from this reduction. 1250
6. **Preventive Medicine.** *Increase Item 6440-001-001 by \$227,000.* Recommend augmentation of \$227,000 to provide stipend support for students in preventive medicine, in accordance with the directive contained in the *Supplemental Report of the 1984 Budget Act*. 1251
7. **Supercomputer Research.** *Reduce Item 6440-001-001 by \$1,000,000.* Recommend deletion of this augmentation because it would primarily support the externally funded research program, and consequently should be funded from the Regents' Opportunity Fund. 1253
8. **Superconducting Super Collider.** *Reduce Item 6440-001-001 by \$500,000.* Recommend deletion of this augmentation because it would primarily support the externally funded research program, and consequently should be funded from the Regents' Opportunity Fund. 1255
9. **Agricultural Policy Center.** *Reduce Item 6440-001-001 by \$110,000.* Recommend that \$110,000 of the \$250,000 augmentation be deleted because the university has the ability to accomplish the intended objective by realigning its research priorities within the base budget for the existing research program. 1256
10. **Institute of Transportation Studies.** *Reduce Item 6440-001-001 (General Fund) by \$16,000 and increase Item 6440-001-046 (Transportation Fund) by \$16,000.* Recommend technical adjustment to fund inflation adjustment for this institute from the Transportation Fund, rather than from the General Fund. 1257
11. **California Mathematics Project.** Withhold recommendation on \$570,000 requested for increased support for this project, pending receipt of additional information from the California Postsecondary Education Commission and UC 1259

- on the likely effects of the augmentation.
12. **Community College Transfer Centers. Reduce Item 6440-001-001 by \$250,000.** Recommend (1) adoption of Budget Bill language prohibiting expenditure of funds for community college transfer centers until an expenditure and operations plan has been approved by the California Postsecondary Education Commission, and (2) deletion of \$250,000 for project ASSIST because the community colleges should administer this activity. 1260
 13. **Teaching Hospitals. Reduce Item 6440-016-001 by \$15,000,000.** Recommend deletion of \$15 million operating subsidy for the Davis, Irvine, and San Diego teaching hospitals because the proposal does not provide a short-term solution or a comprehensive long-term solution to the teaching hospitals' financial problems. 1262
 14. **Student Fee Level. Reduce Item 6440-001-001 by \$9,500,000 and Increase Item 6440-006-001 by \$2,100,000.** Recommend that fee levels be set using the methodology recommended by the fee policy committee, and that additional financial aid be provided to offset the effects of the fee increases on students with demonstrated financial need, for a net General Fund savings of \$7.4 million. 1264
 15. **Maintenance Standards.** Recommend transfer of \$8.0 million currently proposed for ongoing maintenance to the deferred maintenance category, pending legislative review of the study on maintenance workload standards called for in the *Supplemental Report of the 1984 Budget Act*. 1267
 16. **University of California Retirement System (UCRS).** Withhold recommendation on \$2 million requested to restore one-time reduction made in 1984 Budget Act, pending receipt of a plan to replace the funds deleted in the current year. 1270
 17. **Faculty Salary Increase. Reduce Item 6440-011-001 by \$5,077,500.** Recommend that the salary increase for faculty be budgeted at 7.3 percent, rather than 8.8 percent, to reflect the amount needed to achieve parity with comparable institutions. 1270
 18. **Budgetary Savings.** Recommend UC's budgetary savings target be increased by \$2.3 million from the proposed \$7.9 million unallocated reduction to achieve the traditional level of savings and further that prior to budget hearings the Department of Finance provide a budget plan for the balance of \$5.6 million in unallocated reductions. 1272

Overview of the Legislative Analyst's Recommendations.

We recommend reductions to the UC's budget totaling \$31.4 million and augmentations amounting to \$2.3 million, for a net savings of \$29.1 million to the General Fund. In addition, we withhold recommendations on \$2.9 million included in the budget. None of our recommendations, however, would require reductions in the current level of activity under existing UC programs or any reduction in the services currently provided to students.

The largest individual reduction that we recommend—\$15 million—would eliminate funds that would be used to provide an operating subsidy

THE UNIVERSITY OF CALIFORNIA—Continued

for the teaching hospitals. We do not believe this proposal warrants approval because it does not provide a short-term solution or a comprehensive long-term solution to the hospitals' financial problems. The second largest reduction that we recommend—\$9.5 million—would implement the policy toward student fees that has been developed by the student fee policy committee at the Legislature's request. This reduction would be partly offset by a \$2.1 million augmentation that we recommend for financial aid grants to needy students. We also recommend that the Legislature continue to base funding for faculty salaries on the amount needed to achieve parity with comparable institutions, for a General Fund savings of \$5.1 million.

Based on the Legislature's policy decision of last year, we recommend an augmentation of \$227,000 to provide stipends for preventive medicine students. In the area of research, we recommend that \$1.6 million of the requested \$5.2 million increase be deleted. We believe that the Regents' Opportunity Fund, rather than the General Fund, is a more appropriate source of support for the expenditures.

The \$2.9 million on which we withhold recommendation involves: (1) graduate enrollments, (2) the California Mathematics Project, and (3) the University of California Retirement System (UCRS). The university and the California Postsecondary Education Commission are preparing the additional information needed by the Legislature to analyze these three requests.

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

Table 1
Summary of Changes to the UC's 1985-86 Budget
Recommended by the Legislative Analyst

Activity	Program Change	Funding Impact		Recom- mendations Withheld
		General Fund	Other Funds	
Graduate enrollments				\$367,000
Preventive medicine	227,000	227,000		
Supercomputer research		-1,000,000	\$1,000,000 ^a	
Superconducting super collider ...		-500,000	500,000 ^a	
Agricultural policy center		-110,000	110,000 ^a	
Transportation studies		-16,000	16,000 ^b	
California Mathematics Project ...				570,000
Community college transfer cen- ters	-250,000	-250,000		
Teaching hospitals	-15,000,000	-15,000,000		
Student fees		-9,500,000	9,500,000 ^c	
Student financial aid	2,100,000	2,100,000		
UC Retirement System				2,000,000
Faculty salaries	-5,077,500	-5,077,500		
Totals	-\$18,000,500	-\$29,126,500	\$11,126,000	\$2,937,000

^a Regents' Opportunity Fund.

^b Transportation Fund.

^c Student Fees.

GENERAL PROGRAM STATEMENT

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

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

The UC is the primary state-supported academic agency for research in California, and has sole authority 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, UC has exclusive jurisdiction, in the public higher education system, over instruction in the professions of law, medicine, dentistry, and veterinary medicine. Within the university, there are three law schools, five medical schools, two dental schools, and one school of veterinary medicine.

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

Faculty and Staff. The Legislature does not exercise position control over UC. Rather, the state appropriates funds to UC based on various workload formulas, such as one faculty member for every 17.61 undergraduate and graduate students. The UC then determines how many faculty and other staff will be employed. Thus, review of actual and budgeted position totals is not as meaningful for UC as it is for the Department of Education or other state agencies.

During the current year, the university has 57,902 full-time equivalent (FTE) academic and nonacademic employees, and is providing instruction to 134,699 students.

OVERVIEW OF THE BUDGET REQUEST

Total Expenditures. The budget proposes total expenditures of \$5,874,050,000 for support of the UC system in 1985-86. This is an increase of \$489,952,000 or 9.1 percent, over 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.

State Support. Table 2 shows that the budget proposes General Fund expenditures of \$1,627,908,000 for support of the UC system in 1985-86. This is an increase of \$170,761,000, or 11.7 percent, over estimated current-year General Fund expenditures. This increase includes \$89,339,000 associated with the cost of salary and benefit increases in 1985-86.

The proposed 11.7 percent increase in General Fund support under-

THE UNIVERSITY OF CALIFORNIA—Continued

Table 2
The University of California
Budget Summary
1983-84 through 1985-86
(dollars in thousands)

	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change	
				Amount	Percent
A. Budgeted Programs:					
1. Instruction	\$797,352	\$993,873	\$1,024,638	\$30,765	3.1%
2. Research	131,689	146,904	152,114	5,210	3.5
3. Public Service	63,683	70,774	72,344	1,570	2.2
4. Academic Support	202,441	225,648	230,632	4,984	2.2
5. Teaching Hospitals	644,834	725,684	782,538	56,854	7.8
6. Student Services	115,588	117,203	129,203	12,000	10.2
7. Institutional Support	165,291	188,209	189,306	1,097	0.6
8. Operation and Maintenance ..	154,295	188,801	197,956	9,155	4.8
9. Student Financial Aid	61,817	63,223	63,223	—	—
10. Auxiliary Enterprises	166,690	172,073	180,780	8,707	5.1
11. Special Regents' Program	30,811	41,100	45,400	4,300	10.5
12. Unallocated Adjustments	—	-730	136,341	137,071	NA
Subtotals, Budgeted Pro- grams	\$2,534,491	\$2,932,762	\$3,204,475	\$271,713	9.3%
B. Extramural Programs:					
1. Sponsored Research and Other Activity	\$762,624	\$807,094	\$860,909	\$53,815	6.7%
2. Department of Energy Labs	1,494,765	1,644,242	1,808,666	164,424	10.0
Subtotals, Extramural Pro- grams	\$2,257,389	\$2,451,336	\$2,669,575	\$218,239	8.9%
Grand Totals	\$4,791,880	\$5,384,098	\$5,874,050	\$489,952	9.1%
Sources of Revenue:					
A. Budgeted Programs:					
General Fund	\$1,110,012	\$1,457,147	\$1,627,908	\$170,761	11.7%
University funds—general	96,695	103,320	114,935	11,615	11.2
UCRS funds	64,800	—	—	—	—
Special Account for Capital Outlay	—	—	12,445	12,445	NA
State Transportation Fund	905	940	940	—	—
Environmental License Plate Fund	211	—	210	210	NA
California State Lottery Educa- tion Fund	—	—	7,425	7,425	NA
California Water Fund	100	100	100	—	—
Capital Outlay Fund for Public Higher Education	12,729	—	—	—	—
Energy and Resources Fund ...	635	—	—	—	—
Federal funds	12,089	12,475	12,475	—	—
University funds—restricted ...	1,236,315	1,358,780	1,428,037	69,257	5.1
B. Extramural Programs:					
State of California (State Agency Agreements)	\$19,528	\$19,600	\$19,600	—	—
Federal funds	468,943	492,537	517,164	\$24,627	5.0%
Private Gifts, Contracts and Grants	124,877	139,782	156,536	16,774	12.0
Other University funds	149,276	155,175	167,589	12,414	8.0
Department of Energy (Feder- al)	1,494,765	1,644,242	1,808,666	164,424	10.0
Personnel-years	59,009	57,902	57,652	-250	-0.4%

states the total increase in state support requested for UC in 1985–86. This is because in addition to support from the General Fund, the UC will receive funds from three other state sources: the Special Account for Capital Outlay, the California State Lottery Education Fund, and the Environmental License Plate Fund. When funds requested from these three funding sources are added to the General Fund request, the increase in *state support* proposed for 1985–86 is \$190.8 million, or 13.1 percent, over the current-year level.

Table 2 shows that UC's budgeted programs are divided into twelve classifications. In the analysis that follows, we discuss the budget request for the following seven programs that, in our judgment, raise issues warranting the Legislature's attention—Instruction, Research, Public Service, 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. There are other general revenue sources, however, that are combined with the state's General Fund appropriations to finance expenditures by the university.

Table 2 shows that other university "general funds" will total \$114.9 million in 1985–86, in comparison to the \$1.6 billion from the state General Fund. The sources of the university's other general funds include nonresident tuition revenue, the state's share of overhead receipts associated with federal grants and contracts, and some minor student fees. Because revenues from these various sources are combined with state General Fund support, it is not possible to identify expenditures by revenue source. Consequently, the term "general funds" is used in this analysis to refer to the combined total of the state General Fund monies and the other general-purpose revenues available to the university.

1985–86 Expenditures by Source of Funding

Table 3 shows the source of funding for individual programs. For example, the table shows that general funds provide \$650 million (nearly 98 percent) of the general campus instruction budget of \$666 million. In contrast, general funds account for only \$67 million (9 percent) of the \$783 million budgeted for teaching hospitals. Patient charges for services will provide the balance—\$716 million—of the hospitals' budgets.

General Fund Budget Changes Proposed for 1985–86

Table 4 identifies the specific factors accounting for the net \$170.7 million increase in General Fund support proposed for 1985–86. Later in this analysis we discuss in detail the changes shown in this table. Table 4 shows that:

- *Workload and cost adjustments* result in a net increase of \$13.6 million and \$38.9 million, respectively.
- *Program adjustments and funding to maintain current student fee levels* result in increases of \$35.0 million and \$12.0 million, respectively.
- *Employee compensation increases for 1985–86* total \$89.3 million.

THE UNIVERSITY OF CALIFORNIA—Continued

Table 3
The University of California
Source of Funds by Program
1985-86 Governor's Budget
(dollars in thousands)

	General Funds	Federal Funds	Student Fees and Tuition	Sales and Services			Endow- ments	Other Sources	Totals	
				Teaching Hospitals	Educational Activities	Support Services				Auxiliary Enterprises
Instruction:										
General Campuses	\$650,253	\$50	\$1,111	—	\$848	—	—	\$2,682	\$11,021	\$665,965
Health Sciences	205,538	679	—	—	65,892	—	—	1,981	2,727	276,817
Summer Session	—	—	12,978	—	—	—	—	—	—	12,978
University Extension	—	—	68,776	—	102	—	—	—	—	68,878
Total Instruction	\$855,791	\$729	\$82,865	—	\$66,842	—	—	\$4,663	\$13,748	\$1,024,638
Research	\$131,289	\$3,263	\$23	—	\$3,102	—	—	\$8,627	\$5,810	\$152,114
Public Service:										
Community Service	\$3,590	—	\$3,421	—	\$17,805	—	—	\$878	\$2,366	\$28,060
Cooperative Extension	31,669	\$8,483	—	—	525	—	—	7	—	40,684
Drew Postgraduate Medical School.....	2,797	—	—	—	—	—	—	—	—	2,797
Calif. College of Podiatric Med	803	—	—	—	—	—	—	—	—	803
Total Public Service.....	\$38,859	\$8,483	\$3,421	—	\$18,330	—	—	\$885	\$2,366	\$72,344
Academic Support:										
Libraries	\$106,472	—	—	—	\$142	—	—	\$1,376	\$389	\$108,379
Museum and Galleries.....	2,562	—	—	—	60	\$40	—	220	—	2,882
Intercollegiate Athletics	—	—	\$1,198	—	—	185	—	—	177	1,560
Ancillary Support—General Campuses	7,883	—	534	—	861	3,349	—	21	393	13,041
Ancillary Support—Health Sciences	50,952	—	—	—	34,506	18,797	—	27	488	104,770
Total Academic Support.....	\$167,869	—	\$1,732	—	\$35,569	\$22,371	—	\$1,644	\$1,447	\$230,632
Teaching Hospitals.....	\$66,791	—	—	\$715,747	—	—	—	—	—	\$782,538

Student Services:

Social and Cultural Activities	\$1,076	—	\$26,253	—	\$379	—	—	\$19	\$3,400	\$31,127
Supplemental Educational Services.....	158	—	3,354	—	—	—	—	—	175	3,687
Counseling and Career Guidance	300	—	18,839	—	3	\$131	—	—	556	19,829
Financial Aid Administration	—	—	12,628	—	—	—	—	—	1,106	13,734
Student Admissions and Records	112	—	16,954	—	—	—	—	—	673	17,739
Student Health Services	—	—	19,111	—	—	—	—	20	5,219	24,350
Student Affirmative Action	4,369	—	1,165	—	—	—	—	—	—	5,534
<i>Disabled Students</i>	<i>1,203</i>	—	—	—	—	—	—	—	—	<i>1,203</i>
Provision for Cost Increase	—	—	12,000	—	—	—	—	—	—	<u>12,000</u>
Total Student Services.....	\$7,218	—	\$110,304	—	\$382	\$131	—	\$39	\$11,129	\$129,203
Institutional Support:										
Executive Management	\$43,965	—	\$740	\$177	—	—	—	\$688	\$2,407	\$47,977
Fiscal Operations	23,502	—	1,964	54	—	—	\$13	—	6,610	32,143
General Administrative Services	40,930	—	5,255	-231	—	—	14	22	4,955	50,945
Logistical Services	31,764	—	829	—	—	—	\$538	-27	9,642	42,746
Community Relations	14,666	—	138	—	—	—	—	385	306	15,495
Total Institutional Support.....	\$154,827	—	\$8,926	—	—	\$538	—	\$1,095	\$23,920	\$189,306
Operation and Maintenance of Plant	\$178,028	—	\$6,596	—	—	—	—	\$594	\$12,738	\$197,956
Student Financial Aid	\$23,557	—	\$32,726	—	—	—	\$2	\$6,602	\$336	\$63,223
Auxiliary Enterprises	—	—	\$789	—	—	—	\$179,979	\$12	—	\$180,780
Special Regents' Programs	—	—	—	—	—	—	—	—	\$45,400	\$45,400
Unallocated Adjustments:										
Provisions for Allocation.....	-\$17,368	—	\$5,375	—	—	—	—	\$5,251	\$7,101	\$359
Program Maintenance:										
Fixed Costs and Economic Factors ..	143,913	—	—	—	—	—	—	—	—	143,913
Unallocated General Fund Reduction for MSA and Operating Expenses	-7,931	—	—	—	—	—	—	—	—	-7,931
Total Unallocated Adjustments.....	\$118,614	—	\$5,375	—	—	—	—	\$5,251	\$7,101	\$136,341
Totals, Budgeted Programs	\$1,742,843	\$12,475	\$252,757	\$715,747	\$124,225	\$23,040	\$179,981	\$29,412	\$123,995	\$3,204,475
Sponsored Research and Other Activities	—	\$517,164	—	—	—	—	—	—	\$343,745	\$860,909
Department of Energy Laboratories.....	—	\$1,808,666	—	—	—	—	—	—	—	\$1,808,666
Totals (Budgeted and Extramural Pro- grams)	\$1,742,843	\$2,338,305	\$252,757	\$715,747	\$124,225	\$23,040	\$179,981	\$29,412	\$467,740	\$5,874,050

THE UNIVERSITY OF CALIFORNIA—Continued

Table 4 also shows that the budget does *not* include funding for General Fund staff merit salary adjustments (estimated cost in 1985-86: \$7.2 million) or the full cost of adjustments to operating expenses and equipment needed to compensate for inflation (estimated shortfall in 1985-86: \$731,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

Table 4
The University of California
Proposed 1985-86 General Fund Budget Changes
(dollars in thousands)

1984-85 Expenditures (Revised)		\$1,457,147
Proposed Changes:		
A. Workload adjustments		13,564
1. Undergraduate enrollment	\$10,197	
2. Library staffing	573	
3. Operation and maintenance of plant	2,794	
B. Cost Adjustments		38,861
1. Merit and promotion adjustments	21,225	
2. Inflation adjustments	19,771	
3. Employee compensation annualization	10,822	
4. Retirement (UCRS) restoration	2,000	
5. Social security	1,046	
6. Instructional equipment replacement	2,104	
7. PERS adjustment	-290	
8. UC income adjustment	-17,817	
C. Program Adjustments		35,012
1. Graduate enrollment	367	
2. Instructional equipment replacement	8,575	
3. Toxic substances research	1,500	
4. Biotechnology research	1,500	
5. Gene resources conservation research	250	
6. Supercomputing research	1,000	
7. Superconducting super collider research	500	
8. Agricultural policy center	250	
9. Library telecommunication network	500	
10. Building maintenance	4,000	
11. California writing project	250	
12. California mathematics project	570	
13. Community college transfer centers	750	
14. Teaching hospital subsidy	15,000	
D. Funding to Maintain Current Student Fee Levels		12,000
E. Deferred Maintenance Funding Shift to Special Account for Capital Outlay		-10,084
F. Employee Compensation Increase for 1985-86		89,339
G. Unallocated General Fund Reduction for MSA (Staff) and Operating Expenses		-7,931
1985-86 Expenditures (Proposed)		\$1,627,908
Change from 1984-85:		
Amount		\$170,761
Percent		11.7%

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following changes shown in Table 4, which are not discussed elsewhere in this analysis:

- An increase of \$573,000 for library staffing that is justified by current workload standards.
- An increase of \$500,000 for a library telecommunication network that will allow the installation and ongoing maintenance of two-way communication between all nine university campuses.

Proposed Elimination of 250 Positions Is Misleading

The Governor's Budget proposes a net reduction of 250 positions in 1985-86 which is equivalent to 0.4 percent of the total number of positions shown in the budget for the current year. The proposed 250 position reduction, however, is misleading. This is because, as discussed below, the actual effect of the proposed budget would be to provide state support for an additional 350 positions.

Table 5 shows UC personnel-years, by program element, for the prior, current, and budget years, as reported in the Governor's Budget.

Table 5
The University of California
Summary of Personnel-Years
1983-84 through 1985-86

Budgeted Programs	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change	
				Number	Percent
1. Instruction	20,013	20,479	20,788	309	1.5%
2. Research	2,862	2,937	2,943	6	0.2
3. Public Service	1,269	1,337	1,352	15	1.1
4. Academic Support	5,100	5,168	5,188	20	0.4
5. Teaching Hospitals	13,687	13,256	12,906	-350	-2.6
6. Student Services	3,190	3,181	3,181	—	—
7. Institutional Support	6,634	6,705	6,655	-50	-0.8
8. Operation and Maintenance	3,398	3,198	3,148	-50	-1.7
9. Auxiliary Enterprises	2,856	2,866	2,716	-150	-5.2
10. Provisions for Allocation	—	-1,225	-1,225	—	—
Totals	59,009	57,902	57,652	-250	-0.4%

According to the budget, the net reduction reflects the following changes:

- an increase of 350 positions in four programs—Instruction, Research, Public Service, and Academic Support—all funded by the state General Fund. These new positions are related primarily to workload adjustments resulting from the increase in undergraduate enrollments.
- a decrease of 350 positions in the teaching hospital program. Teaching hospitals receive 93 percent of their operating revenue from patient fees.
- a decrease of 100 positions in two programs—Institutional Support and Operation and Maintenance—with no corresponding reduction

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in state funding. Presumably, the funds budgeted for these positions will instead be used for contract services. At the time this analysis was prepared, we had no details—nor did UC—on what services would be contracted.

- a decrease of 150 positions in Auxiliary Enterprises with no corresponding reduction in funding. This program is self-supporting—it receives no state funds. Presumably, the funds budgeted for these positions will be used instead for contract services. Here again, neither we nor UC had details on what would be contracted when this analysis was prepared.

Consequently, the 350 proposed new positions are fully state-supported, while the proposed decrease of 600 positions are either (1) primarily supported with non-state funds or (2) are not accompanied by a corresponding reduction in state funding.

I. INSTRUCTION

The Instruction program includes (1) general campus instruction, (2) health science instruction, (3) summer session, and (4) university extension. Table 6 displays the instruction budget for the university in the prior, current, and budget years. For 1985–86, prior to the allocation of salary increase funds, a total of \$1,024.6 million is proposed for instruction, of which \$855.8 million is from general funds. The proposed budget for Instruction is \$30.8 million, or 3.1 percent, higher than the current-year budget for this program. The percentage increase will grow, of course, once funds are allocated for salary increases.

Table 6
The University of California
Instruction Budget
Summary of Expenditures and Funding
1983–84 through 1985–86
(dollars in thousands)

<i>Elements</i>	<i>Actual</i> <i>1983–84</i>	<i>Estimated</i> <i>1984–85</i>	<i>Proposed</i> <i>1985–86</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. General campus	\$496,495	\$637,297	\$665,965	\$28,668	4.5%
2. Health sciences.....	228,966	275,950	276,817	867	0.3
3. Summer session	9,998	11,748	12,978	1,230	10.5
4. University extension	61,893	68,878	68,878	—	—
Totals	\$797,352	\$993,873	\$1,024,638	\$30,765	3.1%
General funds	\$659,430	\$834,548	\$855,791	\$21,243	2.5%
<i>California State</i>					
Lottery Education Fund.....	—	—	7,425	7,425	NA
Other restricted funds.....	137,922	159,325	161,422	2,097	1.3
Personnel-years	20,013	20,479	20,788	309	1.5%

A. ENROLLMENT

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

Enrollment Up in 1984–85. Each fall, the nine UC campuses deter-

mine how actual enrollment compares to the FTE enrollment on which their current-year budget is based. Table 7 shows that UC general campus undergraduate enrollment for 1984-85 was budgeted at 94,235 FTE. The fall enrollment, however, indicates that *actual* undergraduate enrollment in 1984-85 will be 97,299 FTE, or 3.3 percent (3,064) above the budgeted level. To fund this enrollment, the budget proposes a deficiency appropriation of \$5.1 million in the current year to cover the marginal costs related to the additional undergraduate students. This proposal is in compliance with Provision 10 of Item 6440-001-001 of the 1984 Budget Act, which permits the Director of Finance to authorize the accelerated expenditure of budgeted funds by UC when actual system-wide undergraduate enrollment exceeds budgeted enrollment by 2 percent.

1985-86 Budgeted Enrollment. Table 7 also shows that budgeted enrollment for 1985-86 is above *budgeted* enrollment for 1984-85 by 3,471 FTE (2.6 percent). When compared to *actual* enrollment in the current year, however, the proposed level represents a *decrease* of 71 FTE.

Budgeted enrollment changes, by category, are as follows:

- General campus undergraduate—up 3,652 FTE (3.9 percent) over the current-year budgeted level, and up 588 FTE (0.6 percent) from the current-year revised level.
- General campus graduate—up 100 FTE (0.4 percent) over current-year budgeted level, and down 378 FTE (1.5 percent) from the current-year revised level.
- Health sciences—down 281 FTE (2.3 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)
1983-84 through 1985-86

Campus	1983-84 Actual	1984-85		1985-86 Proposed	Change from Budgeted 1984-85	
		Budgeted	Revised		Number	Percent
Berkeley						
General Campus						
Undergraduate	19,116	18,828	19,999	19,656	828	4.4%
Graduate	7,547	7,741	8,020	7,655	-86	-1.11
Health Sciences	780	765	765	762	-3	-0.4
Subtotals	27,443	27,334	28,784	28,073	739	2.7%
Davis						
General Campus						
Undergraduate	13,434	13,200	13,836	13,813	613	4.6
Graduate	2,874	2,934	3,022	2,934	—	—
Health Sciences	1,846	1,847	1,847	1,834	-13	-0.7
Subtotals	18,154	17,981	18,705	18,581	600	3.3%
Irvine						
General Campus						
Undergraduate	9,017	9,222	9,724	9,989	767	8.3
Graduate	1,284	1,338	1,359	1,388	50	3.7
Health Sciences	1,075	1,044	1,044	1,037	-7	-0.7
Subtotals	11,376	11,604	12,127	12,414	810	7.0%

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Los Angeles						
General Campus						
Undergraduate.....	19,649	19,448	19,369	19,549	101	0.5
Graduate	7,452	7,621	7,549	7,652	31	-0.4
Health Sciences	3,783	3,898	3,898	3,883	-15	-0.4
Subtotals	30,884	30,967	30,816	31,084	117	0.4%
Riverside						
General Campus						
Undergraduate.....	3,126	3,096	3,207	3,298	202	6.5
Graduate	1,225	1,270	1,160	1,270	—	—
Health Sciences	51	48	48	48	—	—
Subtotals	4,402	4,414	4,415	4,616	202	4.6%
San Diego						
General Campus						
Undergraduate.....	10,156	10,538	10,871	11,194	656	6.2
Graduate	1,386	1,332	1,449	1,387	55	4.1
Health Sciences	1,043	1,058	1,058	1,052	-6	-0.6
Subtotals	12,585	12,928	13,378	13,633	705	5.5%
San Francisco						
Health Sciences	3,583	3,655	3,655	3,638	-17	-0.5
Subtotals	3,583	3,655	3,655	3,638	-17	-0.5%
Santa Barbara						
General Campus						
Undergraduate.....	13,808	13,649	13,942	14,024	375	2.7
Graduate	1,907	1,925	1,980	1,925	—	—
Subtotals	15,715	15,574	15,922	15,949	375	2.4%
Santa Cruz						
General Campus						
Undergraduate.....	6,163	6,254	6,351	6,364	110	1.8
Graduate	517	446	546	496	50	11.2
Subtotals	6,680	6,700	6,897	6,860	160	2.4%
1983-84 Budget Reduction:						
Medical Residents	—	—	—	-220	-220	—
Total University						
Undergraduate.....	94,469	94,235	97,299	97,887	3,652	3.9
Graduate	24,192	24,607	25,085	24,707	100	0.4
General Campus	118,661	118,842	122,384	122,594	3,752	3.2%
Health Sciences	12,161	12,315	12,315	12,034	-281	-2.3
Totals	130,822	131,157	134,699	134,628	3,471	2.6%

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 general campus instruction in the prior, current, and budget years. As the table shows, the budget proposes in 1985-86, a total of \$666 million—\$29 million, or 4.5 percent, more than estimated current-year expenditures. Of this amount, the budget proposes expenditures of \$650 million from general funds—\$21 million, or 3.4 percent, more than estimated current-year expenditures. This is prior to any salary and inflation increases approved for the budget year. (The proposed salary and inflation increases are shown as unallocated adjustments.)

The \$21 million general funds increase consists of the following elements:

- **Undergraduate enrollment**—\$10.2 million to fully fund UC's estimated 1985-86 undergraduate enrollment.

- **Graduate enrollment**—\$367,000 to provide support for an additional 100 graduate students in 1985–86.
- **Instructional equipment replacement**—\$10.5 million for replacement of instructional equipment, bringing total support for this activity to \$32.6 million.

Table 8 also shows that the budget proposes an expenditure of \$7.5 million from the California State Lottery Education Fund for the following elements:

- **Instructional use of computers**—\$6.0 million for instructional use of computers to augment the \$9.4 million provided by the state General Fund for this purpose in 1985–86.
- **Instructional equipment replacement**—\$1.5 million for instructional equipment replacement to augment the \$32.6 million provided by the state General Fund for this purpose in 1985–86.

The Governor's proposed expenditure of UC's share of the Lottery Fund are instructionally related and supplement the UC budget. We believe they are appropriate, and accordingly recommend that the Legislature approve the amounts as budgeted.

Table 8
The University of California
Instruction—General Campus
Summary of Expenditures and Funding
1983–84 through 1985–86
(dollars in thousands)

Elements	Actual 1983–84	Estimated 1984–85	Proposed 1985–86	Change	
				Amount	Percent
1. Faculty	\$278,957	\$371,952	\$377,219	\$5,267	1.4%
2. Teaching assistants	28,805	36,778	37,764	986	2.7
3. Instructional support	171,347	193,287	197,598	4,311	2.2
4. Other	1,857	2,728	2,728	—	—
5. Equipment replacement	9,145	22,058	24,162	2,104	9.5
6. Equipment: reduction of backlog	—	—	10,000	10,000	NA
7. Instructional computing	5,384	9,384	15,384	6,000	63.9
8. Technical education	1,000	1,110	1,110	—	—
Totals	\$496,495	\$637,297	\$665,965	\$28,668	4.5%
General funds	\$480,646	\$629,010	\$650,253	\$21,243	3.4%
California State Lottery Education Fund	—	—	7,425	7,425	NA
Other restricted funds	15,849	8,287	8,287	—	—
Personnel-years					
Faculty	6,926	6,814	6,960	146	2.1%
Teaching assistants	1,792	2,159	2,215	56	2.6
Other	5,056	5,092	5,199	107	2.1
Totals	13,774	14,065	14,374	309	2.2%

1. Undergraduate Enrollment Increase

The Governor's Budget proposes an augmentation of \$10.2 million to fund the estimated undergraduate enrollment increase at UC in 1985–86. Our analysis of the data supplied by UC indicates that the projected undergraduate enrollment increase is reasonable. Because current state policy supports admission to UC for all eligible undergraduates, we recommend approval of this augmentation.

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2. Faculty Time-Use Report Should Be Changed

We recommend that the Legislature request UC to discontinue its current faculty time-use report because the report is not useful, and instead report on faculty workload policies at UC in comparison to faculty workload policies at other specified universities.

Background. In response to the Legislature's interest in the amount of time UC faculty devote to instructional activities, UC has contracted with a private research firm since 1977-78 for an annual survey of faculty time-use. The survey, which costs \$200,000 in the current year, has been supported from the Regents' Opportunity Fund.

The survey consists of self-reported information given by UC faculty on how they use their time. In the 1983-84 academic year, 1,208 UC faculty members participated in the survey. Table 9 compares the results of the surveys conducted since 1980-81.

Table 9
The University of California
Summary of All UC-Related Activities Among UC Faculty
1980-81 to 1983-84
(Average Hours Per Week)

Categories	1980-81	1981-82	1982-83	1983-84
All instructional activities.....	28.9	27.7	27.5	26.0
Research/creative activities.....	23.1	24.1	23.9	23.2
University service.....	6.2	5.1	4.8	6.6
Professional activities/public service.....	4.9	4.9	4.4	5.5
Total, All UC-Related Activities.....	63.0	61.7	60.6	61.3

Details may not add to totals due to rounding.

Table 9 shows that UC faculty report working an average of 60 to 63 hours per week during the 1980-84 period, with 26 to 29 of those hours devoted *exclusively* to instructional activities.

Problems With the Current Report. The basic purpose of the time-use report is to provide a basis for monitoring the amount of time faculty devote to classroom instruction. The current UC survey, however, cannot be used for this purpose. This is because the survey has no standard against which the amount of time UC faculty spend on classroom instruction can be compared. Thus, the Legislature has no way of knowing whether the amount of time reported by UC faculty is "too low," "too high," or "about right." Without a standard, it is simply not possible to make judgements about the reported time allocations.

A Better Alternative. We believe that the Legislature's ability to monitor faculty time-use can be enhanced if data were made available comparing UC's workload policies with faculty workload policies at those universities currently used as the basis for making faculty salary comparisons. This information would permit the Legislature to compare the number of courses faculty are expected to teach each year, as well as university policies with regard to workload distribution for other instructional, research, and public service activities. The data from other universities would serve as a benchmark for evaluating the UC's workload policies. To ensure that the UC's workload policies are actually in force, selective

studies of particular campuses or studies involving all campuses in selected fields could be undertaken periodically.

In sum, we believe that this type of information would be more responsive than the current report to the Legislature's interest in faculty time-use. In addition, it probably could be obtained at less cost than the data now being collected. For these reasons, we recommend that the Legislature adopt the following supplemental report language in Item 6440-001-001 requesting that the UC provide alternative information in lieu of the current report:

"It is the intent of the Legislature that the University of California report annually on its workload policies for full-time tenure-track faculty and on the faculty workload policies for its salary comparison institutions. The university may also include in this report faculty workload policies from other universities that it deems appropriate. The initial workload policy report shall be submitted to the legislative fiscal committees and the Joint Legislative Budget Committee by February 1, 1986, and by December each year thereafter. Beginning with the 1985 budget year, the university is no longer required to annually submit the faculty time-use survey."

3. Request for Increase in Graduate Enrollment.

We withhold recommendation on a proposed General Fund increase of \$367,000 to support a graduate enrollment increase of 100 students, pending receipt of a response from UC to the concerns raised by CPEC on the expansion.

The budget requests \$367,000 from the General Fund to support a net increase of 100 graduate students in 1985-86. The budget does not specify the fields of study of the additional students. It does state, however, that "the graduate increase will enable the university to expand programs in areas of student and societal demand, primarily in the sciences, such as engineering, computer science, and related fields."

UC Graduate Enrollment Plan. The budget request is based, in part, on a graduate enrollment plan developed by UC for the years 1984-85 through 1986-87. Table 10 shows that the UC plan seeks an increase of 800 students for the years 1984-85 through 1986-87. The table also shows that the 1984 Budget Act provided funds for 200 of the 375 students requested in the UC's plan for 1984-85, and that the budget proposes funds for 100 of the 200 students requested in the plan for 1985-86.

Table 10
The University of California
Graduate FTE Enrollment
as proposed by UC and as budgeted
1983-84 through 1986-87

Campus	1983-84 Budgeted	Change to 1983-84 Budgeted Enrollment				1986-87 Planned	UC Planned Increase Over 1983-84
		1984-85		1985-86			
		Planned	Budgeted	Planned	Budgeted		
Berkeley	7,741	125	—	—	-86	—	125
Davis	2,934	—	—	50	—	50	100
Irvine	1,278	75	60	50	50	25	150
Los Angeles ..	7,621	—	—	—	31	—	—
Riverside	1,270	—	—	—	—	—	—
San Diego	1,272	75	60	50	55	50	175
Santa Barbara	1,880	50	45	—	—	50	100
Santa Cruz	411	50	35	50	50	50	150
Totals	24,407	375	200	200	100	225	800

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UC states that a continued expansion of graduate enrollments is necessary because:

“The University has reached the point where it cannot continue to meet the heavy demand for science majors, and for program and disciplinary balance on the newer campuses, without undermining the quality of core programs and the resource base of the established campuses where programs have achieved national recognition for excellence. The University’s ability to provide both the research environment needed to train skilled personnel for high technology fields and the balanced educational environment necessary for all students will be reduced if this increase is not funded.”

California Postsecondary Education Commission (CPEC) Review.

We requested the CPEC’s comments on both UC’s proposed graduate enrollment plan and its specific budget request for 1985–86. The commission responded that it “continue(s) to have some reservations about the general policy that the State, at this time, should support additional graduate students at the University.” The CPEC raises several reasons for its reservations, and further states that “Until these concerns are met, we (CPEC) are not persuaded to assign the expansion of graduate enrollments a high priority at the University, especially in view of more urgent needs for new funding”.

We concur with the Governor’s statement that this budget “must aggressively continue to review the base in its efforts to recognize the changing priorities in California” and “growth can only occur after an evaluation of the budget base to insure that necessary programs can be maintained.”

Consequently, we have asked UC to review and comment on CPEC’s response. Pending receipt of UC’s response, we withhold recommendation on the requested augmentation of \$367,000 for additional faculty to support a projected graduate enrollment increase of 100 students.

4. Follow-Up Report Needed on Instructional Computing (Item 6440-001-814)

We recommend that the Legislature ask UC to request a review by the Academic Senate of the university’s report on instructional use of computers. We further recommend that the Legislature direct the university to report on (1) its current computer inventory and (2) its plans for evaluating the educational effectiveness of its instructional computer plan.

General Fund support for instructional use of computers (IUC) in the current year totals \$9.4 million. The budget proposes to augment this amount by \$6 million from the California State Lottery Education Fund, bringing total state support to \$15.4 million. Based on our review of UC’s IUC needs, we recommend approval of the proposed funding level. At the same time, however, we conclude that the Legislature needs more information on several aspects of the UC’s IUC plan.

Annual Need Estimated at \$52.4 million. The Budget Act of 1984 directed the university to develop a long-term computer plan which includes a description of:

- the process used in estimating the instructional computer needs of the university, taking into account the competing demands on student

- time across all disciplines in the student's educational program,
- the plan to be used in allocating instructional computing resources to faculty and students, and
- the process for monitoring and controlling the allocation plan.

The university has submitted a draft of this plan which identifies an annual need of \$52.4 million for IUC—\$43.6 million for student use and \$8.8 million for faculty use. As noted above, the level of funding proposed for 1985-86 is \$15.4 million, or \$37.0 million less than the reported annual need.

Our review indicates that UC's report is generally responsive to the Legislature's direction. Nevertheless, further information on and review of the university's plan are needed. Specifically, we conclude that:

- the report's assumptions concerning the amount of computer time desirable for students and faculty should be reviewed by a "broad-based" curriculum committee,
- the Legislature needs a current inventory of the type of computers requested in the plan, and
- the university needs to evaluate the implementation and educational effectiveness of its IUC program.

Second Opinion Needed. The IUC plan was developed by a universitywide task force consisting of faculty and administrative personnel, all of whom had extensive experience in academic computing, including instructional computing. The task force believed that all students should have computer time available that, on average, ranges from 2 hours per week for undergraduate arts and humanities students to 20 hours per week for graduate engineering students. For faculty, the task force believed that the university's ultimate goal should be to provide a computer work station for every full-time equivalent (FTE) faculty member.

While these goals may be appropriate, we recommend that a broad-based curriculum committee of the Academic Senate review the task force's assumptions on computer use and evaluate the desirability and practicality of the proposed usage levels in relationship to the overall educational goals of the university.

Inventory Needed. The UC's draft IUC report does not contain a current inventory of computers already on the campuses. To assess the actual need for additional computers the Legislature should have a current inventory of the type of computers requested in the report. This inventory should include computers acquired from state and nonstate sources.

Evaluation Report Needed. The UC's draft report indicates an annual funding need for IUC that exceeds the amount budgeted for 1985-86 by \$37.0 million. The report, however, does not contain any information on the effectiveness of IUC expenditures. We believe that before the state commits funds above the requested 1985-86 level, the university should provide a plan for evaluating the implementation and educational effectiveness of this level of IUC funding.

To address each of these issues, 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 submit the following three reports:

1. **Report on Computer Use.** The university shall request the Academic Senate to review the university's *Report on the Instructional Use of Computers* and submit a report on this review to the Legislature. The

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report should include a discussion of the educational desirability and practicality of the computer use levels cited in the IUC report in relationship to the overall educational goals of the university and the resulting demands that these goals place on student time across all disciplines.

2. *Report on Computer Inventory.* This report shall include the current state and nonstate-funded inventory of the computers cited in the *Report on the Instructional Use of Computers* and the associated annual depreciation cost of this inventory.

3. *Report on Evaluation Plans.* This report shall provide a plan for evaluating the implementation and educational effectiveness of the IUC program.

These reports shall be submitted to the legislative fiscal committees and Joint Legislative Budget Committee by November 15, 1985."

5. Should Donated Equipment Be Considered in Future Budget Requests?

We recommend that the Legislature direct the university to submit the following information: (1) the criteria used systemwide in order to determine whether UC should accept donated instructional equipment and (2) an estimate of the annual depreciation of the acceptable donations.

The budget requests \$34.2 million for replacement of State-funded instructional equipment within the university: (1) \$24.2 million to cover the annual depreciation of the state-funded inventory and (2) \$10 million to reduce the *backlog* of replacement needs, which we estimate to total \$67.8 million. Of the proposed \$34.2 million, \$32.8 million is requested from the General Fund and \$1.4 million is requested from the California State Lottery Education Fund.

Based on our review of the university's instructional equipment replacement needs, we recommend approval of the proposed funding level. In addition, we recommend that the university report on (1) the criteria used systemwide in order to determine whether UC should accept donated instructional equipment and (2) the annual depreciation of acceptable donations.

Gap In Need Calculations. The *Supplemental Report of the 1984 Budget Act* directed the University of California (UC) and the California State University (CSU) to base their funding requests for instructional equipment replacement (IER) using the depreciation model developed by UC. The UC's 1985-86 IER request was prepared using its model.

In our review of the UC's requests for IER, we found that the IER model is restricted to just *state-funded* equipment; non-state funded equipment acquisitions are not covered by the model. Thus, if a company donates computers to UC, the current IER model does not generate an annual depreciation value for this equipment.

If donated equipment meets the university's need, it should be credited as an offset toward any gap between desired levels of equipment and current inventories. The counterpart to doing so, however, is that the IER model should also depreciate the donation, because the need to replace equipment is independent of its original funding source.

By including donated equipment in the inventory, the need for General Fund support purchases is reduced, while the need for funding to compensate for depreciation is increased. Therefore, before the Legislature allows UC to include donated equipment in its IER inventory, it needs to review (1) the criteria used by UC in evaluating whether to accept donat-

ed equipment and (2) the annual depreciation associated with donated equipment. This information would help the Legislature determine whether the recognition of donated equipment in the model serves the state's best interest.

To secure the needed information, 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 submit with its 1985-86 Instructional Equipment Replacement (IER) Report (1) the criteria and procedures used systemwide in order to determine whether UC should accept donated instructional equipment and (2) an estimate of the annual depreciation of acceptable donations."

C. HEALTH SCIENCE INSTRUCTION

The Health Science Instruction program includes the cost of faculty and instructional support for:

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

Table 11 shows the health science instruction budget, by program element, for the prior, current, and budget year. The budget proposes an unspecified increase of \$2.2 million from the General Fund in the health science instruction program in the current year (1984-85) and proposes to continue this increase in 1985-86.

Table 11
The University of California
Instruction—Health Sciences
Summary of Expenditures and Funding
1983-84 through 1985-86
(dollars in thousands)

Program Elements	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change	
				Amount	Percent
1. Medicine.....	\$174,583	\$209,385	\$208,974	-\$411	-0.2%
2. Dentistry	15,387	17,585	17,585	—	—
3. Nursing	6,888	7,372	7,372	—	—
4. Optometry	1,570	1,604	1,604	—	—
5. Pharmacy	4,608	5,626	5,626	—	—
6. Public health.....	8,536	9,351	9,351	—	—
7. Veterinary medicine.....	13,007	13,763	13,763	—	—
8. Other.....	4,387	11,264	12,542	1,278	11.3
Totals	\$228,966	\$275,950	\$276,817	\$867	0.3%
General funds	\$178,784	\$205,538	\$205,538	—	—
Restricted funds	50,182	70,412	71,279	\$867	1.2%
Personnel-years					
Faculty.....	2,071	2,056	2,056	—	—
Other ^a	2,337	2,427	2,427	—	—
Totals	4,408	4,483	4,483	—	—

^a Clerical staff, academic administrators, lab technicians and research assistants.

THE UNIVERSITY OF CALIFORNIA—Continued**1. Health Science Reduction**

We recommend that \$2.2 million in unallocated savings be transferred from unallocated adjustments to the health sciences instruction program because no information has been provided to substantiate a restoration of the unspecified reduction to this program approved in the 1984 Budget Act and further recommend that the Legislature adopt supplemental language exempting (1) the medical class, (2) family practice residencies, and (3) preventive health residencies from this reduction.

The 1984-85 Reduction. The Governor's Budget for 1984-85 stated that "pursuant to decisions regarding the 1983-84 and 1984-85 budgets, and in order to fund fixed cost items, a \$7.2 million reduction to health sciences instructional programs and organized activities, along with associated enrollment reductions, will be phased-in over several years." The budget document did not contain information on enrollment reductions proposed for specific programs but it promised that these data would be forthcoming.

During hearings on the 1984-85 budget, UC presented an initial proposal to achieve the \$7.2 million reduction. The Legislature reviewed the proposal, adopted a \$7.2 million reduction, and in the *Supplemental Report of the 1984 Budget Act*, it directed UC to exempt (1) the medical class, (2) family practice residencies, and (3) preventive health residencies from this reduction.

Budget Proposal for 1985-86. The Governor's Budget for 1985-86 proposes to continue only \$5 million of the \$7.2 million reduction approved in 1984-85. The budget states that the reduction will be achieved by eliminating (1) 220 medical residents, (2) 80 dentistry student slots, and (3) \$1 million from the budgets of two neuropsychiatric institutes (Los Angeles and San Francisco). More specific program data are promised prior to budget hearings. The other \$2.2 million is reflected in the 1985-86 budget in the Unallocated Adjustments program as an unallocated savings across UC's entire budget.

Recommendation. The Legislature approved the reduction of \$7.2 million in the health sciences program in the 1984 Budget Act with specific direction in the supplemental report on enrollments that were to be excluded from the reduction plan. The 1985-86 budget, however, only reflects a \$5 million reduction. The budget contains no information on why the \$2.2 million was restored to the health sciences program. Because the Legislature approved the \$7.2 million reduction in the 1984 Budget Act and no information has been provided to substantiate a restoration of any of the approved reduction, we recommend that the unspecified increase of \$2.2 million be deleted by transferring the unallocated savings of \$2.2 million from the Unallocated Adjustments program to the health sciences instruction program account. We further recommend that the Legislature again adopt the following supplemental language in Item 6440-001-001 directing UC to exempt (1) the medical class, (2) family practice residencies, and (3) preventive health residencies from the reduction.

"It is the intent of the Legislature that UC not reduce the size of its medical student enrollment below the current projected level of 2,590. It is further the intent of the Legislature that any planned reduction in the medical resident student enrollment not include reductions in fam-

ily practice residencies. (The current projected level of family practice residencies is 515.) It is further the intent of the Legislature that any planned reduction in other health science enrollments not include reductions in preventive health residencies within the Schools of Public Health. (The current projected level of preventive health residencies is 24.)”

2. Legislative Intent Not Recognized in Budget

We recommend a General Fund augmentation of \$227,000 in order to provide stipend support for students in preventive medicine in accordance with the policy decision made by the Legislature in 1984. (Increase Item 6440-001-001 by \$227,000.)

Preventive medicine is a specialized field of medical practice which seeks to identify and promote those practices which will advance health, prevent disease, make possible early diagnosis and treatment, and foster rehabilitation of those with disabilities. Practitioners of this specialty must (1) possess the basic knowledge and skills required of all physicians and (2) be knowledgeable in biostatistics, epidemiology, administration, environmental sciences, the factors governing disease occurrence, and the principles of disease control.

Residency programs in preventive medicine are offered on the university's Berkeley and Los Angeles campuses. There are 24 budgeted resident students in both the current and budget year—16 at Berkeley and 8 at Los Angeles—serving in public health agencies. These students receive state support for instruction, but not for their stipends.

Support for Stipends Not Funded. Medical residents in fields other than preventive medicine at hospitals owned and operated by the university receive 40 percent of their stipend costs from the state. In the current year, there are 1,544 medical residents eligible for this stipend support. The rationale for this state/hospital cost sharing is the recognition that both the state and the hospitals share in the benefits of these residencies—the state benefits from having the residents aid in the teaching of undergraduate medical students, and the hospital benefits from the services performed by the residents.

In light of this, the Legislature included the following directive in the *Supplemental Report of the 1984 Budget Act*:

“It is the intent of the Legislature that the UC Public Health residency program be funded in 1985–86 at the same level as medical residents at UC owned hospitals. At a minimum, the Department of Finance shall include in the Governor's Budget a display which shows the cost of funding the UC Public Health residency program at the same level as that provided for medical residents at UC owned hospitals.”

The budget does not include support for these stipends. Because the Legislature has determined that the cost of these stipends should be shared we recommend a General Fund augmentation of \$227,000 in order to provide 40 percent of the stipend cost for the 24 budgeted preventive medicine residency positions in 1985–86.

II. RESEARCH

A. OVERVIEW OF FUNDING PROPOSAL

The UC is California's primary state-supported agency for research. “Organized research” is the term UC uses in referring to those research activities which unlike departmental research, are budgeted and account-

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ed for separately. Expenditures for departmental research are funded primarily through that portion of faculty salaries corresponding to the time spent on research as part of the faculty members' normal university duties.

Based on the annual faculty time-use study findings, approximately 29 percent of faculty time is spent on research. This translates into approximately \$155 million for research in 1985-86. In addition, the university will receive an estimated \$514 million from extramural sources (primarily the federal government) for research activities in 1985-86. Consequently, total support for research is considerably larger than the amount shown in the budget for "organized research".

Expenditures for organized research in the prior, current, and budget years are shown in Table 12.

Table 12
The University of California
Organized Research Program
Summary of Expenditures and Funding
1983-84 through 1985-86
(dollars in thousands)

Elements	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change	
				Amount	Percent
1. General campus	\$34,584	\$37,676	\$42,176	\$4,500	11.9%
2. Health sciences	15,933	15,186	15,186	—	—
3. Agriculture	72,547	77,959	78,669	710	0.9
4. Marine sciences	8,625	11,004	11,004	—	—
5. Individual faculty grants and travel	—	5,079	5,079	—	—
Totals	\$131,689	\$146,904	\$152,114	\$5,210	3.5%
General funds	\$105,993	\$126,289	\$131,289	\$5,000	3.9%
Restricted funds:					
State	\$1,602	\$1,040	\$1,250	\$210	20.2%
Other	24,094	19,575	19,575	—	—
Personnel-years	2,862	2,937	2,943	6	0.2%

The budget requests \$152 million for organized research in 1985-86, prior to the allocation of salary and inflation adjustments. This is \$5.2 million, or 3.5 percent, above estimated current-year expenditures. This increase consists of \$5.0 million from the state General Fund and \$210,000 from the State Environmental License Plate Fund.

The \$5.0 million increase in General Fund support would be allocated as follows:

- **Toxic substance research program**—\$1.5 million for a university-wide program of research and education on toxic substances.
- **Biotechnology research program**—\$1.5 million for a university-wide program of research and education in biotechnology.
- **Gene resources conservation program**—\$250,000 to conduct research on gene resources conservation.
- **Supercomputing**—\$1 million to provide faculty members with access

- to very large and fast computers—known as “supercomputers”.
- **Superconducting Super Collider**—\$500,000 to provide for development of information leading to the possible choice of California as the site for the federal government’s proposed Superconducting Super Collider.
 - **Agricultural Policy Center**—\$250,000 to establish a center to conduct agricultural policy research on topics of particular importance to California and the Western United States.

The \$210,000 from the State Environmental License Plate Fund would be used for two projects—white oak regeneration and conifer germplasm conservation.

1. Difficulties in 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, using “hard” data.

We concur with the Governor’s statement that this budget “must aggressively continue to review the base in its efforts to recognize the changing priorities in California” and “growth can only occur after an evaluation of the budget base to insure that necessary programs can be maintained”.

In our analysis of the California Postsecondary Education Commission’s (CPEC) budget, we recommend that the Legislature direct 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 (please see page 1226). We believe that the 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.

In the absence of an overall policy framework for research, our analysis of the \$5.2 million increase in organized research funding requested for 1985–86 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?

Based on our analysis, we recommend approval of (1) the toxic substances research program, (2) the biotechnology research program, (3) the gene resources conservation program, and (4) the projects proposed for funding from the Environmental License Plate Fund (Item 6440-001-140). This section of the analysis discusses the other proposed changes to the budget for organized research.

2. Budget Proposes Establishment of NSF Supercomputer Center at UCSD

We recommend that the \$1 million General Fund augmentation requested for supercomputing be deleted because this activity primarily supports the externally funded research program and consequently should be funded from the Regents’ Opportunity Fund. (Reduce Item 6440-001-001 by \$1 million.)

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The budget requests \$1 million from the General Fund either to (1) site a National Science Foundation (NSF) class VI computer at the San Diego campus or (2) pay for computer time at an existing supercomputer facility. Under either alternative, the primary users would be scientific researchers.

Locating A Class VI Computer at San Diego. During federal fiscal year 1985, the NSF will establish three Advanced Scientific Computing Centers. These centers will house powerful state of the art Cray computers and related processors—commonly called supercomputers—and will be used by consortia of research institutions.

GA Technologies, Inc. (GA)—a private company in San Diego—and UCSD have proposed that one of the NSF centers be established on the UCSD campus and be administered by GA. The proposed San Diego Supercomputer Center (SDSC) would (1) be housed in a 40,000 sq. ft. facility to be built on campus by NSF, (2) employ 62 people, (3) involve a consortium of 18 institutions ranging from the University of Maryland to the University of Hawaii, and (4) have an annual operating budget of approximately \$16 million, \$1 million of which would be derived from the proposed annual General Fund appropriation to UC.

There are five California public institutions in the consortium—UCSD, UCSF, Scripps Institute of Oceanography, CSU San Diego, and UCLA.

Allocation of computer time among the 18 user institutions will be made by a steering committee; neither UCSD nor any other California institution would be guaranteed special access to the supercomputer. Each member of the consortium would compete with the others on an equal footing. A total of 32,000 hours of supercomputer time and 1,800 hours of instructional supercomputing time would be available to the user institutions.

Access to the supercomputer will be provided by high speed equipment located at each user's Remote User Access Center. Each of these centers will cost approximately \$250,000 per year to operate and maintain.

The UC's proposal states, "SDSC will be a national user facility and will directly address our country's need for advanced computing capability to maintain our preeminent position in scientific and engineering research and education. The \$1 million requested from the General Fund is seen as "inducement" money to get NSF to locate one of the three centers at UCSD. If these efforts are successful, the state would benefit in terms of (1) prestige, (2) some modest employment and federal expenditure increases, and (3) a further contribution to UC's "margin of excellence," which would attract the best researchers to California, and (4) the acquisition of a 40,000 sq. ft. building.

Funds for Computer Time. If NSF fails to fund the SDSC proposal, UC proposes to use the \$1 million to purchase time at an existing supercomputer facility. The UC indicates that Los Alamos has offered to make available 2,500 hours of Cray computer time at \$400 per hour. These hours would alleviate pent-up demand for supercomputer use on the part of UC researchers.

Funding Should Come From Opportunity Fund. Discussions with NSF officials have convinced us that if California wants a supercomputer facility located at UCSD, the \$1 million subsidy is necessary. Other states

are seeking these computers and NSF will be more favorable toward proposals that involve cost-sharing.

Our review, however, fails to identify benefits to the state that would be significant enough to warrant an annual \$1 million General Fund expenditure for this purpose, regardless of whether the funds would be used (1) to subsidize the NSF supercomputer center or (2) to buy 2,500 hours of time at an alternative facility. The primary benefit from these expenditures will accrue to those scientific researchers who usually work on federally funded projects. Consequently, the Regents' Opportunity Fund, which derives its revenues from overhead charges against federal contracts and grants, would appear to be a more appropriate funding source.

The state allows the Regents to retain 45 percent of the overhead money paid on research contracts. We estimate that the Opportunity Fund has approximately \$3.1 million in reserve funds that are available to the Regents for expenditure for 1985-86. Consequently, we do not believe a General Fund augmentation is needed to secure the benefits sought by the university, and accordingly we recommend that the \$1 million augmentation for the supercomputer be deleted in favor of support from the Regents' Opportunity Fund.

3. Superconducting Super Collider Site Study

We recommend that the \$500,000 General Fund augmentation requested for a siting study of a superconducting super collider be deleted because this activity primarily supports the externally funded research program, and consequently should be funded from the Regents' Opportunity Fund. (Reduce Item 6440-001-001 by \$500,000.)

The budget requests \$500,000 from the General Fund for use in developing information that might lead the federal government to locate the proposed Superconducting Super Collider (SSC) in California.

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 100 miles in circumference. The circular ring of magnets would be buried in a tunnel just under the surface of the ground. If the Congress decides to construct an SSC, it is estimated that it would take six years to complete, at a cost of \$3 billion in today's dollars, exclusive of site cost and detector instruments.

Funding Status. The Congress has provided \$20 million for first year funding for the design stage, but it has not decided to proceed with construction. The design stage will take three or more years to complete. The Lawrence Berkeley Laboratory (LBL) has been selected to host the SSC Central Design Group. The actual design work and other development tasks, however, will be carried out at many research centers throughout the country. The design team is expected to outline the criteria for choosing a site by April 1985. A site for the SSC will not be chosen, however, until the end of the design study.

Seeking a California Site. The budget requests \$500,000 from the General Fund for use in developing information which would assist the

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federal government in choosing California as the site for the SSC. Specifically, UC would take the lead in forming a consortium of California universities to gather the data needed to develop a case for a California site. Potential members of the consortium would include Stanford, Cal Tech, LBL, and several UC campuses. Expenses of the consortium, including geological testing, would be included within the budgeted funds.

Perceived Benefits of a SSC. According to the university, if California is chosen as the site for the SSC, the state benefits would be (1) involvement of the university at the frontier of science, (2) the scientific prestige of having the SSC located in the state, and (3) the employment created in constructing and operating the SSC. The on-site permanent scientific and support staff could, according to the university, number in the thousands.

Funding Should Come From Opportunity Fund. Based on the information provided by the university, it appears that the primary benefits from the SSC would accrue to scientific researchers working on federal contracts and not state General Fund research projects. Consequently, we believe the Regents' Opportunity Fund would be a more appropriate funding source for the siting study. We estimate that there is approximately \$3.1 million in the Opportunity Fund that is available to the Regents for expenditure in 1985-86. In addition, the Regents should be able to solicit support for the study from other potential users of the SSC, such as Stanford and Cal Tech, as well as from private industry. Consequently, we do not believe a General Fund appropriation is needed to support the proposed SSC study, and accordingly we recommend that the \$500,000 augmentation be deleted in favor of support from the Opportunity Fund and non-state sources.

4. Agricultural Policy Center

We recommend that the \$250,000 requested for the establishment of an Agricultural Policy Center be reduced by \$110,000, because the university has the ability to realign its priorities within the base budget for the existing research program. (Reduce Item 6440-001-001 by \$110,000.)

The budget proposes an expenditure of \$250,000 from the General Fund for the establishment of an Agricultural Policy Center. The purpose of the center is to conduct agricultural policy research on topics of particular importance to California and the western United States. According to UC, "the Center's program will be organized around selected policy areas, and, for each area a team of diverse experts will be gathered to assess the current situation, identify existing and emerging issues, and subsequently undertake formal research related to their respective disciplines." The Center would be administered by a full-time director and governed by a board whose membership would include academic, public, and private sector individuals.

Analysis of Request. UC believes that the Center is needed because:

"At present, there is no comprehensive or coordinated effort in either California or the Western United States to address current and emerging regional issues and concerns in agriculture. In the entire University of California system, fewer than 40 researchers can be identified as conducting ongoing research related to agricultural policy, and most of their research represents fragments of issues and occurs outside of an

integrated research program. Considering the increased complexity of today's agricultural sector and the growing importance of national and international issues to agriculture in the western United States, it is evident that a new, more integrated and long-term research approach to agricultural policy is needed."

We believe that some state support for the Center is warranted, given the agricultural industry's importance to the California economy. Our analysis indicates, however, that UC already has funds that can be used to support the Center. These funds could be derived from one or both of the following two sources: (1) the Organized Research Program, and (2) the Regents' Opportunity Fund.

- **Organized Research (OR) Program.** Support for this program is provided in a lump sum to UC for research. The state permits the university to allocate these funds as it sees fit. The lump sum amount is increased annually to offset the effects of inflation on purchasing power. Of the \$152.1 million budgeted for Organized Research in 1985-86 (87 percent of which would come from the General Fund), \$79 million would be used for agricultural research.

- **Regents' Opportunity Fund.** Revenue to this fund is derived from overhead charges against federal contracts and grants. The state allows the Regents to retain 45 percent of this overhead money. According to the Regents' budget, the funding provided for research from this fund is used primarily "to encourage faculty to explore new research concepts, attract new extramural funding and disseminate research results to the public." In 1985-86, the Regents plan to spend \$45.4 million from this fund, of which \$18.5 million is budgeted for research. In addition, the fund has a reserve of \$3.1 million which is available for allocation by the Regents.

Based on our analysis of the proposal and the alternative funding sources available, we conclude that \$140,000 would be a reasonable General Fund contribution toward support of the proposed Center. This level of funding would support the administrative salaries and the day-to-day operating expenses of the Center. The UC should provide the balance of the Center's support by reallocating funds from the two sources identified above. Consequently, we recommend that the Legislature approve an augmentation of \$140,000 for the Agricultural Policy Center, for a General Fund savings of \$110,000 in 1985-86.

5. Institute of Transportation Studies—Technical Issue on Inflation Adjustment (Item 6440-001-046)

We recommend that the inflation adjustment for the Institute of Transportation Studies be funded from the Transportation Fund, rather than from the General Fund. (Reduce Item 6440-001-001 by \$16,000 from the General Fund and increase Item 6440-001-046 by \$16,000 from the Transportation Fund.)

The Institute of Transportation Studies provides instruction and research related to design, construction, operation, and maintenance of highways, airports, and related public transportation facilities. The institute is expected to cooperate in research and training with the State Business and Transportation Agency and with other agencies having public transportation responsibilities.

A total of \$956,000 is requested to support the program in 1985-86. This is \$16,000, more than the current-year amount. Because these funds will be used to compensate for inflation in order to maintain the current program level approved by the Legislature, we recommend that they be

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approved. We note, however, that the \$16,000 adjustment is budgeted from the General Fund, rather than the Transportation Fund. Accordingly, we recommend that Item 6440-001-046 (Transportation Fund) be augmented by \$16,000 and Item 6440-001-001 be reduced by \$16,000, for a General Fund savings.

6. Research in Mosquito Control (Item 6440-001-144)*We recommend approval.*

The Governor's Budget proposes to continue a special appropriation of \$100,000 from the California Water Fund for research in mosquito control. This special appropriation was initiated in 1966-67 to supplement funding anticipated from other sources. State General Fund support for this program is proposed at a level of \$814,300 in 1985-86. The General Fund portion is included within the university's main appropriation.

III. PUBLIC SERVICE

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

Table 13 summarizes expenditures and funding sources for the public service program in the prior, current, and budget years. As the table shows, the budget proposes expenditures of \$72 million for public service programs in 1985-86. This is \$1.6 million, or 2.2 percent, more than estimated current-year expenditures, prior to the allocation of salary and inflation increases.

Table 13
The University of California
Public Service Program
Summary of Expenditures and Funding
1983-84 through 1985-86
(dollars in thousands)

Elements	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change	
				Amount	Percent
1. Campus Public Service					
a. California writing project.....	\$310	\$467 ^a	\$717	\$250	53.5%
b. California mathematics project.....	106	630	1,200	570	90.4
c. EQUALS	276	229	229	—	—
d. Community college transfer centers....	—	—	750	750	NA
e. Other	24,387	25,164	25,164	—	—
Subtotals.....	\$25,079	\$26,490	\$28,060	\$1,570	5.9%
2. Cooperative Extension	\$35,250	\$40,684	\$40,684	—	—
3. Charles R. Drew Public Service Program	2,621	2,797	2,797	—	—
4. California College of Podiatric Medicine	733	803	803	—	—
Totals.....	\$63,683	\$70,774	\$72,344	\$1,570	2.2%
General funds.....	\$30,698	\$37,289	\$38,859	\$1,570	4.2%
Restricted funds.....	32,985	33,485	33,485	—	—
Personnel-years	1,269	1,337	1,352	15	1.1%

^a In addition, the California Writing Project received \$250,000 appropriated from the General Fund by Ch. 498/83, in 1984-85, bringing total 1984-85 support to \$717,000—the same level requested for 1985-86.

The \$1.6 million increase would come from the state General Fund, and consists of the following elements:

- *California writing project*—\$250,000 to continue in 1985–86 the same level of state General Fund support provided by statute in 1984–85.
- *California mathematics project*—\$570,000 in increased funding for current project sites and funding for new sites in 1985–86.
- *Community college transfer centers*—\$750,000 to jointly establish with the California Community Colleges and the California State University 20 student transfer centers.

We recommend approval of the \$250,000 that is needed in order to maintain state General Fund support for the California Writing Project at the current-year level. This section of the analysis discusses the other two proposed changes.

1. California Mathematics Project

We withhold recommendation on the \$570,000 requested from the General Fund for additional support to the California Mathematics Project, pending receipt of additional information from UC and CPEC on the likely effects of the augmentation.

Background. The purpose of the California Mathematics Project (CMP) is to improve the mathematics competence of students by implementing exemplary in-service teacher training programs. The enabling legislation (Ch 196/82) stipulated that the CMP is to be jointly administered by the University of California (UC) and the California State University (CSU), with advice from a broadly constituted advisory committee.

Chapter 196/82 also required the California Postsecondary Education Commission (CPEC) to provide the Legislature with two reports on the CMP. The first report, submitted in January 1984, summarized local project evaluations and assessed progress toward achieving program goals. The second part, due on January 1, 1987, will provide an evaluation of program effectiveness and recommendations for legislative action on the CMP.

Budget. The CMP received \$630,000 in General Fund support for both 1983–84 and 1984–85. In 1983–84, CMP operated nine sites and served 502 teachers. In 1984–85, CMP is operating 11 sites and estimates that it will serve 1,870 teachers.

The budget proposes a CMP appropriation of \$1,200,000 in 1985–86—\$570,000, or 90 percent, more than the current-year amount. The \$570,000 augmentation consists of:

- \$117,000 to increase funding for the current 11 sites,
- \$400,000 to fund approximately five new sites in unserved areas of the state, and
- \$53,000 for central administration and evaluation.

Request for Additional Information. In order to determine whether increased support for the CMP in 1985–86 is appropriate, we asked the UC for additional information on the budget proposal. Specifically, we asked UC:

- What criteria are being used to evaluate site budget proposals?
- If the proposed augmentation is approved,
 - How many sites will CMP operate in 1985–86?
 - Will the entire state be adequately served?
 - Will all sites have adequate funding?

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—How do funding levels for central administration and evaluation compare for 1983–84, 1984–85, and 1985–86?

Pending receipt of this information and comments on the proposal from CPEC, we withhold recommendation on the \$570,000 proposed augmentation for CMP.

2. Community College Transfer Centers

We recommend that the Legislature adopt Budget Bill language prohibiting the expenditure of funds for community college transfer centers until an expenditure and operations plan has been approved by the California Postsecondary Education Commission.

We further recommend that \$250,000, and five positions, requested in UC's budget for project ASSIST be deleted because the community colleges should administer this activity. (Reduce Item 6440-001-001 by \$250,000 and 5.0 personnel-years.)

The budget proposes a General Fund augmentation of \$750,000 for UC as part of a \$3.3 million proposal to establish community college transfer centers. Our analysis of the community college budget includes a discussion of this issue and the reasons for our recommendation (please see page 1395).

IV. TEACHING HOSPITALS**A. OVERVIEW**

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 1985–86, the operating costs of these hospitals will be \$776 million, supported primarily from patient fees, insurance companies, medicare, and the Medi-Cal program.

B. HOSPITALS IN FINANCIAL TROUBLE

Table 14 summarizes revenue and expenses for all five UC hospitals, for the period 1981–82 through 1985–86. UC estimates that in 1985–86, the hospitals will experience a net loss of \$21 million. Table 15 shows the projected gains or losses for each of the hospitals for the same period. The three former county hospitals—Davis, Irvine and San Diego—account for almost all of the projected net loss of \$21 million in 1985–86. The projected loss assumes that there will be: (1) no inflation adjustment in Medi-Cal, Medically Indigent Adults (MIA), or Medicare rates above the 1984–85 levels, (2) a salary and benefit increase of 6.5 percent, and (3) other inflation adjustments of 5 percent over 1984–85.

The university attributes the projected loss to fundamental changes in methods used to reimburse hospitals for health care services that have been initiated in recent years by the California Legislature, the U.S. Congress, and private group health insurance carriers. The basic intent of these changes was to phase out the cost-based and charge-based (fee-for-service) reimbursement systems and replace them with competitively established fixed-price payments.

Table 14
The University of California
Teaching Hospitals
Operating Revenue and Expenses
1981-82 through 1985-86
(dollars in thousands)

	<i>Actual</i> 1981-82	<i>Actual</i> 1982-83	<i>Actual</i> 1983-84	<i>Estimated</i> 1984-85	<i>Projected</i> 1985-86
<i>Summary—Five Hospitals</i>					
Net operating revenue.....	\$602,521	\$633,732	\$676,087	\$720,729	\$752,228
Operating expense	592,204	630,471	669,573	720,437	775,986
Net operating gain or loss.....	\$10,317	\$3,261	\$6,514	\$292	-\$23,758
Non-operating income and adjust- ments	12,361	6,733	19,534	9,928	2,744
Net gain or loss	\$22,678	\$9,994	\$26,048	\$10,220	-\$21,014

Source: UC (January 14, 1985).

Table 15
The University of California
Teaching Hospitals
Net Gains or Losses
1981-82 through 1985-86
(dollars in thousands)

<i>Hospital</i>	<i>Actual</i> 1981-82	<i>Actual</i> 1982-83	<i>Actual</i> 1983-84	<i>Estimated</i> 1984-85	<i>Projected</i> 1985-86
Davis	\$5,194	\$3,610	-\$3	—	-\$9,820
Irvine	753	750	-3,004	-\$6,706	-10,871
Los Angeles.....	9,073	3,233	6,106	4,753	-580
San Diego	3,360	486	7,422	1,963	-3,750
San Francisco	4,298	1,915	15,527	10,210	4,007
Totals.....	\$22,678	\$9,994	\$26,048	\$10,220	-\$21,014

Source: UC (January 14, 1985).

C. BUDGET PROPOSAL

The budget proposes three General Fund appropriations for the teaching hospitals in 1985-86: (1) \$52 million for clinical teaching support, (2) \$15 million for a special operating subsidy to alleviate the operating losses forecast for Davis, Irvine, and San Diego, and (3) \$10 million for special capital outlay and equipment purchase projects at Davis, Irvine, and San Diego.

Clinical Teaching Support (CTS). The purpose of CTS is to finance the cost of treating patients who are needed for the teaching program but who are unable to pay the full cost of treatment, either privately or through insurance coverage. The budget proposes \$52 million for CTS—approximately 7.0 percent of the hospitals' projected expenses of \$776 million in 1985-86. Because these funds will maintain the Legislature's approved level of program, we recommend that they be approved.

Special Subsidies—Operating and Capital. In order to alleviate the operating losses forecast at the Davis, Irvine, and San Diego hospitals, \$15

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million is requested to provide an annual special operating subsidy for these hospitals in 1985-86. The operating subsidy is to be continued at a decreasing level over a seven-year period. In addition, \$10 million is proposed for the first of a seven-year special capital outlay and equipment purchase program at the three hospitals (Item 6440-301-036). The capital outlay funds are to be allocated by the Director of Finance to improve the fiscal viability of the hospitals. Any amounts proposed by the Director must reduce costs or increase revenues *on an annual basis* by an amount equal to 20 percent of the amount invested—\$2 million per year.

Table 16 shows that the total cost of the proposed operating and capital outlay special subsidies will be *\$133 million* over the next seven years.

Table 16
The University of California
Teaching Hospitals Subsidy
Governor's Budget Proposal
1985-86 through 1991-92
(dollars in thousands)

	<i>Special Operating Subsidy</i>	<i>Capital Outlay and Equipment Purchase Projects</i>	<i>Total</i>
1985-86	\$15,000	\$10,000	\$25,000
1986-87	13,000	10,000	23,000
1987-88	11,000	10,000	21,000
1988-89	9,000	10,000	19,000
1989-90	7,000	10,000	17,000
1990-91	5,000	10,000	15,000
1991-92	3,000	10,000	13,000
Totals	\$63,000	\$70,000	\$133,000

The Department of Finance explains that the proposed investment in capital projects will accomplish two objectives: (1) reduce the hospitals' operating costs by improving the efficiency of their physical plant, and (2) make the hospitals more attractive to privately supported patients whose reimbursement rates are higher than those for publicly supported patients. The operating subsidy is proposed because the capital projects will take time to fully realize the perceived benefits. Consequently, the operating subsidy will be slowly phased-out over the seven years.

D. Analysis of Special Subsidies Request

We recommend deletion of the proposed \$15 million operating subsidy and \$10 million special capital outlay appropriation for the Davis, Irvine, and San Diego teaching hospitals because the plan does not provide short-term solution or a comprehensive long-term solution to the teaching hospitals' financial problems. (Eliminate Item 6440-016-001 and eliminate Item 6440-301-036).

What's Been Happening to Hospital Reimbursements Since 1982?

In 1982 the Legislature made two changes in the Medi-Cal program that have had a significant impact on the reimbursement for services in hospitals, both private and public. First, Chapter 329, Statutes of 1982, authorized the Medi-Cal program to contract with various health providers for the delivery of health care services. Contracts were negotiated with those hospitals that agreed to provide the services at a fixed per-diem rate for Medi-Cal patients.

Second, the state transferred the responsibility for the care of medically indigent adults (MIAs) from the state to the counties and basically provided the counties a "block grant" toward the cost of care. In many cases, the resulting transfer resulted in a reduction of per-patient-day costs in public hospitals because of increased bed occupancy. In some cases the transfer resulted in uncompensated care, particularly for hospitals that predominately serve low-income populations.

During this same time period, the federal government established new controls on hospital reimbursements in the Medicare program, the largest single payer of hospital bills in the country.

The above actions have contributed toward reducing hospital cost inflation in California from a high of 18 percent in 1981 to 6.5 percent in the first quarter of 1984.

Problems With the University Proposal

Based on the university's projections in Table 15, the five UC hospitals will have a financial problem in 1985-86. Irvine appears to have a problem in the current year. Our analysis indicates that the university addresses only one aspect of the shortfall issue—the adequacy of reimbursements received for services provided. The other side of the issue—control of costs—is not addressed by the university.

We do not believe the university's proposal of a declining annual support subsidy based on a 20 percent return on the annual \$10 million capital investment with no further subsidy after seven years is analytically sound using the university's own figures. The premise is based on an annual \$15 million loss in the system. This already appears to be outdated because the university projects a \$21 million loss in 1985-86.

The proposal also assumes that either expenditures and/or revenues will remain constant or that increases and decreases in expenditures will equal increases or decreases in revenues. It also assumes the \$10 million can be invested annually in capital improvements that will return 20 percent on the investment for an indefinite period because after \$70 million in improvements, the return on investment will then continue to offset the "constant" \$15 million operating loss.

Hospital System Reserve

Table 17 shows that the five UC hospitals had a \$62 million reserve fund balance and an additional \$29 million capital outlay balance on June 30, 1984. Thus, UC has \$91 million of reserves in the total hospital system. We believe UC should use these reserves to get the hospitals through the current financial problem while UC reduces expenditures. Moreover, most capital improvements—using UC's reserves—should be aimed at increasing efficiencies/revenues or decreasing costs.

We do not believe the UC proposal addresses either the short-term or long-term problems. In the short term, the budget proposal does not address the university's projection of the 1985-86 deficit. In the long term, the university assumes that everything will remain constant and that \$133 million appropriated over seven years will solve its problems. We find no basis for that assumption when cost controls are not addressed. Therefore, we recommend deletion of \$15 million proposed in Item 6440-016-001 and \$10 million proposed in Item 6440-301-036.

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Table 17
The University of California
Teaching Hospitals
Summary of Reserve Fund Balances
As of June 30, 1984
(dollars in thousands)

<i>Hospital</i>	<i>Reserve Fund</i>	<i>Capital Outlay^a</i>	<i>Total</i>
Davis.....	\$12,568	\$16,029	28,597
Irvine.....	-3,711	1,505	-2,206
Los Angeles.....	24,783	1,983	26,766
San Diego.....	10,155	2,248	12,403
San Francisco.....	18,187	7,289	25,476
Totals.....	\$61,982	\$29,054	91,036

^a Unexpended Plant Fund.

V. STUDENT SERVICES

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

A. EXPENDITURES

Table 18 shows the proposed expenditures and revenue sources for the Student Services program in the prior, current, and budget year. As the table shows, the budget proposes expenditures of \$129 million for the Student Services program in 1985-86. This is \$12 million, or 10.2 percent, more than estimated current-year expenditures. The proposed increase includes the cost of salary and inflation adjustments for the program.

The budget proposes to use the additional \$12 million for an inflation adjustment to the Student Services program and to maintain fee levels in 1985-86 at the current year level. From the table, it might appear that the proposal has no implications for the state's General Fund. This, however, is not the case. In order to fund the inflation adjustment without increasing student fees, the budget proposes to divert \$12 million in revenues raised by the existing fees from the Student Financial Aid program and replace the diverted funds with \$12 million from the General Fund.

1. Student Fees Should Be Set Using Proposed New Fee Policy

We recommend that (1) student fees be set using the methodology proposed by the fee policy committee, permitting a General Fund savings of \$9.5 million and (2) the Legislature augment the budget by \$2.1 million to increase the amount of financial aid available in order to offset the effect of the fee increase on students with demonstrated need. (Reduce Item 6440-001-001 by \$9.5 million and increase Item 6440-006-001 by \$2.1 million.)

Based on fee setting practices followed by UC in past years, student fees would have increased by approximately \$91 per student (from \$1,324 to \$1,415) in 1985-86, in order to compensate for the effects of inflation. The budget proposes, however, a General Fund augmentation of \$12 million in order to maintain UC's mandatory fees at the current level—\$1,245 for undergraduates and \$1,305 for graduates.

Table 18
The University of California
Student Services
Summary of Expenditures and Funding
1983-84 through 1985-86
(dollars in thousands)

Elements	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change	
				Amount	Percent
1. Social and cultural activities	\$31,554	\$31,740	\$31,740	—	—
2. Supplementary education services	5,030	4,884	4,884	—	—
3. Counseling and career guidance	22,911	24,326	24,326	—	—
4. Financial aid administration	14,348	13,734	13,734	—	—
5. Student admission and records	18,353	18,169	18,169	—	—
6. Student health services	23,392	24,350	24,350	—	—
7. Provision for inflation adjustment	—	—	12,000	\$12,000	NA
Totals	\$115,588	\$117,203	\$129,203	\$12,000	10.2%
General funds	\$6,804	\$7,218	\$7,218	—	—
Restricted funds	108,784	109,985	121,985	\$12,000	10.9%
Personnel-years	3,190	3,181	3,181	—	—

As discussed in our analysis of the California Postsecondary Education Commission's (CPEC) budget, the Legislature directed CPEC to convene a committee in 1984 to develop a long-term student fee policy (please see page 1227). The committee's report, submitted in December 1984, recommended that (1) fees be set annually according to a specified methodology, (2) the existing graduate fee differential be eliminated at no cost to the state, and (3) sufficient financial aid be provided to offset fee increases for students with demonstrated need.

We believe that the policy developed by the fee policy committee is reasonable. Consequently, we recommend that UC student fee levels and financial aid in 1985-86 be based on the recommended policy. This would require (1) undergraduate fees to increase by \$91 (7.3 percent)—\$70 as a result of the fee methodology and \$21 in order to offset the elimination of the graduate fee differentials, (2) graduate fees to increase by \$31 (2.4 percent), and (3) an increase of \$2.1 million in state support for financial aid to offset the effect of the fee increase on students with demonstrated need. The revenue raised by the fee increases would total \$9.5 million.

Table 19 summarizes UC undergraduate and graduate fees in the current year, and compares the budget proposal for 1985-86 with our recommendation.

Table 19
The University of California
Student Fee Levels
1984-85 and 1985-86

	Undergraduate Fees			Graduate Fees		
	1985-86			1985-86		
	Actual 1984-85	Proposed in the Budget	Recom- mended by LAO	Actual 1984-85	Proposed in the Budget	Recom- mended by LAO
Mandatory, system-wide	\$1,245	\$1,245	\$1,336	\$1,305	\$1,305	\$1,336
Other	79	79	79	64	64	64
Totals	\$1,324	\$1,324	\$1,415	\$1,369	\$1,369	\$1,400

Accordingly, we recommend that the Legislature reduce Item 6440-001-001 (main support) by \$9.5 million and increase Item 6440-006-001 (finan-

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cial aid) by \$2.1 million, for a net General Fund savings of \$7.4 million and adopt the following supplemental report language in Item 6440-001-001:

"The Legislature requests the Regents of the University of California to base systemwide mandatory fee levels in 1985-86 on the policies and methodologies recommended by the fee policy committee, which results in a 1985-86 mandatory systemwide fee of \$1,336 per year."

Our recommendation would raise fee revenues by \$9.5 million, which is \$2.5 million less than the amount that would be raised (\$12 million) if the traditional fee-setting policy were followed. This is because the new fee policy uses a three-year moving average of changes in state support per student, rather than the "budget need" for a single year. The state makes up the difference—in this case \$2.5 million.

VI. OPERATION AND MAINTENANCE OF PLANT

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

A. PROPOSED FUNDING

Table 20 shows the funding for this program in the prior, current, and budget years.

Table 20
The University of California
Operation and Maintenance of Plant
Summary of Expenditures and Funding
1983-84 through 1985-86
(dollars in thousands)

<i>Elements</i>	<i>Actual</i> <i>1983-84</i>	<i>Estimated</i> <i>1984-85</i>	<i>Proposed</i> <i>1985-86</i>	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Plant administration	\$5,183	\$6,662	\$6,723	\$61	0.9%
2. Maintenance ^a	61,670	74,721	79,865	5,144	6.9
3. Utilities purchase and operation.....	80,364	93,312	94,850	1,538	1.6
4. Refuse disposal	2,271	2,308	2,348	40	1.7
5. Fire protection	1,472	1,714	1,725	11	0.6
6. Deferred maintenance and special repairs	3,335	10,084	12,445	2,361	23.4
Totals	\$154,295	\$188,801	\$197,956	\$9,155	4.8%
<i>General funds</i>	<i>\$142,966</i>	<i>\$181,318</i>	<i>\$178,028</i>	<i>-\$3,290</i>	<i>-1.8%</i>
<i>Restricted funds</i>	<i>11,329</i>	<i>7,483</i>	<i>19,928</i>	<i>12,445</i>	<i>166.3</i>
Personnel-years	3,398	3,198	3,148	-50	-1.6%

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

The budget proposes total support of \$198 million for operation and maintenance of plant in 1985-86, prior to the allocation of salary and inflation adjustments. This is \$9.1 million, or 4.8 percent, above estimated current-year expenditures. The components of this increase consist of several offsetting changes that result in a state General Fund reduction of \$3.3 million and a state special fund increase of \$12.4 million. The components of the change are as follows:

- **Workload Changes**—\$2.8 million requested from the General Fund for increased workload related to 605,310 square feet of additional state-maintained building area.

- **Building Maintenance**—\$4 million requested from the state General Fund as a permanent improvement in state-funded building maintenance.
- **Special Repairs**—\$2.4 million requested from the Special Account for Capital Outlay for one-time funding for four large-scale special repair and maintenance projects.
- **Shift in Source of Funds for Deferred Maintenance.** The budget proposes to shift the source of \$10.1 million for deferred maintenance from the General Fund to the Special Account for Capital Outlay.

Based on our review we recommend approval of the requested increase for workload, the special repairs, and the proposed shift in the source of support for deferred maintenance. This section of the analysis discusses the proposed change to the building maintenance budget.

1. Budget Anticipates Legislative Approval on Maintenance

We recommend that the Legislature direct the university to transfer \$8 million currently proposed for ongoing maintenance to the deferred maintenance category, pending legislative review of the study on maintenance workload standards called for by the Supplemental Report of the 1984 Budget Act.

The budget proposes an \$8 million augmentation for building maintenance in 1985–86.

In the budget for 1984–85, the Governor proposed a \$4 million augmentation for this same purpose. The Legislature, however, limited the use of these funds to *deferred* maintenance. In addition, it adopted language in the *Supplemental Report of the 1984 Budget Act* directing the university to undertake a maintenance workload study. It was the Legislature's intent not to increase funding for ongoing maintenance until the results of the study had been reviewed and approved.

The proposed 1985–86 budget, in effect, transfers \$4 million from the deferred to the ongoing maintenance account in *1984–85*, and requests a further augmentation of \$4 million for ongoing maintenance in 1985–86. These funding proposals are shown in Table 21. No additional positions have been budgeted in connection with these augmentations—apparently, the budget assumes that the additional funds will be used to contract for maintenance services.

Table 21
The University of California
Ongoing Building Maintenance and Deferred Maintenance
1984–85 and 1985–86
(dollars in thousands)

	1984–85			1985–86	
	Proposed by Governor	Adopted by Legislature	Revised in 1985–86 Budget	Proposed by Governor	Recommended by Legislative Analyst
A. Ongoing Building Maintenance					
Current Workload.....	\$29,516	\$29,516	\$29,516	\$34,102	\$30,102
Program Improvement (1984–85)	4,000	—	4,000	(4,000)	—
Program Improvement (1985–86)	NA	NA	NA	4,000	—
Subtotals	\$33,516	\$29,516	\$33,516	\$38,102	\$30,102
B. Deferred Maintenance					
Program addition (1984–85)	\$10,084	\$10,084	\$10,084	\$10,084	\$14,084
Program addition (1985–86)	—	4,000	—	—	(4,000)
Program addition (1985–86)	NA	NA	NA	—	4,000
Subtotals	\$10,084	\$14,084	\$10,084	\$10,084	\$18,084

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Maintenance Standards Report. The *Supplemental Report of the 1984 Budget Act* directed the University of California (UC) and the California State University (CSU) to develop the same maintenance staffing standards for similarly used space and equipment. The staffing standards must identify (1) the tasks to be performed, (2) the amount of time needed to perform each task, and (3) the frequency that each task needs to be performed.

As specified in the supplemental report, both UC and CSU submitted a joint report in November on their progress toward the development of maintenance standards. The report states that (1) UC and CSU have jointly hired a consultant to develop workload standards, (2) two campuses—UC Davis and CSU Sacramento—have been selected to pilot test common workload standards, with completion of the pilot anticipated by May 1985, and (3) once the pilot test results have been reviewed by the Legislature and the Department of Finance, the remaining campuses will be converted to the standards, with full conversion anticipated by January 1986.

Recommendation. The results of the maintenance standards development project may indicate that the proposed increase in ongoing maintenance is appropriate. Until the standards have been reviewed and approved, however, any increase in funding for ongoing maintenance is premature. Consequently, we recommend that the proposed \$8 million augmentation be used instead to fund the backlog of deferred maintenance projects within the university. The university estimates that the current backlog of deferred projects totals \$98.9 million. With the transfer of this \$8 million, together with the \$10.1 million in the budget, a total of \$18.1 million will be available for deferred maintenance projects in 1985–86. Accordingly, 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 \$8 million General Fund program improvement for the University of California (UC) ongoing maintenance be used for deferred projects in 1985–86. It is further the intent of the Legislature that UC may, subsequent to the development of new maintenance standards, submit, through Section 28 of the Budget Act, a maintenance workload standards proposal to change the use of all or part of the \$8 million appropriation from the deferred to the ongoing category during the 1985–86 fiscal year.”

VII. UNALLOCATED ADJUSTMENTS**A. OVERVIEW OF FUNDING REQUEST**

The Unallocated Adjustments Program serves as a temporary holding account for appropriations which eventually will be allocated by the system to campuses, and by the campuses to the operating programs. This program, as shown in Table 22, includes (1) funds to be allocated to other programs, (2) routine increases to offset the effects of inflation, and provide merit salaries, (3) funding for the university's retirement system (UCRS), and (4) funds for employee compensation increases for the budget year.

Later in this analysis, we discuss the following proposed changes that are

shown in Table 22: (1) UCRS funding restoration, (2) employee compensation increase for 1985-86, and (3) the unallocated reduction. We recommend approval of the other proposed changes shown in Table 22, which include the following major items:

- **General Inflation Adjustment**—\$11.8 million to offset the effects of inflation on general operating expenses. This increase provides a 4.9 percent adjustment to UC's 1984-85 base state-funded operating expense budget of \$239 million.
- **Library Inflation Adjustment**—\$2.2 million to offset the effects of inflation on the cost of library materials. This represents a 7.2 percent increase above the 1984-85 level of expenditures (\$30.2 million).
- **Purchased Utilities**—\$5.8 million to offset the effects of inflation on utility purchases, for an increase of 7.5 percent.
- **Merit Salary Increases**—\$21.2 million for merit and promotional salary increases. This amount includes: (1) \$14 million for academic employees and (2) \$7.2 million for staff employees.
- **Annualization of Midyear Salary Increase**—\$10.8 million for the full-year cost of salary and benefit increases that took effect on January 1, 1985.

Table 22
The University of California
Unallocated Adjustments
1984-85 and 1985-86
(dollars in thousands)

	<i>Estimated 1984-85</i>	<i>Proposed 1985-86</i>	<i>Change</i>
A. Provisions for Allocation:			
1984-85 salary funds.....	\$14,371	\$14,371	—
Employee benefits	8,291	8,291	—
Budgetary savings target	-51,814	-51,814	—
Other provisions	17,986	11,784	-\$6,202
Education fee	-2,926	10	2,936
Registration fee.....	3,640	5,365	1,725
Endowments	5,251	5,251	—
Contract and grant administration	4,095	6,675	2,580
Other provisions	376	426	50
Subtotals: Provisions for allocation.....	-730	\$359	\$1,089
B. Fixed Costs and Economic Factors:			
General price increase	—	\$11,781	\$11,781
Library price increase	—	2,161	2,161
Utilities price increase	—	5,829	5,829
Merit salary increase	—	21,225	21,225
Restore UCRS base	—	2,000	2,000
PERS adjustment	—	-290	-290
Social Security	—	1,046	1,046
Employee compensation annualization	—	10,822	10,822
1985-86 employee compensation increase	—	89,339	89,339
Subtotals: Fixed costs and economic factors	—	\$143,913	\$143,913
C. Unallocated General Fund Reduction for MSA and Operating Expenses			
Totals.....	-730	-\$7,931	-\$7,931
<i>General funds</i>	-\$11,166	\$118,614	\$129,780
<i>Restricted funds</i>	10,436	17,727	7,291

THE UNIVERSITY OF CALIFORNIA—Continued**1. UC Has Not Complied With Legislative Direction**

We withhold recommendation on the proposed restoration of \$2 million to the University of California Retirement System pending receipt of a plan by the university to replace the funds deleted in the current year.

In the 1984 Budget Act, the Legislature deleted \$2 million from the university's budget on a one-time basis because the university implemented improved retirement benefits in 1983-84 without prior approval by the Legislature. The \$2 million was equal to what the retirement system lost as a result of the university's unilateral reduction in members' contributions for the period January 1, 1984 to June 30, 1984. In enacting Ch 1485/84, the Legislature approved this benefit improvement, effective on July 1, 1984.

The Governor's Budget for 1985-86 proposes an augmentation of \$2 million to restore the one-time reduction made in the current-year. While the proposed restoration for 1985-86 may be appropriate, our analysis indicates that the university has not replaced the \$2 million lost by the UCRS as a result of its unilateral action. If the university does not replace this loss, the state ultimately will end up paying for it as a contribution toward the system's unfunded liability. This clearly was not the intent of the Legislature's action in deleting the funds; instead, the intent was that the university restore the \$2 million in the current year from other than state sources.

The university has informed us that it has made no decision on how the \$2 million loss will be funded. Pending receipt of an acceptable plan from the university to restore funding in the current year, we withhold recommendation on the \$2 million proposed for 1985-86.

2. Faculty Salary Proposal (Item 6440-011-001)

We recommend that the Legislature budget for faculty salary increases at UC and Hastings an amount sufficient to provide a 7.3 percent increase in 1985-86—rather than 8.8 percent—in order to achieve parity with comparable institutions, for a General Fund savings of \$5,114,500. (Reduce Item 6440-011-001 by \$5,077,500 and Item 6600-011-001 by \$37,000.)

The budget proposes to expend \$89.3 million for University of California employee compensation increases in 1985-86. Of this amount, \$9.7 million (0.8 percent) is proposed to maintain benefits, while the balance of \$79.6 million is proposed for across-the-board salary increases of 8.8 percent for faculty and 5.7 percent for staff. The staff salary increase would be effective on July 1, 1985, while faculty salaries would increase in two increments—5.7 percent on July 1, 1985, and an additional 3.1 percent on January 1, 1986.

Faculty Salaries at the "Comparison Eight". Pursuant to SCR 51 of 1965, the California Postsecondary Education Commission (CPEC) annually submits an analysis of faculty salaries and fringe benefits at the University of California (UC) compared to an agreed-upon group of other higher education institutions. Since 1972-73, the UC group of "comparison institutions" has consisted of:

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

These comparison institutions are commonly referred to by UC as the "comparison eight."

A preliminary report on faculty salaries was prepared by CPEC in December 1984 for use in formulating the Governor's 1985-86 Budget. Table 23 shows that the December report projected that faculty salaries at UC are 1.5 percent *ahead* of the average of the comparison eight in the current year and would have to be increased by 7.3 percent in 1985-86 in order to be equal to the average of the comparison eight.

Table 23
The University of California
Average Faculty Salary Increase Required for Comparability
1984-85 and 1985-86

Academic Rank	UC Average Salaries 1984-85	Comparison Group Salaries		Percent Change Required in UC Salaries	
		Estimated 1984-85	Projected 1985-86	1984-85	1985-86
Professor.....	\$52,542	\$52,156	\$56,467	-0.7%	7.5%
Associate Professor	35,113	35,238	38,133	0.4	8.6
Assistant Professor	30,628	29,269	31,905	-4.4	4.2
All Ranks Average	\$45,799	\$45,102	\$49,156	-1.5%	7.3%

Regents Request "Competitive Margin". The UC Regents historically have recommended that faculty salaries be increased to achieve salary parity with the comparison eight. The Regents, however, have departed from this practice in 1985-86 by requesting an increase of 8.8 percent—1.5 percentage points *above* the parity figure of 7.3 percent. In their salary request, the Regents state:

"It is now vital to sustain this competitive margin (1.5 percent) and not to lose the long-term benefits achieved by this year's substantial gains. . . . The requested increase would further the State of California's commitment to maintain the University of California . . . among the first rank of institutions nationally, a status that has been justified over the years."

Largest Advantage in a Decade Would Be Fixed as New Standard. According to CPEC, UC's salary advantage in the current year is larger than it has been at any time during the last decade. The CPEC reports that during the 10 years prior to 1984-85, average UC salaries exceeded the average for the comparison eight only once—in 1980-81—by \$262 (0.8 percent). UC salaries lagged behind the comparison eight during the other nine years by margins of 1.7 to 9.3 percent.

Competitive Margin Not Necessary to Maintain UC's Excellence. We do not believe that either the Regents or the Governor has made a compelling case for abandoning parity as the basis for setting UC faculty salaries. The UC is and has been a highly regarded university with many departments in the first rank nationally. The parity standard has not prevented it from achieving this preeminence.

We find no evidence whatever that the salary parity standard has held back the university, or that super-parity is needed. Accordingly, we recommend that the Legislature provide sufficient funds to increase UC faculty salaries by 7.3 percent in 1985-86—the increase needed to achieve parity with the eight comparable institutions—for a General Fund savings of \$5,077,500.

THE UNIVERSITY OF CALIFORNIA—Continued

Because the salary proposal for Hastings College of the Law faculty also seeks super-parity, we recommend later in this *Analysis* that the Legislature provide sufficient funds for a 7.3 percent increase for Hastings faculty, for a General Fund savings of \$37,000.

3. Technical Issue—Budgetary Savings Versus Unallocated Reductions

We recommend that UC's budgetary savings target be increased by \$2.3 million from the proposed \$7.9 million unallocated reduction to achieve the traditional level of savings and further recommend that prior to budget hearings the Department of Finance provide the Legislature a budget plan for the balance of \$5.6 million in unallocated reductions.

In developing the budget for the University of California (UC), an ongoing savings target of 3.4 percent is applied to proposed expenditures and this amount is subtracted from UC's budget request. The savings target is the estimated amount that UC will save over the course of the year due to unfilled positions, changes in faculty and staff, and inability to spend the last dollar of each allocation.

A 3.4 percent savings target in 1985-86 would amount to \$55.3 million. The proposed budget, however, has a savings target of only \$53 million (3.3 percent), which is \$2.3 million less than the normal target. In the absence of other information, a recommendation to reduce the budget by \$2.3 million to reflect the 3.4 percent target would be called for. However, in addition to the ongoing savings target, the proposed budget contains an unallocated reduction of \$7.9 million with no detail on how this savings will be achieved.

Consequently, we recommend that UC's budgetary savings target be increased by \$2.3 million from the proposed \$7.9 million unallocated reduction to achieve the traditional level of savings. This would leave a balance of \$5.6 million in unallocated reductions. We further recommend that prior to budget hearings, the Department of Finance provide the Legislature a budget plan for the balance of \$5.6 million in unallocated reductions.

4. Reappropriation (Item 6440-490)

We recommend approval.

The 1985 Budget Bill contains language reappropriating unexpended balances from UC's 1984 Budget Act appropriation for instructional equipment replacement, deferred maintenance, and special repair projects. A similar provision was included in the 1984 Budget Act. This provision resulted in the reappropriation of \$6.2 million that otherwise would have reverted to the General Fund.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY

Item 6440-301 from the General Fund, Special Account for Capital Outlay, Capital Outlay Fund for Public Higher Education and High Technology Education Revenue Bond Proceeds

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Requested 1985-86	\$151,199,000
Recommended approval	29,079,000
Recommended reduction	18,794,000
Recommendation pending	103,326,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. **Augmentation of Hospital Reserve Funds. Reduce by \$10,000,000.** Recommend that funds requested from the General Fund, Special Account for Capital Outlay, to augment the university's hospital reserve funds be deleted, because other alternatives are available for eliminating the "projected" deficit in the fund. 1278
2. **Withhold recommendation on the following eight projects from the Capital Outlay Fund for Public Higher Education pending receipt of additional information.** 1279
 - Item 6440-301-146(5), Animal Facility Corrections, Step 3, Berkeley (\$781,000).
 - Item 6440-301-146(17), Improve HVAC Capacity, Wickson Hall, Davis (\$392,000).
 - Item 6440-301-146(22), Medical Surge II Air Handling System Improvements, Irvine (\$527,000).
 - Item 6440-301-146(23), Law School Addition and Alterations, Los Angeles (\$7,302,000).
 - Item 6440-301-146(24), School of Engineering and Applied Sciences Expansion, Los Angeles (\$1,274,000).
 - Item 6440-301-146(33), Seawater Supply System and Pier Replacement, Scripps Institute, San Diego (\$2,972,000).
 - Item 6440-301-146(37), Replace Elevators, Clinical Sciences Building, San Francisco (\$635,000).
 - Item 6440-301-146(42), Alterations to Applied Sciences Building for Computer Engineering, Santa Cruz (\$2,337,000).
3. **Southern Regional Library Compact Shelving Facility. Reduce by \$39,000.** Recommend that equipment funds be reduced to eliminate overbudgeting and delete funds for equipment items that are not justified. 1281
4. **Multimedia Learning Laboratory—Los Angeles. Reduce by \$31,000.** Recommend that construction and equipment funds for the multimedia learning laboratory be reduced to eliminate overbudgeting and delete funds for equipment items that are not justified. 1281

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

5. **Genetics and Plant Biology Building—Berkeley.** Reduce by \$1,601,000. Recommend that preliminary planning funds for the Genetics and Plant Biology Building be deleted, because the proposed building should be financed from nonstate funds in accordance with the funding plan submitted by the university when the Legislature approved funds for the Life Science Building Addition on this campus. 1283
6. **Life Science Building Renovation—Berkeley.** Reduce by \$588,000. Recommend that preliminary planning funds for the Life Science Building renovation be deleted because the request is premature. 1285
7. **Hart Hall Remodel—Davis.** Reduce by \$188,000. Recommend that preliminary planning and working drawing funds to remodel Hart Hall be eliminated, and that funds instead be provided to finance preliminary plans for construction of a new building. 1286
8. **Asmundson Hall and Mann Laboratory Remodel—Davis.** Reduce by \$231,000. Recommend that preliminary planning and working drawing funds to remodel Asmundson Hall and Mann Laboratory be reduced because the working drawing portion of the request is premature. 1286
9. **Physical Sciences, Unit 2—Irvine.** Reduce by \$436,000. Recommend that preliminary planning funds for the physical sciences Unit 2 building be reduced to reflect a project scope that is consistent with state space guidelines. 1288
10. **School of Engineering and Applied Sciences Retrofit—Los Angeles.** Reduce by \$39,000. Recommend that preliminary planning funds for the School of Engineering and Applied Sciences retrofit be reduced in order to bring the planning amount in line with a more realistic budget for proposed alterations in this building. 1289
11. **Instruction and Research Facility—San Diego.** Reduce by \$80,000. Recommend that preliminary planning funds for the instruction and research facility be reduced to reflect a reduction in project scope by deleting (1) space in excess of the amount that state guidelines indicate is needed, and (2) new space intended to replace existing classrooms. 1290
12. **Pharmaceutical Technology Laboratory Relocation—San Francisco.** Reduce by \$20,000. Recommend that \$915,000 requested for working drawings and construction to relocate the pharmaceutical technology laboratory be reduced to eliminate overbudgeting. Further, withhold recommendation on the balance of requested funds (\$895,000), pending receipt of preliminary plans and cost estimates. 1291
13. **Biotechnology Seawater Laboratory—Santa Barbara.** Reduce by \$428,000. Recommend that preliminary planning and working drawing funds for the biotechnology seawater laboratory be deleted, because according to state guidelines the campus has sufficient space available for the biology research and instruction programs. 1291

14. *Natural Sciences, Unit 3—Santa Cruz. Reduce by \$210,000.* Recommend that preliminary planning funds for the natural sciences, Unit 3, be reduced, because the project scope should be revised to eliminate space in excess of the amount that state space guidelines indicate is needed. 1292
15. *Hormone Research Laboratory Improvements—San Francisco.* Recommend that working drawings and construction funds (\$825,000) to upgrade research space be deleted from Item 6440-301-146. Further recommend that the Legislature appropriate a like amount from a new budget item to provide funds for this project in the form of a loan to be repaid from research grant overhead funds. (Future revenue: \$825,000). 1293
16. *Pharmacology Laboratory for Cell Biology Research—San Francisco.* Recommend that funds (\$725,000) to upgrade research space for cell biology be deleted from Item 6440-301-146. Further recommend the appropriation of a like amount from a new budget item to provide funds for this project in the form of a loan to be repaid from research grant overhead funds. (Future revenue: \$725,000). 1293
17. *Kearney Agricultural Center Development—Fresno County.* Recommend that preliminary planning and working drawing funds (\$383,000) to provide additional research laboratory facilities at this agriculture station be deleted from Item 6440-301-146. Further recommend the appropriation of a like amount from a new budget item to provide funds for this project in the form of a loan to be repaid from nonstate funds. (Future revenue: \$383,000). 1293
18. *Doe and Moffitt Libraries Renovation—Berkeley. Reduce by \$375,000.* Recommend that funds for a study of library space on the Berkeley campus be deleted, because the study should be financed from other funds available to the university for this purpose. 1295
19. *Shields Library Alterations and Expansion—Davis. Reduce by \$1,340,000.* Recommend that preliminary planning funds for alteration and expansion of the library at the Davis campus be deleted, because the request is premature and the project needs to be revised in scope. 1296
20. *Campus Library—San Francisco. Reduce by \$1,200,000.* Recommend that preliminary planning funds for a new library on the San Francisco campus be deleted, because the project should be revised in scope to maximize utilization of existing space. 1297
21. *Campus Electrical Distribution System Expansion and Renovations, Step 1—Berkeley. Reduce by \$276,000.* Recommend that preliminary planning and working drawing funds for expansion and renovation of the electrical distribution system be deleted because (1) the university has not demonstrated the need to convert existing electrical service to a higher voltage and (2) any need to expand the system should be funded as part of new construction requests. 1299
22. *Replacement of Greenhouses—Riverside. Reduce by* 1299

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

- \$67,000.** Recommend a reduction in preliminary planning and working drawing funds to replace five greenhouses on the Riverside campus because the requested new facilities are too costly and the university should reevaluate the siting of the new facilities.
23. ***Seismic Safety Corrections, South Hall—Berkeley.*** 1301
Reduce by \$346,000. Recommend deletion of preliminary planning and working drawing funds for seismic safety correction to South Hall, because the university needs to reevaluate alternatives to the proposed project.
24. ***Hazardous Waste Facility—Riverside.*** 1302
Withhold recommendation on \$45,000 requested for preliminary planning and working drawings for a new hazardous waste facility pending receipt of a revised project program that is based on altering existing space to accommodate this program rather than constructing new space.
25. ***Improvements to Air Handling System, Urey Hall—San Diego.*** 1302
Reduce by \$108,000. Recommend deletion of preliminary planning and working drawing funds for improvements to the air handling system in Urey Hall, because the university has not substantiated the need to make these improvements that exceed code requirements.
26. ***Handicapped Access Improvements, Step 4—Berkeley.*** 1304
Reduce by \$416,000. Recommend that working drawing and construction funds for handicapped access improvements on the Berkeley campus be reduced to eliminate work which is not needed or which is a low priority. Withhold recommendation on the balance of the requested funds (\$276,000), pending completion of preliminary plans and cost estimates.
27. ***Handicapped Access Improvements, Step 3—Davis.*** 1305
Reduce by \$50,000. Recommend that working drawing and construction funds for handicapped access improvements be reduced to delete work which is not justified. Withhold recommendation on the balance of the requested funds (\$635,000) pending receipt of preliminary plans and cost estimates.
28. ***Improve Handicapped Access, Step 2—Riverside.*** 1305
Reduce by \$137,000. Recommend that working drawing and construction funds for improvements to provide handicapped access be reduced to delete modifications which are not required by code. Withhold recommendation on the balance of the requested funds (\$505,000), pending receipt of preliminary plans and cost estimates.
29. ***Improve Handicapped Access—Santa Barbara.*** 1306
Reduce by \$488,000. Recommend that working drawing and construction funds for improvements to provide access for the physically handicapped be deleted because the project includes improvements to buildings which are already accessible to the handicapped.
30. ***Minor Capital Outlay—Systemwide.*** 1307
Recommend adoption of Budget Bill language requiring that any allocation of funds from Item 6440-301-146(1) for removal of hazard-

- ous asbestos shall be consistent with the university's priority ranking of systemwide asbestos hazards.
31. **Project Programming and Preliminary Plans—Systemwide. Reduce by \$100,000.** Recommend that funds for systemwide programming and preliminary plans be reduced by \$100,000, because the historical funding level should be adequate to fund planning of projects to be included in the 1986-87 budget. 1308
 32. Reimbursement of Expenditures for Preliminary Plans. Recommend deletion of Budget Bill language which would reimburse the university for expenditures to develop preliminary plans. 1308
 33. High Technology Education Bond Financing. Recommend that the Legislature adopt Budget Bill language specifying that the funds needed to service any debt associated with the use of High Technology Education Revenue Bonds to finance the construction of facilities authorized under this item, or by any other measure, shall be paid from the Capital Outlay Fund for Public Higher Education, subject to the annual appropriation of such funds in the Budget Act. 1311
 34. Withhold recommendation on construction funds for the following three projects proposed to be financed from high technology education revenue bonds, pending receipt of preliminary plans and cost estimates: 1312
 - Item 6440-301-525(1), School of Engineering and Applied Sciences Expansion, Los Angeles (\$45,419,000).
 - Item 6440-301-525(2), Engineering Building Unit 1, San Diego (\$34,394,000).
 - Item 6440-301-525(3), Engineering Laboratory Facility, Irvine (\$4,937,000).
 35. Overbudgeted Construction Funds. Recommend that the amounts approved for construction in Item 6440-301-146 and Item 6440-301-525 be reduced by 3 percent to eliminate overbudgeting of construction costs. 1313

ANALYSIS AND RECOMMENDATIONS

The budget includes \$151,199,000 for capital outlay for the University of California (UC) in 1985-86. The proposed amount includes \$10,000,000 from the General Fund, Special Account for Capital Outlay (SAFCO), \$56,449,000 from the Capital Outlay Fund for Public Higher Education (COFPHE), and \$84,750,000 to be funded from High Technology Education Revenue Bonds. The revenue bond program, available for all segments of higher education, is authorized by Chapter 1268, Statutes of 1983.

For discussion purposes, we have divided the university's program into three parts based on the proposed funding source for the projects. In addition, the projects proposed for funding from the COFPHE are divided into six descriptive categories: (A) Equipment Requests; (B) Previously Approved Projects; (C) General Campus Improvements; (D) Code Correction Projects; (E) Handicapped Access Projects; and (F) Systemwide Projects/Contractual Obligations.

The UC's request is summarized in Table 1.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

Table 1
University of California
Capital Outlay Program—1985-86
Summary
(dollars in thousands)

	<i>Budget Bill Amount</i>	<i>Estimate Future Cost^a</i>
I. Item 6440-301-036—General Fund, Special Account for Capital Outlay (Analysis page 1278)	\$10,000	\$60,000
II. Item 6440-301-146—Capital Outlay Fund for Public Higher Education (Analysis page 1278)	56,449	250,893
A. Equipment for Previously Approved Projects	\$10,448	
B. Working Drawings and Construction for Previously Approved Projects	\$15,648	
C. General Campus Improvements Projects	\$16,347	
D. Projects to Correct Code Deficiencies.....	\$499	
E. Projects to Provide Handicap Access	\$2,507	
F. Systemwide Projects/Contractual Obligations	\$11,000	
III. Item 6440-301-525—High-Technology Education Revenue Bonds (Analysis page 1309).....	84,750	27,544 ^b
Totals	\$151,199	\$338,437

^a UC estimates for future phases.

^b Includes estimated financing costs and interest for three years but does not include long-term financing costs.

I. PROJECTS FROM THE GENERAL FUND, SPECIAL ACCOUNT FOR CAPITAL OUTLAY

Hospital Improvements—Davis, Irvine, and San Diego

We recommend deletion of Item 6440-301-036, \$10,000,000 for hospital improvement projects, because there are other alternative means of eliminating the projected deficit from operation of university hospitals.

The budget includes \$10,000,000 from the Special Account for Capital Outlay to fund capital improvements and equipment purchase projects at the five university teaching hospitals. These funds are intended to improve the fiscal viability of these UC hospitals by reducing operating costs or increasing revenues. Budget Bill language specifies that the university must certify to the Director of Finance that the projects will result in *annual* reductions in operating expenses, and/or increases in revenue, equal to 20 percent of the cost of the project.

This capital outlay funding request is coupled with a \$15 million request included in the university's support budget (Item 6440-016-001) which would provide General Fund support for hospital operations at Davis, Irvine and San Diego. Our analysis of this interrelated proposal is discussed in detail on page 1262.

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

Projects Recommended for Approval

Our review of the university's request for 1985-86 indicates that seven projects totaling \$12,434,000 are reasonable in scope and cost, and we recommend that funding for them be approved. The projects include (1)

equipment funds for four previously approved projects, (2) construction funds for a code correction project at Los Angeles, (3) preliminary plans and working drawings for an alteration project at Berkeley, and (4) the annual payment (\$200,000) for acquisition of the UC Davis Medical Center. The projects are summarized in Table 2.

Table 2
University of California
1985-86 Major Capital Outlay
Projects Recommended for Approval
Item 6440-301-146
(dollars in thousands)

Category/ Subitem	Project Title	Location	Phase ^a	Budget Bill Amount	Estimated Future Cost ^b
<i>A. Equipment Projects</i>					
(13)	Food & Agricultural Sciences Building	Davis	e	\$4,682	—
(19)	Main Library Alterations	Irvine	e	83	—
(21)	Diagnostic Services Module, UCIMC	Irvine	e	212	—
(39)	Engineering Unit 2	Santa Barbara	c	4,387	—
<i>B. Construction, Previously Approved Projects</i>					
(27)	California Administrative Code Deficiencies, Elevators.....	Los Angeles	c	2,740	—
<i>C. General Campus Improvement Projects</i>					
(8)	Etcheverry Hall Alterations	Berkeley	pw	130	\$1,294
<i>F. Statewide/Contractual Obligations</i>					
(12)	Annual Payment, UCDCMC	Davis	a	200	—
Totals.....				\$12,434	\$1,294

^a Phase symbols indicate: a = acquisition; p = preliminary planning; w = working drawings; c = construction and e = equipment.

^b UC estimate.

Projects for Which Recommendation is Withheld

We withhold recommendation on \$16,220,000 requested for eight projects, pending receipt of preliminary plans and cost estimates for the requested projects.

The budget includes \$16,220,000 for eight projects on which we withhold recommendation. Three requests relate to working drawings and/or construction requests for projects for which preliminary planning funds have previously been provided by the Legislature. In addition, working drawings and construction funds are requested for five projects which the university has allocated preliminary planning funds from either planning funds in the 1984 Budget Act or other university sources.

According to the university, preliminary plans for each of these projects are scheduled to be completed prior to legislative hearings on the budget. Pending receipt and review of the additional information, we withhold recommendation on the \$16,220,000 requested for these projects, which are summarized in Table 3.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

Table 3

University of California
1985-86 Major Capital Outlay
Projects for Which Recommendation is Withheld
Item 6440-301-146
(dollars in thousands)

Category/ Subitem	Project Title	Location	Phase ^a	Budget Bill Amount	Estimated Future Cost ^b
B. Previously Approved Projects					
(23)	Law School Addition and Alterations.....	Los Angeles	wc	\$7,302	\$352
(24)	School of Engineering and Applied Science Expansion	Los Angeles	w	1,274	— ^c
(33)	Seawater Supply System and Pier Replacement, Scripps	San Diego	c	2,972	—
C. General Campus Improvement Projects					
(5)	Animal Facility Corrections Step 3.....	Berkeley	wc	781	—
(17)	Improve HVAC Capacity, Wickson Hall.....	Davis	wc	392	—
(22)	Medical Surge II Air Handling System Improvements	Irvine	wc	527	—
(37)	Replace Elevators, Clinical Sciences Building	San Francisco	wc	635	—
(42)	Alterations to Applied Sciences Building for Computer Engineering	Santa Cruz	wce	2,337	—
Totals.....				\$16,220	\$352

^a Symbols indicate: p = preliminary planning; w = working drawings; c = construction; and e = equip.

^b UC estimate.

^c Funding for construction included under Item 6440-301-525, from High-Tech Education Revenue Bonds.

Recommended Project Changes/Deletions

Our review of UC's capital outlay request from the COFPHE indicates that the amounts budgeted for 29 projects, should be reduced, deleted, or modified by Budget Bill language. Our recommendations on the individual projects, are summarized, by category, in Table 4.

Table 4

University of California
1985-86 Major Capital Outlay
Summary of Legislative Analyst's Recommended Changes
Item 6440-301-146
(dollars in thousands)

Project Category	Number of Projects	Budget Bill Amount	Analyst's Recom- mendation	Estimated Future Cost ^a	Analysis Page
A. Equipment Projects	1	\$1,084	\$1,045	—	1281
B. Previously Approved Projects	1	1,360	1,329	—	1281
C. General Campus Improvement Projects	18	11,545	pending	\$243,423	1282
a. primarily capacity	(10)	(6,287)	(pending)	(171,917)	
b. primarily research.....	(3)	(1,933)	(—)	(4,217)	
c. libraries.....	(3)	(2,915)	(—)	(60,317 ^b)	
d. support	(2)	(410)	(67)	(6,972)	
D. Code Correction Projects.....	3	499	—	5,824	1301
E. Handicapped Access Projects	4	2,507	pending	—	1303
F. Statewide Projects.....	2	10,800	10,700	—	1306
Totals	29	\$27,795	pending	\$249,247	

^a UC estimates.

^b Excludes unknown future cost for Berkeley libraries.

A. EQUIPMENT PROJECTS**Southern Regional Library Compact Shelving Facility—Los Angeles**

We recommend Item 6440-301-146(3), equipment funds for the Southern Regional Library Compact Shelving Facility at Los Angeles, be reduced by \$39,000 to eliminate overbudgeting and to delete equipment items that are not justified.

The budget includes \$1,084,000 to finance equipment for the new Southern Regional Library Compact Shelving Facility on the UCLA campus. This 125,000 square-foot building will provide storage for approximately 3.7 million volumes of library materials, as well as administrative and processing areas. The \$14,000,000 facility and a similar facility in Richmond, were established because it is more cost-effective to house less frequently used library materials in regional compact shelving facilities than to construct conventional library space on the UC campuses. The requested amount would fund equipment items necessary to make the new facility operable. Construction is scheduled to be completed in June 1986.

Our review of the detailed equipment list submitted by the university indicates that the amount requested for equipment is overbudgeted. Based on a recent reevaluation of the need for sound-recording equipment, security systems, and photocopy machines, the UC has reduced the request by \$36,000. We therefore recommend deletion of this amount to eliminate overbudgeting. In addition, our review indicates that \$3,000 requested for equipment associated with the "staff room" is not justified. We therefore recommend an additional reduction of \$3,000 to delete a refrigerator, oven, and hot water dispenser, for a total reduction of \$39,000 in Item 6440-301-146(3).

B. PREVIOUSLY APPROVED PROJECTS**Multimedia Learning Laboratory—Los Angeles**

We recommend Item 6440-301-146(25), construction and equipment funds for the multimedia learning laboratory on the Los Angeles campus, be reduced by \$31,000 to eliminate overbudgeting and to delete equipment funds that are not justified.

The budget includes \$1,360,000 to finance construction and equipment for the multimedia learning laboratory on the Los Angeles campus. The 1984 Budget Act appropriated \$150,000 to fund preliminary plans and working drawing for this project. The project includes upgrading of building systems and remodeling of 6,067 assignable square feet (asf) in Powell Library. The new multimedia learning laboratory would include individual student stations, viewing rooms, a production studio and associated space for a state-of-the-art media laboratory. The facility will be capable of providing students with a variety of instructional related material from video cassettes, film projectors, slide projectors, and computer-generated sources. The request includes \$860,000 for the construction portion of the project and \$500,000 for movable equipment items.

The preliminary plans and cost estimate for this project were recently completed. Based on this estimate, \$1,349,000 will be adequate to fund the project, indicating that this item is overbudgeted by \$11,000.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

Our review of the equipment list indicates that the request should be reduced by an additional \$20,000 in order to delete funds for equipment items that are not justified. The project includes two medium and two large viewing rooms. The equipment list proposes to install a \$6,000 large screen video projector in each of these rooms, along with film projectors, slide projectors, and associated custom designed cabinetry. Our analysis indicates that only one media source can be used at any one time. Therefore, it would be adequate to equip two rooms with the projector system and two rooms with the film and slide projector equipment. In this way, the university could schedule activities in these rooms, based on the type of equipment installed in each. We therefore recommend a reduction of \$20,000 to delete the duplicate equipment items proposed in the medium and large viewing rooms. In sum, we recommend a reduction of \$31,000 in Item 6440-301-146(3) to eliminate overbudgeting and to delete equipment items that are not justified.

C. GENERAL CAMPUS IMPROVEMENT PROJECTS

The budget includes \$11,505,000 from the COFPHE for general campus improvements projects for which we recommend changes or deletions. For discussion purposes, we have divided projects in this category into four groups consisting of:

- a. Projects primarily intended to increase campus capacity, (Table 5)

Table 5
University of California
1985-86 Major Capital Outlay
Legislative Analyst's Recommended Changes
General Campus Improvements—
Projects Primarily Intended to Increase Campus Capacity
(dollars in thousands)

Sub item	Project Title	Location	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
(4)	Genetics and Plant Biology Building	Berkeley	pw	\$1,601	—	\$19,062 ^c
(6)	Life Science Building Renovation	Berkeley	p	588	—	40,739 ^d
(14)	Hart Hall Remodel	Davis	pw	405	217	4,573
(16)	Asmundson Hall and Mann Laboratory Remodel	Davis	pw	381	150	3,415
(20)	Physical Sciences Unit 2	Irvine	p	667	231	38,063
(26)	School of Engineering and Applied Sciences Retrofit	Los Angeles	p	302	263	15,091
(31)	Instructional and Research Facility	San Diego	p	400	320	20,416
(38)	Pharmaceutical Technology Laboratory Relocation	San Francisco	wc	915	pending	—
(40)	Biotechnology Seawater Laboratory	Santa Barbara	pw	428	—	7,658
(43)	Natural Sciences, Unit 3	Santa Cruz	p	600	390	22,900
Totals				\$6,287	pending	\$171,917

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

^b UC estimate.

^c Future cost is state-funded portion; nonstate funds proposed for project total \$20,663,000.

^d Future cost is state-funded portion; nonstate funds proposed for project total \$20,670,000.

- b. Projects primarily intended to upgrade/increase research space (Table 7)
- c. Projects to provide library space (Table 8) and
- d. Projects to replace/upgrade utilities and support facilities (Table 9).

a. Projects Primarily Intended to Increase Campus Capacity

This section addresses those requests that are primarily intended to increase the amount of space available for instructional and research activities. The proposed projects, and our recommendations on each, are summarized in Table 5.

Genetics and Plant Biology Building—Berkeley

We recommend deletion of Item 6440-301-146(4), preliminary plans for the Genetics and Plant Biology Building on the Berkeley campus, because the proposed building should be financed from nonstate funds in accordance with the funding plan submitted by the university when the Legislature approved funds for the Life Science Building Addition.

The budget proposes \$1,601,000 to finance a portion of the preliminary plans for a new Genetics and Plant Biology Building on the Berkeley campus. The 116,480 asf building would be financed through a combination of state funds and nonstate funds on a 50-50 basis. The current estimated total cost of this building is \$41,326,000, indicating that state funding requirements will be \$20,663,000 (1985 dollars).

The university has committed to using \$1,601,000 from nonstate sources to finance 50 percent of the cost of preliminary plans. It has begun work on this phase of the project, using \$750,000 from nonstate sources. The University is *planning* to secure the balance of the nonstate funding from fund raising activities. The funds requested under this item would provide the state's share of this portion of the project.

The proposed building would provide space for faculty in the fields of molecular plant sciences, genetic analysis, microbiology and virology. The proposed space includes 68,470 asf for 38 research laboratories/associated support space, 5,750 asf for teaching laboratories/support space, 12,900 asf for shared support space, stockrooms and shops, 6,290 asf for faculty/administrative offices and 4,300 asf for classrooms and conference rooms. An additional 16,800 asf is proposed for a greenhouse at a remote location.

The building represents the second facility in a three-phase program to provide new instructional and research facilities for the biological sciences on the Berkeley campus. The first project, funded for construction in the 1984 Budget Act (\$42.9 million), is the Life Science Building (LSB) Addition which houses disciplines within biological sciences related to organismal biology. The third phase of the program calls for renovation of the existing Life Science Building to house ecology, evolutionary biology and support collections.

Financing Plan changed by UC. The estimated total cost for the three new facilities on the Berkeley campus is \$148 million. When the estimated cost of financing the state-funded portion of the projects through the issuance of bond anticipation notes (\$21 million) is added to this amount, the total cost of the project becomes \$169 million. (The estimated financing costs are based on the State Public Works Board's

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

recent action to finance the construction portion of the LSB Addition by selling \$51 million in bond anticipation notes with a three year maturity.)

The university has indicated from the inception of this project that \$41.3 million in nonstate funds available to the university will be used to finance a portion of the new facilities. Thus, total state funding for the project is estimated at \$127.7 million including short-term financing costs.

In presenting its initial funding request for the LSB Addition two years ago, the university proposed that (1) the LSB Addition be funded from state funds, (2) the second building, the Genetics and Plant Biology Building, be funded *completely from nonstate sources*, and (3) the third phase, renovation of the existing Life Science Building, be funded solely from state funds.

The current financing proposal represents a significant change from the one presented in 1983. The university now proposes that *50 percent* of the Genetics and Plant Biology Building be financed from state funds with the LSB renovation financed from nonstate and state funds on a one-third/two-thirds cost sharing basis. This change would put the state in an undesirable position. In effect, the state is being asked to participate in the funding of *two major buildings—with a substantial portion of the funding needed, to complete the project, dependent on nonstate funds which the university has not yet secured or identified.* Table 6 compares the 1983–84 financing proposal to the 1985–86 proposal.

Table 6
University of California
Biological Science Projects—Berkeley Campus
Comparison of Financing Plans
(dollars in thousands)

Project	Total Project Cost	1983-84 Proposal ^a		1985-86 Proposal	
		State Funds	Non-State Funds	State Funds	Non-State Funds
Genetic & Plant Biology Building	\$41,326	—	\$41,326	\$20,663	\$20,663
LSB Renovation.....	62,007	62,007	—	41,337	20,670
Totals	\$103,333	\$62,007	\$41,326	\$62,000	\$41,333

^a costs updated to current UC estimates.

As of December 1984, the university had been able to commit only \$750,000 of the \$41.3 million in nonstate funds to the projects. The university can provide no assurances that it will be successful in raising the remaining \$40.6 million needed to complete both of these projects. In the event the university is not successful in securing the additional \$40.6 million, additional state funds will be needed in order to provide complete and operable facilities. This would put the state in an untenable position.

In our judgment, the state should not be placed in this position. Nor is it necessary that this happen. The university's original financing scheme made each phase whole and financially independent. This scheme is far preferable because it limits the state's financial responsibility to *completing* two projects and establishes a specific goal for the university's fund raising activities—to fund the Genetics and Plant Biology Building. We therefore recommend that the legislature stick with the university's original plan for financing these facilities and, accordingly, delete the \$1,601,000 proposed in Item 6440-301-146 (4) for the state's share of preliminary

planning funds for the Genetics and Plant Biology Building.

Life Science Building Renovation—Berkeley

We recommend deletion of Item 6440-301-146(6), preliminary plans for the Life Science Building renovation on the Berkeley campus, because the request is premature.

The budget includes \$588,000 for the "state share" of preliminary plans for renovation of the Life Science Building on the Berkeley campus. This is the initial request for funding the third phase of new facilities for biological sciences on this campus. As discussed above, the budget proposes that this project be financed through a combination of state and nonstate funds. The university's proposal anticipates the sharing of nonstate and state funds on a one-third/two-thirds basis. We recommend, however, that when funds are needed for this project, the state provide 100 percent financing, in lieu of sharing in the cost of financing the Genetics and Plant Biology Building.

This project would provide 264,000 asf of renovated (222,000 asf) and new (42,000 asf) space to support a portion of the biological sciences. The new space is provided by an addition within the building's interior courtyard. The complete facility will provide 75,175 asf of research laboratories and support space for 41 faculty involved in ecology, evolutionary biology, community and population genetics, physical anthropology, and the comparative structure of plants and animals. In addition the facility will include 36,610 asf for teaching laboratories and support space, 10,900 asf for administration, teaching assistants' office and conference rooms, 9,725 asf for classrooms, 45,000 square feet for library space, 82,400 asf for the biology museum and herbarium and 4,100 square feet of miscellaneous space. The estimated total project cost is \$62,700,000. The 1985-86 request of \$588,000 represents two-thirds of the amount needed to develop preliminary plans.

Request Premature. Renovation of the existing Life Science Building cannot begin until functions in the building have been relocated to new facilities or to temporary "surge" space. Based on the university's current schedule for completion of the LSB Addition and the Genetics and Plant Biology Building, construction on this project is expected to begin in July 1988. Consequently, a request for preliminary planning of the renovation project in 1985-86 would seem to indicate that preparation of preliminary plans and working drawings will require 36 months.

Our analysis indicates that it would be advantageous to the state to defer funding for preliminary plans in connection with this project until 1986-87. We note that the scheduled August 1986 start of construction for the Genetics and Plant Biology Building is dependent on the success of the universities fund-raising efforts. If the university is successful in raising the funds needed to finance this building, the current schedule for beginning construction on the LSB alterations will be validated. The schedule could still be met, however, if preliminary planning began early in 1986-87.

On the other hand, if the university is not successful in raising sufficient funds to finance the Genetics and Plant Biology Building, the university may have to revise the LSB renovation project. The potential revisions would involve two alternatives. First, if nonstate funds for the Genetics and Plant Biology Building are *not* sufficient, and the university decides to abandon or revise the project, then the activities which are planned to be housed in the LSB renovation project may be changed. This would require a thorough reevaluation of space requirements to place the higher

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priority needs within the LSB renovation project. On the other hand, if the fund-raising activities for the Genetics and Plant Biology Building lag somewhat, the scheduled start of construction on LSB renovations and the need for preliminary planning funds would also be delayed.

For these reasons, the Legislature has nothing to lose and something to gain by deferring funds for preliminary plans until 1986–87. Accordingly, we recommend that funds for preliminary plans in connection with this project be deleted, for a reduction of \$588,000. We recommend further that any subsequent request for this project reflect 100 percent state funding, consistent with our recommendation to modify the financing plan for the Berkeley projects.

Project Should be Limited to Existing Building. As currently proposed, the LSB renovation includes (1) renovation of approximately 222,000 asf within the building and (2) construction of a 42,000 asf addition to the building. This addition reflects the university's reassessment of space needs since the original program was prepared in 1981.

One option evaluated by the university included renovation of 222,000 asf in the existing building without construction of the additional 42,000 asf. Under this option some programs now planned for relocation to the renovated facility could remain in their current space and would not be affected by the extensive alterations required in the LSB building. This option does not provide the optimum space solution for every program and does not provide as much growth in support collections as the university desires. The option, however, *does* improve significantly the space for most programs, allows reasonable growth and reduces the cost of the project by up to \$12 million.

Finally, we note that construction of new and renovated facilities for biological sciences will provide additional space substantially beyond the amount needed by this campus, according to state space guidelines. In fact, the campuswide capacity will exceed projected needs by 33,000 asf in 1989—*before* completion of the new Genetics and Plant Biology Building. Consequently, while renovations of the entire building may be warranted, we see no basis for construction of the courtyard addition. The university should identify those activities which *must* be located in the renovated LSB. The balance of the activities proposed for location in the courtyard addition can remain in existing space or be relocated to existing surplus space. Consequently we recommend that when the university resubmits a request for preliminary planning, it revise the scope of the renovation project to delete the additional 42,000 asf.

Hart Hall Remodel—Davis**Asmundson Hall and Mann Laboratory Remodel—Davis**

We recommend that Item 6440-301-146(14), preliminary plans and working drawing funds to remodel Hart Hall on the Davis campus, be reduced by \$188,000 to instead provide funding for preliminary plans in connection with a new building.

Further, we recommend that Item 6440-301-146(16), preliminary plans and working drawings to remodel Asmundson Hall and Mann Laboratory, be reduced by \$231,000 to provide preliminary plans only because the university needs to develop additional information and refine cost estimates prior to legislative consideration of working drawing and construction funds.

The budget includes preliminary planning and working drawings funds for two projects to renovate buildings on the Davis campus—Hart Hall remodeling (\$405,000) and Asmundson Hall and Mann Laboratory Remodeling (\$381,000). The remodeling projects are a “secondary effect” resulting from the construction of the new Food and Agricultural Sciences Building on this campus. The space vacated by various departments to be located in the new building would be renovated to meet other campus space needs.

The Hart Hall remodeling project would provide 15,510 asf for applied behavioral science, 4,900 asf for the division of statistics, 2,340 asf for Chicago studies, and 4,400 asf for the rhetoric department. Also included is 8,323 asf for six general assignment classrooms, a computer classroom and other miscellaneous space. The building will be upgraded to (1) meet seismic and handicapped access code requirements, and (2) improve the air conditioning and ventilation systems. The estimated total project cost is \$4,978,000.

The Asmundson Hall and Mann Laboratory remodel includes renovation of 16,500 asf to accommodate the Department of Vegetable Crops. Asmundson Hall will provide space for eight research laboratories with improved temperature control, 13 academic offices, a computer facility, and support areas. The Mann Laboratory will be renovated to provide three research laboratories, including eight specialized growth chambers, plus offices, storage, and shop areas. The estimated total project cost for the two buildings is \$3,796,000.

Working Drawing Requests are Premature. Our analysis indicates that (1) the Hart Hall remodel project should be changed to construction of a new building and (2) completion of working drawings for Asmundson/Mann Laboratories is premature. Based on the scheduled completion of the Food and Agricultural Sciences Building (late 1986), an appropriation to finance working drawings and construction for these projects in 1986-87 would not delay significantly either project.

Hart Hall Should be Replaced. The planned renovation of Hart Hall is too costly and would not be a prudent investment. As currently proposed, renovation of this 1927 building will cost about \$4 million. The building, however, has many physical limitations that remodeling may not correct and that will result in inefficient use of the space. Our analysis indicates that the cost of remodeling (\$112 per asf) is about 70 percent of what a new replacement facility would cost (\$155 per asf). Given the inherent inefficiencies of the existing building, the university should demolish the building and construct a new efficient building designed to meet the programmatic needs of the respective disciplines.

The proposed remodeling in Asmundson and Mann Halls is more laboratory intensive, and relates to upgrading of building systems to meet program requirements. The UC needs to evaluate whether or not the existing campus central heating and cooling plant can provide adequate service for this facility at less cost than the independent system included in this project. This evaluation should occur during preparation of the preliminary plans for the project. Until these plans have been completed the Legislature does not have the information it needs in order to consider funding for working drawings.

For these reasons, we recommend that Item 6440-301-146(14) be reduced by \$188,000 and that Item 6440-301-146(16) be reduced by \$231,000 to delete the working drawings portion of each request.

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Physical Sciences, Unit 2—Irvine

We recommend that Item 6440-301-146 (20), preliminary plans for the Physical Sciences Unit 2 on the Irvine campus, be reduced by \$436,000, to reduce the project scope consistent with state space guidelines (Future savings: \$19.6 million).

The budget requests \$667,000 for preliminary planning for a new Physical Sciences Building (Unit 2) on the Irvine campus. The project would provide 102,000 asf for the School of Physical Sciences, which includes physics, chemistry and mathematics. The new space includes 17,000 asf in class laboratories, 49,300 asf in research laboratories, 13,000 asf for academic offices, 9,800 for graduate offices and 7,700 asf for administrative support. The project also includes a 5,000 asf (450-seat) general assignment lecture hall. Upon completion of the new building, all but 3,400 asf of the vacated space in Physical Sciences Unit 1 building will be renovated for various programs within the School of Physical Sciences. The remaining space would be reassigned to engineering to partially offset a deficiency in space for this discipline. The estimated total future cost of the project is \$38.1 million, which includes \$29.3 million for the new building and \$8.8 million for the alterations.

Space for Physical Sciences. The proposed Physical Science Unit 2 facility is based on the need to provide additional space for this discipline. The need for additional space reflects the fact that:

- Undergraduate enrollment in physical sciences (chemistry, physics and mathematics) is projected to increase by 418 (or 22 percent over 1983-84 levels),
- Graduate enrollment in this area is projected to increase by 135 students (71 percent over 83-84 levels),
- *Budgeted* faculty positions are proposed to increase by 23 positions (25 percent), and
- *Non-budgeted* staff (researchers) are projected to increase from 84 to 105 positions, an increase of 21 positions (25 percent).

Our review of the request indicates that, based on state space guidelines, the additional 96,984 asf for the School of Physical Sciences is not justified.

The combination of current and proposed space allocations for physical sciences would total 216,358 asf in 1988-89. Based on state guidelines, however, the projected space need is 149,743 asf. Thus, the project would provide 66,615 asf of space in excess of the guidelines.

This request exceeds state guidelines because a substantial portion of the space (48,500 asf) is for the 105 non-budgeted research staff. These staff work on projects funded from nonstate research grant funds. If the university believes that additional space should be constructed to accommodate the requirements of these non-budgeted positions, the university should identify sufficient funds from nonstate sources to finance the cost of the space. Alternatively, state funds could be provided in the form of a *loan*, which would be repaid from grant overhead funds available to the University. In the absence of any nonstate funding source, we recommend the project be reduced to eliminate the 66,615 asf which exceeds state space guidelines. This would provide 30,370 asf of additional space to support the School of Physical Sciences.

Lecture Space Needs. This building would also provide 5000 asf for

a 450-seat lecture facility on the Irvine campus. Based on existing assignable square feet, compared to state space guidelines, the additional space is justified. We, therefore, recommend approval of this portion of the project.

In sum, we recommend that this project be modified to provide an additional 30,370 asf for physical sciences and an additional 5,000 asf for general lecture space. Based on the University's initial proposal for this project, \$230,000 should be sufficient to finance preparation of preliminary plans for the revised project scope. Accordingly, we recommend that Item 6610-301-146 (20) be reduced by \$437,000 to reflect a more-reasonable project scope.

School of Engineering and Applied Sciences Retrofit—Los Angeles

We recommend that Item 6440-301-146(26), \$302,000 for preliminary planning for the School of Engineering and Applied Sciences Retrofit on the Los Angeles campus, be reduced by \$39,000 to correct for overbudgeting. (Future savings \$1.2 million).

The budget includes \$302,000 for preliminary plans to alter Engineering Building 1 and Boelter Hall on the Los Angeles campus. The proposed renovations would upgrade existing space assigned to the School of Engineering and Applied Sciences (SEAS). A new facility, proposed for construction funding in the amount of \$45.4 million under Item 6440-301-525 (1) of the Budget Bill, will provide 160,100 asf for the SEAS. Upon completion of this project, space in Engineering Building 1 and Boelter Hall is to be reassigned and altered to meet other program needs within SEAS.

The remodeling would involve a total of 245,205 asf for chemical engineering (32,730 asf), civil engineering (34,745 asf), computer science (56,510 asf), electrical engineering (7,218 asf), material science and engineering (4,665 asf), mechanical, aerospace and nuclear engineering (18,243 asf) and administration (61,094 asf). Upon completion of the new facilities and proposed renovation, a total of 405,305 asf will be devoted to the SEAS. This amount of space is within the amount suggested by state space guidelines. The estimated future cost for working drawings, construction and equipment in connection with the proposed renovations is \$15,091,000.

Based on the university's initial study of remodeling needed in Engineering Building 1 and Boelter Hall, a substantial portion of the space can be used virtually "as is" with only minor rehabilitation of building systems. The university indicates that 118,605 asf of the 245,205 asf to be remodeled falls within this category. The amount included in the budget for preliminary planning is based on an estimated cost of \$20 per asf to renovate space to be used "as is".

Our review indicates that the amount budgeted to upgrade space that will undergo little or no change is excessive. According to general cost guidelines, installation of all mechanical and electrical systems for new buildings would cost approximately \$20 per asf. Based on the university's description of the proposed renovation, these costs should not exceed 50 percent of the cost for completely new systems. Consequently, as a design goal and for budget purposes, \$10 per assignable square foot should be adequate for work in areas which are planned to be used "as is" with minor alterations.

On this basis, we conclude that the overall project cost should be reduced by approximately \$1,250,000 and the amount needed for prelimi-

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nary planning should be reduced by \$39,000. Accordingly, we recommend that Item 6440-301-146 (26) be reduced by \$39,000 to correct for overbudgeting.

Instruction and Research Facility—San Diego

We recommend that Item 6440-301-146 (31), preliminary plans for the instruction and research facility on the San Diego campus, be reduced by \$80,000 to reflect a reduction in project scope that deletes (1) additional space in excess of the amount needed based on state space guidelines, and (2) new space intended to replace existing classroom. (Future Savings: \$4.6 million)

The budget includes \$400,000 for preliminary planning for a new instruction and research (I&R) facility on the San Diego campus. The new 79,800 asf building is to be constructed near the proposed Engineering Building Unit 1, (Item 6440-301-525 (2)) as part of the Miramar academic complex. This complex is an extension of UC San Diego's cluster development characterized by four colleges—Muir College, Revelle College, Third College, and Warren College. The new building will provide new space for various departments to be relocated from these existing colleges.

The building will house offices, instruction and research facilities for the Departments of Anthropology (8,260 asf), History (9,080 asf), Political Science (9,590 asf), Music (9,000 asf) and Physics (25,650 asf). The building also includes 3,000 asf for common use areas such as conference/seminar rooms, media facilities and computer terminal rooms plus 15,200 asf for general assignment classrooms. The estimated future cost for working drawings, construction and equipment in connection with this project is \$20.4 million.

Completion of this new building, and the new Engineering Unit 1 facility building triggers a major reallocation of space on the UCSD campus involving nine departments and several inter-disciplinary programs involving approximately 58,600 asf in the four colleges. This reallocation of space will require some remodeling of the vacated space to accommodate the new programs. The university estimates that approximately \$830,000 will be needed to remodel space vacated as a result of occupying the Engineering Unit 1 building, and another \$4.1 million will be required to accommodate space reallocations upon completion of the I&R building.

Space Exceeds Guidelines. Our review of the overall plan for UCSD indicates that approval of the requested project will substantially improve the space available to support a variety of disciplines through space consolidations and expansions. The net effect of the new buildings and subsequent reassignment of vacated space, will be space assignments that are within state space guidelines for all disciplines with the exception of Physical Sciences. Based on state guidelines, the projected 1988-89 space need for this discipline is 163,100 asf. The current amount of space available is 158,500 asf, indicating a need for approximately 4,600 asf. The proposed new building results in a net increase of 17,220 assignable square feet. Consequently, the project includes new space for Physical Science which exceeds space needs by approximately 12,600 asf. We, therefore, recommend a reduction in the scope of the project to delete the 12,600 asf of excess space, representing a future savings of \$2,880,000.

Replacement Classrooms. The I&R building would provide 15,200 asf in new classroom space. The UC, however, proposes to abandon 8,400

asf of classrooms in various colleges. UC indicates that the existing classrooms are inadequate because of acoustical, lighting, ventilation and other problems.

The classrooms to be abandoned were constructed during the development of the four colleges on the UCSD campus in a manner that was consistent with state space guidelines and design criteria for new facilities. Consequently, we see no basis for abandoning these existing classrooms or redirecting the space to other uses. The project should be revised to delete the replacement classrooms. Any deficiencies in the classrooms should, instead, be addressed in the maintenance or minor capital outlay portion of the budget. This revision would reduce the scope of the project by 8,400 asf, representing a future savings of \$1,680,000.

In summary, we recommend that the proposed instruction and research facility on the San Diego campus be reduced by 21,000 asf to delete (1) 12,600 asf for physical sciences and (2) 8,400 asf for general assignment classrooms. We therefore recommend that the funds requested in Item 6440-301-146(31) be reduced by \$80,000 to provide \$320,000 for preliminary planning of the revised project.

Pharmaceutical Technology Laboratory Relocation—San Francisco

We recommend that Item 6440-301-036(38), \$915,000 working drawings and construction to relocate the pharmaceutical technology laboratory on the San Francisco campus, be reduced by \$20,000 to eliminate overbudgeting. We withhold recommendation on the balance of the requested funds, pending receipt of preliminary plans.

The budget includes \$915,000 for working drawings and construction to renovate approximately 7,000 assignable square feet at UCSF's off-campus Center for Educational Development (CED) in order to provide space for the pharmaceutical technology laboratory. The laboratory currently is located on the second floor of the laundry/storehouse building on the UCSF campus. The space assigned to the pharmaceutical technology laboratory is inadequate and the laboratory should be relocated.

Our review of the project indicates that the amount requested for working drawings and construction is overbudgeted, based on state guidelines (20 percent of construction costs for architectural/engineering services and contingencies). We, therefore, recommend that the budget be reduced by \$20,000 to correct for this overbudgeting.

The university has allocated funds for preliminary planning of this project. The preliminary plans and cost estimates should be available prior to budget hearings. We, therefore, withhold recommendation on the balance of the requested funds—\$895,000—pending a review of the additional information.

Biotechnology Seawater Laboratory—Santa Barbara

We recommend deletion of Item 6440-301-146(40), \$428,000 for preliminary plans and working drawings for a Biotechnology Seawater Laboratory on the Santa Barbara campus, because according to state guidelines the campus has sufficient space available for biology (Future savings \$7,658,000).

The Budget includes \$428,000 for preliminary planning and working drawings for a 15,000 asf biotechnology seawater laboratory on the Santa Barbara campus. The facility consists of five seawater laboratories (10,150 asf), support/service areas (4,200 asf) and administrative space (450 asf). The laboratories are to receive raw and filtered seawater from an existing

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system on the campus. The total future costs for construction and equipment are \$7,658,000.

According to existing enrollment projections and space guidelines, the existing space assigned to biology on the Santa Barbara campus is sufficient to meet projected needs. In fact, existing space exceeds the guidelines by approximately 30 percent. Construction of the proposed seawater laboratory would increase the excess capacity by an additional 10 percent. Consequently, the additional space is not justified, and we recommend deletion of funds proposed under Item 6440-301-146 (40), for a reduction of \$428,000.

Alternative financing for additional research laboratories. While the University cannot justify additional instruction and research space for biology within state guidelines, the university should investigate whether or not alternative financing methods are available to meet programmatic needs in biotechnology-related disciplines. Approximately 8,500 assignable square feet of the requested facility is for research laboratories. If the university believes this additional space is needed and that as a result, additional grant-funded research will be achieved, it should request a state loan for the project, to be repaid from the research grants. (Please see page 1293 for a discussion of our recommendation regarding this method of financing.)

Natural Sciences, Unit 3—Santa Cruz

We recommend that Item 6440-301-146(43), \$600,000 for preliminary planning for the Natural Sciences, Unit 3 on the Santa Cruz campus, be reduced by \$210,000 to reflect a reduced project scope, because the amount of proposed space in the new building exceeds state space guidelines by nearly 14,000 asf. (Future Savings \$5.9 million).

The budget includes \$600,000 for preliminary planning for a new Natural Sciences (Unit 3) building on the Santa Cruz campus. The new building would contain 56,000 asf to be allocated to biology (44,000 asf) and chemistry (12,000 asf). The amount requested exceeds the normal cost for this portion of the project by \$80,000. The university has provided no justification for the excess cost. The estimated total future cost for working drawings, construction and equipment in connection with this project is \$22.9 million (this includes \$480,000 in excess costs for architectural/engineering fees and contingency).

Upon completion of Natural Sciences Unit 3, a substantial amount of the existing space on the Santa Cruz campus would be reallocated to meet other needs. Approximately 13,100 asf of existing biology space would be reassigned and remodeled for chemistry. In addition, existing chemistry space (16,700 asf) would be reassigned to provide space for astronomy and physics. Finally, biology would relinquish 5,000 asf for earth sciences (2,300 asf) and marine sciences (2,700 asf).

This project would assist the University in meeting its basic space needs through construction of new space and reallocation of released space to other disciplines. Based on state guidelines, however, the current proposal includes an excessive amount of space. Specifically, the amount of space proposed for biological sciences (biology and marine sciences) exceeds projected needs in 1990-91 by 12,000 asf; and physical sciences space exceeds projected need by 1,800 asf.

We, therefore, recommend that the project be revised in scope to

reduce the amount of new space by 13,800 asf. This would result in a 25 percent reduction in the size of the building. On this basis, the amount needed for preliminary planning of the revised project would be \$390,000. We, therefore, recommend that Item 6440-301-146 (43) be reduced by \$210,000. The estimated future cost for completion of the revised project if \$16,975,000, indicating a future savings of \$5,925,000.

b. General Campus Improvements—Projects Primarily Intended To Upgrade/Increase Research Space

The budget includes three projects intended primarily to upgrade facilities to meet space requirements associated with nonstate-funded research activities. The requested projects are summarized in Table 7.

Table 7
University of California
1985-86 Major Capital Outlay
Legislative Analyst's Recommended Changes
General Campus Improvements—
Projects Primarily to Upgrade/Increase Research Space
(dollars in thousands)

Sub item	Project Title	Location	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
(35)	Hormone Research Laboratory Improvements	San Francisco	wc	\$825	— ^c	—
(36)	Pharmacology Laboratory for Cell Biology Research.....	San Francisco	wc	725	— ^c	—
(44)	Kearney Agricultural Center Development	Fresno Co.	pw	383	— ^c	\$4,217
Totals.....				\$1,933	—	\$4,217

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

^b UC estimate.

^c Recommend transfer to a new item, designating funds to be a loan.

Hormone Research Laboratory Improvements—San Francisco
Pharmacology Laboratory for Cell Biology Research—San Francisco
Kearney Agricultural Center Development—Fresno County

We recommend that (1) \$1,933,000 requested in Item 6440-301-146 for three projects to upgrade or increase research space be transferred to a new item and (2) Budget Bill language be adopted specifying that the appropriated funds constitute a loan to the university which is to be repaid from research grant overhead funds or other nonstate sources. (Future Revenue: \$1,933,000.)

The budget includes funds for three projects to upgrade space or provide additional space for activities financed from other-than-state funds. These projects include:

- *Item 6440-301-146(35), Hormone Research Laboratory Improvements, San Francisco (\$825,000).* Working drawings and construction funds are requested to upgrade 5,000 asf on the 10th floor of the Health Sciences Instruction and Research—West Building. The proposed alteration would provide six large laboratories, two tissue culture labs, a com-

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mon research equipment area, a darkroom, a secured chemical storage area, and administrative support space. The university indicates that new research techniques require modifying these facilities to provide isolation or maximum security facilities for recombinant DNA research.

- *Item 6440-301-146(36), Pharmacology Laboratory for Cell Biology Research, San Francisco (\$725,000)*. This request is for working drawings and construction to alter and upgrade approximately 2,855 asf on the 12th floor of the medical sciences building. According to the university, the project would renovate existing laboratories to provide three "state-of-the-art" research laboratories to conduct basic pharmacology and cell biology investigations. The project also includes upgrading laboratory service, support space (tissue culture/isolation areas, temperature controlled rooms and a computer room) and three faculty/investigator offices.

- *Item 6440-301-146(44), Kearney Agricultural Center Development, Systemwide (\$383,000)*. This request is for preliminary planning and working drawings for a new 19,225 asf research laboratory building at the Kearney Agricultural Center in the central San Joaquin Valley. The new building includes research laboratory/office space (15,825 asf), a teaching laboratory (900 asf), and general purpose meeting room (2,500 asf). The project also includes upgrading of existing utility services. The university indicates that existing laboratory facilities at the center are overcrowded and inadequate for the research programs and other agriculture extension activities conducted at this center. The estimated future cost for construction and equipment in connection with this project is \$4,217,000.

Our review of these three projects indicates that the projects are aimed *primarily* at upgrading space and facilities for grant-funded or nonstate-funded research activities. The university indicates that without the proposed improvements at San Francisco, the university may not be competitive in attracting grant funds. Space at the Kearney Agricultural Center is intended to accommodate staff researchers who do not occupy state funded positions but instead rely upon funds generated through the university's agriculture extension program.

The activities to be housed in these remodeled and new facilities depend on the *university's* success in securing grant funds, as well as on the allocation of nonstate funds by the university. Therefore, the *university* should provide the financing for the alterations and increased amount of space.

According to the Governor's Budget, the university expects to retain \$44.4 million from overhead assessments on federal contracts and grants. These funds may be used for any purpose, at the Regent's discretion. Since these projects are intended to *continue* the viability of the grant-funded and nonstate funded programs, the university should be willing to invest a portion of these overhead funds to sustain the programs.

The UC may not be able to allocate sufficient overhead funds to finance these improvements in one year. We therefore recommend that the funds proposed for these three projects be appropriated from a new item, as a loan from the Capital Outlay Fund for Public Higher Education which is to be repaid by the university. This loan should be repaid over a period of five years, along with interest charged at the rate earned by the Pooled Money Investment Fund.

We therefore recommend that the funding requested for these three projects in Item 6640-301-146 instead be appropriated under the new item

6440-311-146, and accompanied by the following Budget Bill language:

"Provided that the funds appropriated under this item shall be considered a loan to the Regents of the University of California to be repaid by the university from research grant overhead funds or other nonstate sources. The loan shall be repaid over a period not to exceed five years, plus interest at a rate equivalent to the rate received by the state's Pooled Money Investment Fund."

c. Library Projects

The budget includes three projects to renovate or expand library space on three UC campuses. The requested projects and our recommendation on each are summarized in Table 8.

Table 8
University of California
1985-86 Major Capital Outlay
Legislative Analyst's Recommended Changes
General Campus Improvements—Library Projects
(dollars in thousands)

Sub item	Project Title	Location	Phase ^a	Budget Bill Amount	Analyst's Recom- mendation	Estimated Future Cost ^b
(7)	Doe and Moffitt Libraries Renovation	Berkeley	s	\$375	—	unknown
(15)	Shields Library Alterations and Expansion	Davis	p	1,340	—	\$35,017
(34)	Campus Library	San Francisco	p	1,200	—	25,300
Totals				\$2,915	—	unknown

^a Phase symbols indicate: s = studies and p = preliminary planning.

^b UC estimate.

Doe and Moffitt Libraries Renovation—Berkeley

We recommend deletion of Item 6440-301-146 (7), which requests funds for a study of the Doe and Moffitt Libraries at Berkeley, because the study of the need to renovate these facilities should be financed from other funds available to the university, for a reduction of \$375,000.

The budget requests \$375,000 to finance a study of library space on the Berkeley campus. The study would:

- Examine the Doe Library and the Moffitt Undergraduate Library to identify constraints which these buildings pose to the library program, and to identify potential uses of these facilities through renovation.
- Determine the functional, seismic and other corrections needed in these libraries, drawing on studies completed in 1982.
- Examine siting alternatives for expansion or replacement of the Doe Library.
- Evaluate alternative combinations of renovation and new construction for meeting library needs on the Berkeley campus.
- Provide pre-schematic descriptions and diagrams of alterations and new construction alternatives.

The university indicates that the requested study would provide information needed to substantiate a request for state funding to finance li-

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brary expansion or alterations in 1987-88.

There are two alternative sources of funds available to finance this study. *First*, the budget includes \$300,000 to provide programming and/or preliminary planning for future projects. This source could be used to finance a portion of the proposed study. *Second*, the university has funds available from interest earned on state capital outlay funds transferred to the university for previously approved projects. These funds, which totalled \$800,000 in January 1985, are available to the university to further UC's capital development program.

Given these alternative funding sources for the proposed study, we recommend deletion of Item 6440-301-146(7), for a savings of \$375,000.

Shields Library Alterations and Expansion—Davis

We recommend deletion of Item 6440-301-146 (15), preliminary plans for alteration and expansion of the Shields Library on the Davis campus, because (1) the request is premature and (2) the project needs to be revised in scope.

The budget includes \$1,340,000 for preliminary planning of an addition to Shields Library on the Davis campus. The proposed 131,000 asf addition, coupled with existing library space of 149,000 asf, will provide sufficient library space to meet projected needs for 1998-99.

The existing library will be altered to interface efficiently with the new addition. The alterations would include demolishing approximately 8,400 asf of book stacks that are located in the "core" area that has a ceiling height of seven feet. This lower ceiling height allows the university to shelve more volumes within the overall height of the building. In addition, the campus plans to house approximately 725,000 of the campus' 3,000,000 volumes at the Northern Regional Library Compact Shelving Facility in Richmond. The estimated total project cost excluding renovations is \$36,357,000.

Request Is Premature. The need for additional library space on the Davis campus is dependent upon the extent to which the university uses the Northern Regional Library Facility. Under the university's original plan, Davis was to make an initial deposit of 400,000 volumes in the facility, with annual deposits of at least 25,000 volumes thereafter. As of September 30, 1984, the Northern Facility had received approximately 30,000 volumes from Davis, far short of the target deposit.

When the Legislature approved the university's proposal for construction of regional library facilities, the *university* stipulated that no additional library space would be requested for any of these volumes and construction funds would not be scheduled for any additional campus library shelving space until the initial and annual deposits had been achieved. The Davis campus has not met this requirement. Before the Legislature considers appropriation of funds for library expansion on the Davis campus, the university should make good on its commitment to house seldom-used books in the regional storage facility.

Project Scope Needs to be Revised. Our review of the proposed Shields Library addition indicates that even if the campus meets its commitment to deposit volumes in the northern facility, the project needs to be revised. In its current form, the project provides 131,400 asf, which is intended to:

- Eliminate space deficiency based on current volume holdings (86,240 asf).

- Provide growth space for bound volumes and nonbound materials based on projected needs to 1998-99 (35,400 asf).
- Provide replacement space for the core area stacks to be demolished within the existing Shields Library complex (9,760 asf).

As proposed however, the project is not consistent with established state policy for new capital outlay projects. The state has typically constructed new facilities based on projected needs two years beyond the year of occupancy. If this project were to be approved in 1985-86, it would be occupied in 1990-91 and therefore the projected space needs should be based on 1992-93. Even the 1992-93 needs include an allowance of about 20 percent for continued growth of library collections.

If the project were redesigned to meet 1992-93 needs, it would reduce significantly the amount of space to be constructed. It would not, however, affect services to students because the change would reduce storage area for volumes and retain proposed increases for reader stations and technical processing (staff) space. With this change, the volume capacity of the library would be increased by about 340,000 volumes (49 percent), bringing the total library capacity to 1,190,000 volumes.

The request for new on-campus facilities to meet projected needs beyond 1992-93 presume that the regional library will hold only 725,000 volumes from Davis. This, however, fails to take into account the fact that the regional facility, when fully expanded, will hold 11 million volumes. If Davis sustains its initial share of the regional storage capacity (15 percent), it would eventually contribute 1,650,000 volumes to the regional facility. Thus, approval of the project at its current scope would contradict the expansion plans for the regional facilities.

Finally, the request to replace the core area of the existing building is not justified. The university indicates that because of the narrow aisles and low ceilings, this area is not accessible to all library users. Consequently, continued utilization of the core stacks would require staff to retrieve books shelved in this area for a portion of the library users. These stacks, however, could be used to store those low-use volumes which could potentially be transferred to the regional facility, but which the university has determined for various reasons should be kept on-campus for some period of time. Using the core stacks for this material would reduce significantly any requirement for staff to retrieve books.

Because the Davis campus has not achieved its required utilization of the regional library facility, and because the scope of work included in this project is excessive, we recommend that Item 6440-301-146(15) be deleted, for a reduction of \$1,340,000.

Campus Library—San Francisco

We recommend deletion of Item 6440-301-146(34), \$1,200,000 for preliminary planning for a new library on the San Francisco campus, because the project should be revised in scope to maximize utilization of existing space available for library use.

The budget proposes \$1,200,000 for preliminary planning for a new library building on the San Francisco campus. The 88,300 asf building would provide 52,600 asf for the library collection, 22,700 asf for reader stations, 12,000 asf for library staff and technical processing, and 1,000 asf to house the History of Health Sciences. The new facility would replace 52,000 asf of space currently assigned to library functions in the Medical Sciences Building and the Health Sciences Instruction and Research East

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Building. The estimated future cost for working drawings, construction and equipment is \$25.3 million.

According to UC, construction of the new library facility would (1) replace inadequate library space in the existing buildings, (2) provide growth for library services, based on the projected need in the year 2000, and (3) allow UC to alter the vacated library space for research activities.

Space Consolidation. Our review of the university's request indicates that the proposal is too costly and should be reduced in scope to take into account the existing inventory of library space. Based on the university's current cost estimate, the portion of the building intended to replace existing space will cost \$15.3 million. The university should modify its plan to (1) continue using this existing space for library activities and (2) locate additional library needs elsewhere on campus. The location of library services in more than one area on campus is not uncommon and would reduce significantly the cost of this proposal.

Projected Space Needs. The university's request includes sufficient space to accommodate the library program, based on projected needs to the year 2000. The state has traditionally approved new construction based on the need projected to two years beyond the year of occupancy. Thus, the university should reduce its request to reflect the projected need for 1992. This reduction would eliminate approximately 5,000 square feet and produce a savings of up to \$1.5 million in overall project costs. This reduction is appropriate because the state-adopted guidelines include, within the space standard for library collections, an allowance for additional growth in collections. Consequently, the reduced amount of space provides for collection growth beyond 1992.

For these reasons, we recommend that funds requested under Item 6440-301-146(34) be deleted, for a savings of \$1,200,000. A revised proposal which addresses the library space needs for UCSF in concert with maximum utilization of existing space would warrant legislative consideration.

d. Projects to Replace/Upgrade Utilities and Support Facilities

The budget includes two projects that would provide expansion or replacement of existing support facilities on two campuses. The requested projects and our recommendations on each are summarized in Table 9.

Table 9
University of California
1985-86 Major Capital Outlay
Legislative Analyst's Recommended Changes
Projects to Replace/Upgrade Utilities and Support Facilities
(dollars in thousands)

Sub item	Project Title	Location	Phase ^a	Budget Bill Amount	Analyst's Recom- mendation	Estimated Future Cost ^b
(10)	Campus Electrical Distribution System Expansion and Renovations, Step 1	Berkeley	pw	\$276	—	\$2,961
(28)	Replacement of Greenhouses.....	Riverside	pw	134	67	4,011
	Totals.....			\$410	67	\$6,972

^a Phase symbols indicate: p=preliminary planning and w=working drawings.

^b UC estimate.

Campus Electrical Distribution System Expansion and Renovations, Step 1—Berkeley

We recommend that Item 6440-301-146(10), preliminary planning and working drawings for expansion and renovation to the electrical distribution system on the Berkeley campus, be deleted because (1) the university has not demonstrated the need to convert existing primary electrical service to a higher voltage and (2) any needs for expansion of the system should be included in the cost of new construction projects, for a savings of \$276,000.

The budget includes \$276,000 for preliminary plans and working drawings to expand and renovate the electrical distribution system on the Berkeley campus. The request represents the initial phase of a proposed three-phase \$10.8 million project to modify most of the electrical distribution systems on the Berkeley campus. The project is aimed at increasing the reliability and flexibility of existing electrical distribution systems as well as increasing the total capacity and efficiency of the distribution system. The three phases of work include:

- *The Step 1 project*, for which preliminary planning and working drawing funds are requested under this Item, would convert voltage serving various buildings from 4,160 volts to 12,000 volts, and construct additional substations and install underground cables to interconnect various buildings. (Total cost: \$3,237,000).

- *The Step 2 project* would renovate two existing substations and convert them to 12,000 volt operation. It would also interconnect various main feeders to increase flexibility in the distribution system. (Total cost: \$4,601,000).

- *The Step 3 project* would convert one substation to 12,000 volt operation, remove all 4,160 volt transformers/switchgear and convert the remaining buildings to 12,000 volt service (Total cost: \$2,962,000).

The proposed modifications to the primary electrical distribution system on the Berkeley campus would indeed increase reliability and provide additional capacity. The university, however, has neither identified problems with the reliability of the existing system nor provided adequate justification for conversion to 12,000 volts. Many other state institutions (including other UC campuses) have 4,160 volt distribution systems that pose no problems. The university has not provided any information to indicate that the Berkeley campus is so unique that it warrants the substantial investment necessary to replace the 4,160 volt equipment.

This project is also aimed at providing increased electrical capacity to serve various sections of the campus. The university's expansion request is based on its contention that historical growth in electrical use will continue and thereby eliminate current reserve capacity in 10 years. The anticipated growth is attributable to the construction of additional buildings and laboratories. If additional electrical capacity is needed for these new facilities, the university should include the cost of increasing the system's capacity in the budgets for the respective buildings/laboratories.

For these reasons, we recommend the deletion of funds requested in Item 6440-301-146(10), for a reduction of \$276,000.

Replacement of Greenhouses—Riverside

We recommend that Item 6440-301-146(28), \$134,000 for preliminary plans and working drawings to replace five greenhouses on the Riverside campus, be reduced by \$67,000 because the cost of the new facilities should be reduced to delete unrealistic design requirements (Future sav-

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ings: \$1,375,000). We further recommend that the university reevaluate its siting of the new facilities with a view to locating them on a more accessible site.

The budget includes \$134,000 for preliminary plans and working drawings for a new 9,100 asf headhouse/greenhouse complex. The new facility would include 2,400 asf of headhouse space and 6,700 asf of glasshouse to replace approximately 8,500 asf of greenhouse space. The existing greenhouses, which are beyond repair, will be demolished and the new facility constructed on the same site. The estimated future cost for construction and equipment in connection with this project is \$2,751,000.

The need to replace the existing greenhouses is apparent and new facilities should be constructed. The current proposal, however, is too costly because the university has established unreasonable design requirements.

The new facilities are to maintain a constant glasshouse temperature within one-half degree of the "setpoint". This portion of the proposal represents a significant departure from greenhouse requirements throughout the UC and CSU systems. Temperature controls of this type are normally required for controlled environmental *chambers* but not large *glasshouses*. The university has not provided sufficient justification for this temperature requirement. This requirement is a major factor driving the estimated cost of the new greenhouse (excluding equipment) to what we believe is an excessive amount—\$2,573,000 or \$282 per assignable square foot. In comparison, construction of a 10,200 square foot headhouse/greenhouse at Humboldt State University was budgeted at approximately \$94 per square foot in 1980. Adjusting this amount for inflation increases results in a comparable cost of \$140 per square foot for the Humboldt greenhouse. In addition, a 4,210 asf greenhouse/glasshouse project at Irvine was approved in 1978-79, at a cost of about \$55 per square foot. Adjusting this amount for inflation results in a comparable 1985-86 cost of about \$96 per square foot. Thus, the cost of the Riverside greenhouse is more than double the equivalent costs of the recently constructed facility at Humboldt, and about three times the cost of the Irvine project.

Given these circumstances, we recommend that the project cost be reduced so that they are brought in line with the recent project at Humboldt. This would reduce the overall cost of the project by 50 percent, or \$1,443,000. Accordingly, we recommend that the preliminary planning and working drawing funds requested in Item 6440-301-146(28) be reduced by \$67,000, in order to reflect the reduced project cost.

In redesigning the facility, we believe the university should consider relocating it to a more accessible site on campus. The current site is on a fairly steep sidehill, making accessibility to the facilities difficult and adding to the construction cost. Thus, choosing an alternative site could increase accessibility and reduce construction costs. Moreover, relocation could allow continued but less intense use of the existing greenhouses. The university indicates that there is a significant shortage of greenhouse space needed to support academic and research programs. While the existing greenhouses are not "state-of-the-art", they may be usable for less demanding greenhouse-related projects. We, therefore, recommend that the revised proposal provide for relocating the replacement facilities to an alternative site.

D. PROJECTS TO CORRECT CODE DEFICIENCIES

The budget includes three projects which are requested to eliminate code deficiencies on three UC campuses. The requests, and our recommendations on each, are summarized in Table 10.

Table 10
University of California
1985-86 Major Capital Outlay
Legislative Analyst's Recommended Changes
Projects to Correct Code Deficiencies
(dollars in thousands)

Sub item	Project Title	Location	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
(9)	Seismic Safety Corrections, South Hall	Berkeley	pw	\$346	—	\$3,536
(29)	Hazardous Waste Facility.....	Riverside	pw	45	pending	990
(32)	Improvements to Air Handling System, Urey Hall	San Diego	pw	108	—	1,298
	Totals			\$499	pending	\$5,824

^a Phase symbols indicate: p = preliminary planning and w = working drawings.

^b UC estimate.

Seismic Safety Corrections, South Hall—Berkeley

We recommend deletion of Item 6440-301-146 (9), preliminary plans and working drawing funds for seismic safety corrections to South Hall on the Berkeley campus, because the university needs to evaluate alternatives to the proposed project, for a reduction of \$346,000. (Future Savings \$3,635,000)

The budget includes \$346,000 for preliminary plans and working drawings to make seismic safety corrections to South Hall on the Berkeley campus. South Hall was constructed in 1873—33 years before the 1906 San Francisco earthquake—and is the oldest building on the Berkeley campus. The building houses the School of Library and Information Sciences and includes space for offices (7,800 asf), special laboratories (4,300 asf), a branch library (3,500 asf), and a study room (133 asf). Even though it was remodeled in 1968, the university indicates that the building has serious structural deficiencies and does not meet current earthquake safety code requirements. The proposed project would provide modifications to increase structural stability of the facility to approximately *one-half* of that required for new buildings constructed under the present code. The university's consultant indicates that this would "provide a level of life safety to the occupants of the building *approaching* that intended by Title 24 of the California Administrative Code." (emphasis added). The consultant states further that the improvements should prevent collapse and injury of the occupants but significant damage could occur in a major earthquake.

The work proposed to achieve this level of protection includes replacement of the roof, anchoring of all floors and walls, installation of steel bracing columns, anchoring of window frames and filling of all chimneys with concrete. The estimated future cost for construction of the proposed modifications is \$3,100,000. In addition, \$535,000 is requested to relocate

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the occupants of the building during renovation, indicating a total estimated project cost of \$3,882,000.

The current proposal represents 140 percent of the cost of a new facility, based on cost guidelines for construction of office space. Moreover, even after this costly investment, *the building still would not meet current seismic code requirements*. The university needs to reassess the costs/benefits of this project, which would provide an uncertain level of seismic safety in this building at considerable cost. Because the current proposal is not a prudent investment, we recommend deletion of the funds proposed in Item 6440-301-146 (9), a reduction of \$346,000. One alternative which the university should consider is less intense use of the facility.

Hazardous Waste Facility—Riverside

We withhold recommendation on Item 6440-301-146 (29), \$45,000 for preliminary plans and working drawings for a new hazardous waste facility on the Riverside campus pending receipt of a revised project program for renovating existing space to house this program.

The budget includes \$45,000 for preliminary plans and working drawings for construction of hazardous waste storage and related office facilities on the Riverside campus. The project includes construction of a 4,500 asf building to provide space to collect, prepare, and hold low level radioactive waste and other hazardous waste generated on the campus. The building also includes 1,500 asf for staff offices and laboratories. Upon completion of the project, the university would abandon approximately 2,900 asf of hazardous waste storage space which does not meet code requirements. In addition, 1,100 asf of office space in trailers would be abandoned. The estimated future cost for construction of these facilities is \$990,000.

The hazardous waste storage facilities on the Riverside campus are not adequate, do not meet code requirements and should be abandoned. It is not evident, however, that replacement space cannot be obtained short of new construction. Based on state guidelines the Riverside campus currently has 105,000 asf of surplus space. Consequently, with no significant enrollment growth anticipated at this campus, the university should be able to reallocate existing space to meet storage and office requirements for the hazardous waste program. We therefore recommend that prior to budget hearings, the university prepare a revised project program based on altering existing space to provide code-complying storage and office space for the program. Pending receipt of the revised program, we withhold recommendation on the funds requested in Item 6440-301-146 (29).

Improvements to Air Handling System, Urey Hall—San Diego

We recommend that Item 6440-301-146 (32), preliminary plans and working drawings for improvements to the air handling system in Urey Hall on the San Diego campus, be deleted because the university has not substantiated the need to make these improvements that exceed code requirements, for a reduction of \$108,000.

The budget includes \$108,000 for preliminary plans and working drawings to improve the air handling system in Urey Hall on the San Diego campus. The proposed improvements would increase the amount of supply and exhaust air in the building which houses programs in Chemistry and Applied Mechanics and Engineering Sciences. The university indi-

cates that the proposed improvements would bring the building into compliance with California Administrative Code requirements for ventilation. The estimated future cost for construction is \$1,298,000.

Our review of this project indicates that the proposed improvements exceed those required by the California Administrative Code. The university's proposal is based on providing a minimum of 15 air changes per hour in laboratories where noxious fumes are likely to occur and 10 air changes per hour in other laboratories. The California Administrative Code does not specify the number of air changes for educational laboratories. The Public Health Code (Title 24) however, specifies a minimum air exchange rate of 10 air changes per hour in medical laboratories and six air changes per hour for general laboratories. Any changes in the ventilation system should be consistent with this code requirement.

Based on the university's data, ventilation in a significant number of the existing laboratories meets current code requirements. Therefore, the need to increase the ventilation rate to the extent proposed is not justified.

Moreover, according to the university's space plan, Urey Hall is scheduled to undergo remodeling as part of the reallocation of space resulting from construction of the new Engineering and I and R buildings on campus. As a result of this reallocation, ventilation requirements in Urey Hall may change substantially. Therefore, any proposal to modify the ventilation system should take into account the proposed space reallocations.

For these reasons, we recommend deletion of funds proposed in Item 6440-301-146 (32) for improvements to the air handling system in Urey Hall, for a reduction of \$108,000.

E. PROJECTS TO PROVIDE HANDICAPPED ACCESS

The budget includes four projects to remove architectural barriers to the physically handicapped on four campuses. The requested projects and our recommendations on each are summarized in Table 11.

Table 11
University of California
1985-86 Major Capital Outlay
Legislative Analyst's Recommended Changes
Handicap Access Projects
(dollars in thousands)

Sub Item	Project Title	Location	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
(11)	Handicapped Access Improvements, Step 4.....	Berkeley	wc	\$692	pending	—
(18)	Handicapped Access Improvements, Step 3.....	Davis	wc	685	pending	—
(30)	Improve Handicapped Access, Step 2.....	Riverside	wc	642	pending	—
(41)	Improve Handicapped Access	Santa Barbara	wc	488	—	—
Totals.....				\$2,507	pending	—

^a Phase symbols indicate: w=working drawings and c=construction.

^b UC estimate.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**Handicapped Access Improvements, Step 4—Berkeley**

We recommend that Item 6440-301-146 (11), \$692,000 for working drawings and construction of handicapped access improvements on the Berkeley campus, be reduced to eliminate work that is not needed or is a low priority, for a savings of \$416,000. We withhold recommendation on the balance of the \$276,000 requested, pending completion of preliminary plans for the proposed project.

The budget includes \$692,000 for working drawings and construction to modify 11 buildings on the Berkeley campus in order to provide access for the physically handicapped. This represents the fourth step in a five-step program to correct handicapped access deficiencies on this campus. For the most part, proposed improvements include providing access to at least one primary entrance, modifying or installing elevators to provide access to upper floors, and altering restrooms and support facilities. We recommend approval of all aspects of the project that are necessary to assure access to all educational programs.

The proposed project includes several elements that are not needed to provide access to the *educational program*. In these cases, alternative means for providing access are available.

The statewide program to provide access includes alternatives to remodeling, such as appropriate administrative control and assignment of space to facilitate access for the mobility impaired. This means that not every area within a building needs to be made accessible; instead, programs need to be assigned to space which is accessible. Because this alternative is available, our analysis indicates that the following aspects of the project are not needed:

- **Installation of an elevator in Moses Hall (\$347,000).** This elevator would provide access to faculty offices, seminar rooms, and library space. Handicapped access can be provided at less expense through administrative reassignment of library space/services to areas that are currently accessible. We therefore recommend deletion of the \$347,000 requested for installation of a new elevator.
- **Access to spaces with varying floor levels (\$57,000).** This portion of the request would modify the building to allow access to areas such as raised floors in lecture rooms. These improvements are not required because other areas within the rooms are accessible, making the programs conducted in these spaces accessible.
- **Modify the entrance to a university-owned house (\$12,000).** This portion of the project would modify a 1:8 grade entrance to 1:12 grade. The 1:8 grade was an acceptable slope prior to July 1, 1982. The marginal benefit of reducing this grade does not justify the expenditure of \$12,000. Moreover, this slope is less than many paths/sidewalks on the Berkeley Campus.

In summary, we recommend deletion of \$416,000 that is requested under Item 6440-301-146(11) for handicapped access modifications which our analysis indicates are not justified or can be deferred. We withhold recommendation on the remaining \$276,000 requested for this purpose, pending receipt of preliminary plans and cost estimates, which should be available prior to budget hearings.

Handicapped Access Improvements, Step 3—Davis

We recommend that Item 6440-301-146 (18), \$685,000 to provide handicapped access improvements on the Davis campus, be reduced by \$50,000 to delete work which is not needed. We withhold recommendation on the balance of the requested funds (\$635,000), pending receipt of preliminary plans and cost estimates.

The budget includes \$685,000 for working drawings and construction of improvements to provide access for the physically handicapped in various buildings on the Davis campus. The work includes modifying restrooms, installation of new elevators in three buildings, and various minor alterations, such as installation of ramps and lowering of elevator controls.

Our review indicates that a portion of the proposed modifications are not needed because the programs are scheduled to be relocated to new facilities which should provide adequate handicapped access. These programs include the early childhood education center and native American studies. We recommend that funds budgeted for work in these areas be deleted, for a reduction of \$50,000 to Item 6440-301-146 (18). We withhold recommendation on the remaining \$635,000 requested in this item, pending receipt of preliminary plans and cost estimates for the proposed improvements.

In completing the preliminary plans for this project, the university needs to reevaluate whether or not a new elevator is needed in Haring Hall. The project calls for installation of a new elevator at a cost of \$141,000. The facility currently is served by a freight elevator. Hence, it may be more cost-effective to modify and upgrade the existing freight elevator in order to provide access for the physically handicapped, rather than to install a new elevator. Prior to budget hearings, the university should provide a comparison of the cost of the new elevator, compared to the cost of modifying the freight elevator.

Improve Handicapped Access, Step 2—Riverside

We recommend that Item 6440-301-146 (30), \$642,000 to improve handicapped access on the Riverside campus, be reduced by \$137,000 to delete modifications which are not required by code. We withhold recommendation on the balance of the requested funds, pending receipt of preliminary plans and cost estimates.

The budget includes \$642,000 for working drawings and construction of improvements to provide access for the physically handicapped on the Riverside campus.

Our review of the work to be accomplished under this project indicates that many of the proposed improvements are not justified because the work is (1) not required by code, (2) not needed to make *programs* accessible or (3) low in priority. Specifically, we recommend deletion of \$137,000 because:

- Emergency showers can be made accessible by extending the pull chain that operates these fixtures. Lowering of eyewash basins is not needed because the university can add hand-held eyewash mechanisms to the existing basins (\$69,400).
- Improvements to a path from the existing parking lot near the physical education facility should be financed from parking funds (\$19,400).
- Modifications to shower facilities for employees working in the greenhouse areas should not be needed. The university should verify that

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the work areas within the greenhouses are accessible to the mobility impaired before altering the employee showers (\$32,200).

- Modifications to make one row in the existing theater accessible are not warranted because this facility is already accessible at other levels (\$4,800).
- Installation of additional telephones in hallways for use by handicapped individuals are not required by code, and existing communications systems should be adequate for handicapped individuals in need of assistance (\$11,200).

For these reasons, we recommend deletion of \$137,000 budgeted for work which our analysis indicates is not warranted to provide access to the physically handicapped. We withhold recommendation on the balance of the requested funds, pending completion of preliminary plans and cost estimates.

Improve Handicapped Access—Santa Barbara

We recommend deletion of Item 6440-301-146(41), for improvements to provide access for the physically handicapped on the Santa Barbara campus, because the project includes (1) improvements to buildings which are already accessible to the handicapped and (2) modifications which are not needed to meet code requirements, for a savings of \$488,000.

The budget includes \$488,000 for working drawings and construction for improvements to provide access for the physically handicapped on the Santa Barbara campus. The work includes modifications to various campus facilities including laboratory benches, ramps, restroom facilities and other miscellaneous improvements.

Our review indicates that the proposed modifications are not needed to provide handicapped access. The project would instead *improve* access by providing (1) more handicapped accessible restrooms in buildings which already have complying facilities (\$286,000), (2) additional accessible entry doors and ramps in buildings where the primary entrance is already

Table 12
University of California
1985-86 Major Capital Outlay
Legislative Analyst's Recommended Changes
Systemwide Projects
(dollars in thousands)

Sub item	Program Title	Location	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
(1)	Minor Capital Outlay, including hazardous asbestos removal	Systemwide	pwc	\$10,500	\$10,500 ^c	—
(2)	Project Programming and preliminary planning	Systemwide	p	300	200	—
Totals				\$10,800	\$10,700	—

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

^b UC estimate.

^c Recommend adoption of Budget Bill Language.

accessible (\$68,000) and other minor modifications which are low in priority or where there are alternative means of providing access (\$134,000). Consequently, we recommend that Item 6440-301-146(41) be deleted, for a savings of \$488,000. Any minor modifications needed to provide accessibility can be accomplished, on a priority basis, within the university's minor capital outlay program.

F. STATEWIDE PROJECTS

The budget includes \$10,800,000 in funds to be allocated by the University's Systemwide Administration to the various campuses. The request includes funds for (1) minor capital outlay construction projects (\$200,000 or less per project) and (2) programming evaluation of future projects and preliminary planning of projects anticipated to be included in the Governor's Budget for 1986-87. The requested funds and our recommendations are summarized in Table 12.

Minor Capital Outlay—Systemwide

We recommend that the Legislature adopt Budget Bill language requiring that any allocation of funds from Item 6440-301-146(1) (minor capital outlay) for removal of hazardous asbestos be consistent with the university's priority ranking of systemwide asbestos hazards.

The budget includes \$10,500,000 for minor capital outlay (\$200,000 or less per project) at the various UC campuses. The requested amount represents a lump sum appropriation to be allocated by systemwide administration. The proposed funds will finance alterations and improvements to existing space in order to meet changing programs needs, use existing space more efficiently, and meet fire and life safety requirements. In addition, the Governor's Budget indicates (page E-93) that \$1 million of the requested amount is to be used for removal of hazardous asbestos.

The university's list of projects proposed to be financed from the minor capital outlay funds for 1985-86 does not include any asbestos removal projects. Presumably, the university will allocate the funds for removal of hazardous asbestos once all campuses have been surveyed to identify asbestos-related problems.

A major capital outlay project approved in 1984-85 provided \$1.2 million for removal of hazardous asbestos in three buildings on the Berkeley campus. As part of this project, the university identified a methodology for evaluating the relative priority of asbestos hazards.

In order to ensure that the proposed funds for asbestos removal are allocated to meet the most critical needs, we recommend that budget bill language be adopted requiring the university to apply its asbestos evaluation criteria to all proposed corrective work on a *systemwide* basis. These criteria includes:

- **Priority A Hazards**
 1. Damaged asbestos in air intake chambers.
 2. Asbestos on surface areas.
 3. Asbestos hanging from equipment.
 4. Loose friable asbestos in high occupancy areas.
 5. Exposed asbestos due to damage.
- **Priority B Hazards**
 1. Sections or pieces of asbestos which are broken or partially exposed.
 2. Broken or frayed asbestos material on radiators, walls or ceilings.
 3. Large cracks or rips in asbestos wrappings.

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4. Asbestos material observed to be deteriorating.
- Priority C Hazards
 1. Small cracks or tears in asbestos material where release of fibers is very unlikely.
 2. Tears in very dense non-friable asbestos where it is unlikely that asbestos fibers will be released.

In order to implement this asbestos removal program consistent with the priority system already adopted by the university, we recommend that the Legislature adopt the following budget bill language under Item 6440-301-146:

“Provided that funds appropriated under subitem (1), for removal of asbestos material, shall be allocated on a systemwide basis consistent with the university’s priority categorization of asbestos hazards developed for the Berkeley campus. The university shall allocate funds to correct all Priority A hazards before allocating funds for removal of hazards in lower priority categories except for those lower priority hazards within the area that must be isolated for removal of a Priority A hazard.”

Project Programming and Preliminary Plans—Universitywide.

We recommend that Item 6440-301-146 (2), \$300,000 for project programming and preliminary plans, be reduced by \$100,000 because the historical funding level for this purpose should be adequate to fund planning of projects to be included in the Governor’s Budget for 1986–87.

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

The request for 1985–86 represents an increase of \$100,000 (50 percent) over the amount included in the 1984–85 budget. Our review indicates that the previously approved level, along with other funds made available to the university from state sources, have been and should continue to be adequate to fund needed preliminary planning. We, therefore, recommend a reduction of \$100,000 in Item 6440-301-146(2) in order to provide \$200,000 for universitywide project programming and preliminary plans.

State Reimbursement of University Expenditures on Preliminary Plans

We recommend deletion of Provision 2 under Item 6440-301-146 which would reimburse the university for expenditures to develop preliminary plans for projects included in the Governor’s Budget.

Provision 2 under Item 6440-301-146 specifies that the University of California shall be reimbursed for expenditures made prior to the effective date of the budget for the cost of preliminary planning in connection with projects funded in the item. Further, on or before the first of November of each year, the university is to report to the Department of Finance and the Joint Legislative Budget Committee on all reimbursements claimed under this provision.

Our analysis indicates that this provision is not needed. The Legislature has already provided two means for financing advanced planning of

projects. *First*, the annual Budget Act provides a specific appropriation for preliminary planning of projects that are expected to be included in the subsequent Governor's Budget. These funds are used for projects where preliminary plans can be completed in a relatively short time. Thus, these funds generally are allocated for those projects expected to be included in the Governor's Budget and for which preliminary plans can be completed prior to legislative hearings on the budget. *Second*, Section 92102 of the Education Code allows the university to spend other state funds which are available solely to the university for executing and furthering the building and improvement program of the university. These funds are available from (1) savings from completion of state approved projects and (2) interest earned on the state capital outlay funds transferred to the university. Thus, these funds are available, at the discretion of the university, for preliminary planning of projects proposed for funding in the budget. We see no basis for reimbursing the university for spending these state funds. We therefore recommend deletion of Provision 2 under Item 6440-301-146.

III. PROJECTS FINANCED FROM HIGH TECHNOLOGY EDUCATION REVENUE BONDS

The budget includes \$84,750,000 from the sale of high technology education revenue bonds to finance construction of three projects. The projects are summarized in Table 13.

Table 13
University of California
1985-86 Major Capital Outlay
Projects For Which Recommendation Is Withheld
Item 6440-301-525 (Hi-tech revenue bonds)
(dollars in thousands)

Sub-item	Project Title	Location	Phase ^a	Budget Bill Amount	Estimated Future Cost Of Equipment ^b	Estimated Future Cost For Financing ^c
(1)	School of Engineering and Applied Science Expansion	Los Angeles	c	\$45,419	\$1,590	\$9,300
(2)	Engineering Building Unit 1	San Diego	c	34,394	7,178	7,050
(3)	Engineering Laboratory Facility	Irvine	c	4,937	1,426	1,000
	Totals			\$84,750	\$10,194	\$17,350

^a Phase symbols indicate: c = construction.

^b UC estimate.

^c Based on average cost of previously funded bond projects financed for three years using bond anticipation notes, does not include future long-term financing costs.

High Technology Bond Financing

Capital outlay improvements for the various segments of higher education in California traditionally have been financed from the Capital Outlay Fund for Public Higher Education (COFPHE). This fund derives its revenue from tidelands oil operations of the state. Under the provisions of Chapter 899, Statutes of 1980, the COFPHE is to receive sufficient tidelands oil revenues to bring the fund balance to \$125 million at the beginning of each fiscal year.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

Chapter 1268, Statutes of 1983, established a new method for financing high technology educational and research facilities at the University of California, California State University, California Maritime Academy, and California Community Colleges. Under this financing plan, the State Public Works Board is authorized to issue certificates, revenue bonds, negotiable notes or negotiable bond participation notes to construct research/educational facilities in the fields of engineering, computer science, biological sciences and related basic sciences. The board then lease-purchases (or, in the case of the other segments of higher education, leases or lease-purchases) the facilities to the system. The lease payments are pledged toward the payment of principal/interest on the debt instruments issued by the board to finance construction. Authorization for this financing method expires on January 1, 1992.

The Government Code states that, in issuing revenue bonds, the board has no power to pledge the credit or taxing power of the State. As a result, these bonds generally offer less security than general obligation bonds issued by the state. Consequently, the interest rates that must be offered in connection with revenue bond financing are likely to be a bit higher than the rates on general obligation bonds. The difference in interest rates depends on the degree of risk that investors attach to the specific revenue bond issue, compared with the relatively risk-free rates available from general obligation bonds.

Previously Approved Bond Financing. The Legislature previously has approved construction of three major facilities using this financing method. These facilities include the Food and Agricultural Sciences Building on the Davis campus, Engineering Unit 2 on the Santa Barbara campus, and the Life Science Building Addition on the Berkeley campus. Based on the construction bids received for the Davis and Santa Barbara projects and the projected cost for the Berkeley project, approximately \$89.5 million in construction cost has been financed using anticipation notes. According to State Public Works Board staff, anticipation notes were chosen as an interim financing instrument to maintain a degree of flexibility for financing these projects. The use of anticipation notes allows the state to borrow funds over a three-year period to construct the facilities. At the end of this time, the board must decide whether to issue a long-term debt instrument or seek an appropriation to pay for the notes and associated interest. To date, the board has authorized the issuance of anticipation notes totaling \$107 million to cover construction costs, capitalized interest, and financing fees for the projects, as summarized in Table 14.

When the bond anticipation notes are due, in about three years, \$107 million (less any remaining contingency funds) will be needed to retire the notes. Under its current authority the board can issue long-term debt, which will involve additional fees and interest. Assuming an interest rate of 10 percent for 20 years, the average annual cost to pay principal and interest on \$107 million would be \$11 million. This amount of funds presumably will be appropriated to the university each year to pay the "base rent" on the facilities. The amount, if appropriated as part of the universities' support budget, normally would come from the General Fund. The Legislature, however, would determine the funding source for the annual

Table 14
University of California
High Technology Bond Anticipation Notes
Financing Summary
(dollars in thousands)

	<i>Santa</i>				<i>Percent of Total Issue</i>
	<i>Davis</i>	<i>Barbara</i>	<i>Berkeley</i>	<i>Total</i>	
Total Cost of Facility	\$36,298	\$15,806	\$42,872	\$94,976	
Less: Appropriations	3,032	985	1,443	5,460	
Amount to be Financed	\$33,266	\$14,821	\$41,429	\$89,516	83.7%
Costs for Financing, including net interest, underwriters discount and contingency	3,734	4,179	9,571 ^a	17,484	16.3%
Debt Issued	\$37,000	\$19,000	\$51,000	\$107,000	100.0%
(Date Notes are Due)	(10/87)	(1/88)	(4/88) ^a		

^a Estimate based on January 9, 1985, Public Works Board action.

rent payments. Alternatively, the Legislature could appropriate \$107 million and retire the debt. Thus, the fiscal effect of the previously approved bond-financed projects will depend on decisions yet to be made by the board and possibly by the Legislature.

New Bond-Financed Higher Education Projects. The Governor's Budget for 1985-86 proposes bond financing of an additional five projects totaling \$101,421,000. The requests include the three projects for the University of California under this item (\$84,750,000), and two projects for the California State University requested in Item 6610-301-525 (\$16,671,000). The Legislature has already approved preliminary planning and working drawing funds for these five projects in prior Budget Acts (funded from COFPE).

If the Legislature concurs in the use of high technology education revenue bond financing of these projects, and the board continues using bond anticipation notes for interim financing, we estimate that a total of \$120 million in notes will have to be issued. The long-term debt service for these buildings, assuming that the anticipation notes are eventually retired by revenue bonds issued at 10 percent interest, will average \$12.3 million per year. This would bring the total payment for High Technology Revenue Bonds to \$23 million annually for about 20 years.

Debt Service Should Be Appropriated From the COFPE Fund

We recommend that the Legislature adopt Budget Bill language specifying that the funds needed to service any debt associated with the use of High Technology Education Revenue Bonds to finance the construction of facilities authorized under this item, or by any other measure, shall be paid from the Capital Outlay Fund for Public Higher Education, subject to the annual appropriation of such funds in the Budget Act.

The financing of new capital facilities through the sale of revenue bonds authorized by Ch 1268/83 eventually will result in long-term agreements between the State Public Works Board and the Regents and between the board and the Trustees of the CSU that provide for servicing the debt issued to construct the buildings. Funds to pay debt-service on these bonds should be appropriated from the Capital Outlay Fund for Public Higher Education—the fund established by the Legislature for capital improvements in higher education.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

The state currently is financing a similar purchase agreement this way. The Legislature has appropriated \$200,000 annually over the past seven years for payments toward the purchase of the Sacramento Medical Center. The amount of funds needed to finance lease agreements between the board and Regents should likewise be funded in this manner, so that the Legislature may review annually the debt service funds.

On this basis, we recommend that the Legislature adopt the following Budget Bill language under Item 6440-301-525 (for UC projects) and Item 6610-301-525 (for CSU projects):

“Provided that any funds needed to pay the annual cost of individual agreements entered into between the State Public Works Board and the Regents of the University of California (Trustees of the California State University) for any buildings or facilities constructed or renovated pursuant to this item and/or Chapter 1268, Statutes of 1983, shall be funded from the Capital Outlay Fund for Public Higher Education contingent on legislative approval of the specific amount in the annual Budget Act.”

UC Projects Proposed to be Financed from High Technology Bonds in 1985-86

We withhold recommendation on Item 6440-301-525, for construction of projects to be financed from high technology education revenue bonds, pending receipt and/or review of preliminary plans and cost estimates.

The budget proposes that \$85,750,000 from the proceeds of high technology education revenue bonds be used to finance three projects for the University of California. The projects are:

- *Item 6440-301-525(1), School of Engineering and Applied Sciences Expansion, Los Angeles (\$45,419,000).* This project provides 160,100 asf for the School of Engineering and Applied Sciences. The facility will house the departments of electrical engineering (74,000 asf), mechanical, aerospace, and nuclear engineering (68,400 asf), the plasma fusion program (14,900 asf) and general administrative space (2,700 asf). Upon completion of this addition, existing space will be reassigned to other departments in the School of Engineering and Applied Sciences to provide a total of 405,305 asf. According to UC, adequate space will be available to accommodate 1,640 full-time equivalent (FTE) undergraduate students, 1,050 graduate students, 150 faculty, 35 teaching assistants, and four related academic staff. The 1984 Budget Act appropriated \$982,000 for preliminary planning for this project. The estimated total project cost, including future costs for equipment, is \$53,265,000, including \$4 million for equipment to be provided from nonstate funds.

- *Item 6440-301-525(2), Engineering Building Unit 1, San Diego (\$34,394,000).* This project includes construction of a new 128,700 asf engineering building on the San Diego campus. The project includes instructional/research laboratories for applied mechanics and engineering sciences (25,795 asf), instruction/research laboratories for electrical engineering and computer sciences (48,565 asf), office and administrative support facilities (30,195 asf), and shared instructional/laboratory support areas (24,145 asf). Upon completion of the project, a total of 205,366 asf will be available to support the Division of Engineering. According to UC, this amount of space will be sufficient to meet instructional and research activities to serve 3,000 FTE undergraduate students, 450 graduate stu-

dents, 115 faculty, and 43 teaching assistants. Prior funds include \$1,750,000 from university and state sources. The estimated total project cost is \$43,003,000.

• *Item 6440-301-525(3), Engineering Laboratory Facility, Irvine (\$4,937,000).* This project includes construction of a 22,200 asf engineering laboratory facility consisting of offices (2,000 asf), class laboratories (1,200 asf), research laboratories (50,200 asf) and support space (800 asf). According to UC, when the project is completed, a total of 69,934 asf will be available to support engineering instruction and research activities to serve 385 FTE undergraduate students, 205 graduate students, 38 faculty, 12 teaching assistants, and 12 related academic staff. Previously approved funds include \$223,000 for preliminary plans and working drawings from the 1984 Budget Act. The estimated total project cost is \$6,586,000.

Preliminary plans and cost estimates for the Los Angeles project have not been completed. Preliminary plans and cost estimates for the Irvine project were received in February 1985, which was too late to review them for this analysis. Consequently, we are not able to evaluate the adequacy of the requested funds. Preliminary plans for the San Diego project recently were submitted to and approved by the Public Works Board. Based on our review, however, the university is reevaluating several aspects of the project which may result in a cost savings. Pending receipt and/or review of the completed preliminary plans and cost estimates for the Los Angeles and Irvine projects and information on any revisions to the San Diego project, we withhold recommendation on the requested amount proposed in Item 6440-301-525.

Overbudgeted Construction Funds

We recommend that the amounts approved for construction in Item 6440-301-146 and Item 6440-301-525 be reduced by 3 percent to eliminate overbudgeting of construction costs.

The Governor's Budget requests \$106.4 million from all sources for the construction phase of the university's capital outlay projects in 1985-86. These amounts are based on the level of the construction cost index projected for July 1, 1985. At the time the index was projected, the level appeared to be reasonable. Inflation, however, has not increased as rapidly as anticipated. Using the most recent indices, adjusted by the currently expected inflationary rate of about $\frac{1}{2}$ percent per month, construction costs in the budget are overstated by approximately 3 percent. We therefore recommend that any funds approved for construction under this item be reduced by 3 percent to eliminate overbudgeting.

Supplemental Report Language

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

UNIVERSITY OF CALIFORNIA—HOSPITAL RESERVE FUNDS—CAPITAL OUTLAY

Item 6440-401 from Health
Sciences Hospital Reserve
Funds

Budget p. E 92

ANALYSIS AND RECOMMENDATIONS

We recommend adoption of Budget Bill language requiring that all construction and equipment projects, other than life safety projects, which are from the university's hospital reserve funds result in annual reductions in operating expenses or increases in revenues equal to 20 percent of the cost of the project.

This item requires that the University of California's capital outlay projects costing over \$200,000 and funded from Health Sciences Hospital Reserve Funds be approved by the Director of Finance and reviewed by the Legislature. Projects costing less than \$200,000 must be identified in an annual report submitted to the Chairman of the Joint Legislative Budget Committee. Urgent projects related to patient life or safety do not require prior approval but must be included in the annual report.

Item 6440-301-036 of the Governor's Budget requests \$10 million from the General Fund, Special Account for Capital Outlay, for deposit in the Hospital Reserve Fund. Budget Bill language in this item specifies that the University of California must certify to the Director of Finance that each project, or group of projects, financed from this source, will result in a reduction in annual operating expenses or an increase in operating revenue equal to 20 percent of the cost of the project. Only projects financed from the SAFCO, however, would be subject to this certification requirement.

Our analysis of the \$10 million request from the SAFCO indicates that the appropriation is not warranted, and, therefore, we recommend that the funds be deleted (please see page 1262). We believe, however, the proposed budget language requiring a 20 percent rate of return on hospital reserve funds invested in new capital construction and equipment projects warrants legislative consideration. No matter what the funding source for these projects, (SAFCO or the Hospital Reserve Fund) setting an internal rate of return threshold for new projects will assist the university in overcoming the fiscal problems at its hospitals. We, therefore, recommend that the Legislature adopt the following Budget Bill language to require that hospital reserve funds be spent only on capital outlay projects that offer the proposed rate of return:

"The University of California shall certify to the Director of Finance that each project or a group of projects considered as a whole will result in reduction of operating expenses equal to 20 percent of the cost of the project or projects on an annual basis or that operating revenue will increase equal to 20 percent of the cost of the project or projects on an annual basis or a combination of reduced operation costs and/or increased revenues will provide the same result. This requirement shall not apply to fire and life safety code projects in in-patient areas or urgent projects concerning patient life or safety."

With the exception of the fire and life safety and urgent project provision, this language is identical to that proposed for projects to be financed from the SAFCO appropriation.

HASTINGS COLLEGE OF THE LAW

Item 6600 from the General Fund and the Federal Trust Fund

Budget p. E 104

Requested 1985-86	\$11,247,000
Estimated 1984-85.....	8,946,000
Actual 1983-84	6,658,000
Requested increase (including amount for salary increases) \$2,301,000 (+25.7 percent)	
Total recommended reduction	241,000

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6600-001-001—Support	General	\$10,244,000
6600-001-890—Student financial aid	Federal Trust	(501,000)
6600-006-001—Student financial aid	General	434,000
6600-011-001—Employee compensation	General	569,000
Total		\$11,247,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. **Public Legal Research Institute. Reduce Item 6600-001-001 by \$158,000.** Recommend deletion of \$158,000 and 2.0 personnel-years because the objectives of the institute can be achieved without an augmentation by modifying Hastings' existing program. 1317
2. **Student Fee Level. Reduce Item 6600-001-001 by \$58,000 and increase Item 6600-006-001 by \$12,000.** Recommend that fee levels be set using the methodology recommended by the fee policy committee, and that additional financial aid be provided to offset the effect of fee increases on students with demonstrated financial need. 1318
3. **Faculty Salary Proposal. Reduce Item 6600-011-001 by \$37,000.** Recommend that the salary increase for faculty be budgeted at 7.3 percent, rather than 8.8 percent, to reflect the amount needed to achieve parity with comparable institutions. 1319

GENERAL PROGRAM STATEMENT

Hastings College of the Law was founded in 1878. It is designated by statute as a law school of the University of California, although it is governed by its own board of directors.

Hastings is budgeted for 1,500 law students in 1985-86. The college has 211.7 full-time equivalent positions in the current year.

HASTINGS COLLEGE OF THE LAW—Continued**OVERVIEW OF THE BUDGET REQUEST**

The budget proposes a total of \$14,381,000 for support of Hastings in 1985-86. This is \$2,333,000, or 19.4 percent, more than estimated current-year expenditures.

Table 1 summarizes expenditures and funding sources for Hastings in the prior, current, and budget years. As the table shows, the budget proposes an appropriation of \$11,247,000 from the General Fund for support of Hastings in 1985-86. This is \$2,301,000, or 26 percent, more than estimated current-year expenditures. The proposed increase *includes* sufficient funds to provide a 6.5 percent salary and benefit increase for faculty and staff on July 1, 1985, and an additional 3.1 percent salary increase for faculty on January 1, 1986.

Table 1
Hastings College of the Law
Expenditures and Funding
1983-84 through 1985-86
(dollars in thousands)

Programs	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change	
				Amount	Percent
1. Instruction	\$3,860	\$5,085	\$5,789	\$704	13.8%
2. Public and Professional Services.....	153	213	219	6	2.8
3. Academic Support—Law Library.....	1,080	1,388	1,689	301	21.7
4. Student Services	2,067	2,049	2,098	49	2.4
5. Institutional Support	1,749	1,928	2,114	186	9.6
6. Operation and Maintenance of Plant ..	1,037	1,385	1,400	15	1.1
7. Provisions for Allocation	—	—	1,154	1,154	NA
8. Unallocated Reduction	—	—	-82	-82	NA
Totals.....	\$9,946	\$12,048	\$14,381	\$2,333	19.4%
General Fund	\$6,658	\$8,946	\$11,247	\$2,301	25.7%
Federal funds	729	501	501	—	—
Reimbursements	2,259	2,601	2,633	32	1.2
Personnel-years	205.7	211.7	211.7	—	—

Table 2 identifies the specific factors accounting for the net \$2.3 million increase in General Fund support proposed for 1985-86.

The budget proposal does not include any funds for merit salary increases for staff employees (estimated cost in 1985-86: \$67,000) or the full cost of adjustments to operating expenses and equipment needed to compensate for inflation (estimated additional cost in 1985-86: \$15,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

Table 2
Hastings College of the Law
Proposed 1985-86 General Fund Budget Changes
(dollars in thousands)

1984-85 Expenditures (Revised)	\$8,946
Proposed Changes:	
A. Cost Adjustments	949
1. Merit and promotional adjustments	\$57
2. Inflation adjustments	121

3. Employee compensation annualization	187	
4. Retirement (UCRS) adjustments	921	
5. Reduction for one-time augmentations	-337	
B. Program Adjustments		608
1. Lower student-faculty ratio.....	109	
2. Library collection.....	132	
3. Library automation	209	
4. Public Legal Research Institute.....	158	
C. Maintain Current Student Fee Levels		175
D. Employee Compensation		569
1985-86 Expenditures (Proposed)		\$11,247
Change from 1984-85:		
Amount		\$2,301
Percent		25.7%

ANALYSIS AND RECOMMENDATIONS

A. HASTINGS OPERATING SUPPORT (Items 6600-001-001 and 6600-006-001)

Later in this analysis, we discuss the following proposed changes shown in Table 2: (1) Public Legal Research Institute, (2) student fee levels, and (3) employee compensation. We recommend approval of the other proposed changes shown in Table 2, which include the following major items:

- An increase of \$921,000 to restore state support for the University of California Retirement System (UCRS) from the reduced 1983-84 and 1984-85 levels;
- An increase of \$109,000 for second-year funding of a two-year legislatively approved plan to enrich the current student-faculty ratio;
- An increase of \$132,000 for library collections which has been justified within Hastings' long-range library development plan; and
- An increase of \$209,000 for automated information systems for the library which also has been justified within Hastings' long-range library development plan.

1. Public Legal Research Institute

We recommend deletion of the \$158,000 requested from the General Fund for the Public Legal Research Institute because the same objective can be achieved without a budget augmentation by modifying Hastings' existing program. (Reduce Item 6600-001-001 by \$158,000 and 2.0 personnel-years.)

The budget requests funding to establish a Public Legal Research Institute at Hastings. The purpose of the institute is to have students write legal research papers on public policy topics relevant to California. According to the budget request, the institute would report to the Dean and be overseen by a board of advisors consisting of state legislative and executive officials. The institute would be directed by a full-time administrator who, in conjunction with the director, would determine the problems to be studied.

To fund the institute, the budget requests an augmentation of two FTE positions and \$158,000, consisting of (1) \$64,000 for support for the director and a full-time secretary and (2) \$94,000 for operating expenses, \$79,000 of which would be ongoing. Students associated with the institute would be paid for their work from already-available work-study funds, but generally would not earn class credits for their work.

HASTINGS COLLEGE OF THE LAW—Continued

Proposed Program Would Replace Current Offering. The proposed program would replace a current one-semester course offered by Hastings. This course has been offered each semester since 1982–83, with enrollments of 34 students in 1982–83, 60 students in 1983–84 and a projected enrollment of 33 students in 1984–85. In this course, students prepare legal research papers for California state government agencies—primarily the Assembly and Senate Offices of Research (AOR and SOR). The students work with consultants in AOR and SOR on legal research policy topics while their professor monitors work and acts as a liaison between Hastings and the legislative offices. Students may work on an individual project or may work as a group on a single project. They earn class credit for their work, but receive no salary. Any costs related to the current program have been borne by Hastings, except costs associated with travel by state consultants to Hastings.

Analysis of Request. Hastings believes that establishing an institute will provide additional benefits beyond those produced by the current course. These additional benefits include:

- **Improved Learning Experience and Product.** A full-time director would be able to provide greater supervision of student work and continuity between projects. The results should be (1) improvement in student learning and (2) improved policy papers for the state.
- **Longer-term Commitment.** Currently students enroll in the class for one semester. With the institute, students could work for up to one year on a project. This change would allow students to conduct more in-depth research or take on more difficult legal public policy issues.
- **Involvement of More Students.** Hastings believes that the addition of a full-time director would allow two or three times more students to participate in the program.

We believe the objective of this proposal makes sense. Our analysis indicates, however, that a budget augmentation is not needed to achieve this objective. Instead, Hastings can use funds within the base budget to expand the existing course to a full-year seminar or a directed research project. In either case, Hastings' faculty would work with groups of students or individual students on their research topics. This would provide for both greater supervision of student work and longer-term commitment by individual students. Enrollment would be limited only by the amount of time individual faculty members could provide for adequate supervision.

Because the same objective can be achieved within Hastings' base budget, we recommend that the Legislature not provide an augmentation to establish the Public Legal Research Institute, for a General Fund savings of \$158,000.

2. Student Fees Should Be Set Using Proposed New Policy

We recommend that (1) student fees be set using the methodology proposed by the fee policy committee, permitting a General Fund savings of \$58,000 and (2) the Legislature augment the budget by \$12,000 to increase the amount of financial aid available in order to offset the effect of the fee increase on students with demonstrated need. (Reduce Item 6600-001-001 by \$58,000 and increase Item 6600-006-001 by \$12,000.)

Based on the fee-setting practices followed by Hastings in past years, student fees would have increased by approximately \$117 (from \$1,166 to

\$1,283) in 1985-86, in order to compensate for the effects of inflation. The budget, however, proposes a General Fund augmentation of \$175,000 in order to maintain Hastings' mandatory fees at the current level—\$1,166.

In our analysis of the University of California budget, we recommend that student fee levels in 1985-86 be set using the methodology recommended by the 1984 fee policy committee (please see page ____). Consistent with this recommendation, we recommend that the same policy be followed by Hastings, as well. This would require (1) Hastings' Board of Directors to increase base fees by \$39 (3.3 percent)—from \$1,166 to \$1,205—for a General Fund savings of \$58,000 and (2) an increase of \$12,000 in state support for financial aid to offset the effect of the fee increase on students with demonstrated need.

Table 3 shows fee levels at Hastings in the current year, and compares the budget proposal for 1985-86 with our recommendation.

Table 3
Hastings College of the Law
Student Fee Levels
1984-85 and 1985-86

	Actual 1984-85	1985-86	
		Proposed in the Budget	Recommended by LAO
Mandatory fees.....	\$1,166	\$1,166	\$1,205
Other fees	46	46	46
Totals.....	\$1,212	\$1,212	\$1,251

Accordingly, we recommend that the Legislature reduce Item 6600-001-001 (main support) by \$58,000, and increase Item 6600-006-001 (financial aid) by \$12,000, for a net General Fund savings of \$46,000. We also recommend that the Legislature adopt the following supplemental report language in Item 6600-001-001.

"The Legislature requests the Board of Directors of the Hastings College of the Law to base mandatory fee levels in 1985-86 on the policies and methodologies recommended by the fee policy committee, which result in a 1985-86 mandatory fee of \$1,205 per year."

Our recommendation would raise fee revenue by \$58,000, which is \$117,000 less than the amount that would be raised if the traditional fee-setting policy were followed (\$175,000). This is because the new fee policy uses a three-year moving average of changes in state support per student, rather than the "budget need" for a single year. The state makes up the difference—in this case \$117,000.

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

We recommend that the Legislature budget for faculty salary increases an amount sufficient to provide a 7.3 percent increase in 1985-86—rather than 8.8 percent—in order to achieve parity with comparable institutions for a General Fund savings of \$37,000. (Reduce Item 6600-011-001 by \$37,000.)

The budget includes \$569,000 for Hastings to use in granting employee compensation increases during 1985-86. Of this amount, \$61,000 (0.8 percent) would be used to maintain employee benefits, while the balance (\$508,000) would be used to provide salary increases of 8.8 percent for faculty and 5.7 percent for nonfaculty. The staff salary increase would be

HASTINGS COLLEGE OF THE LAW—Continued

effective on July 1, 1985. Faculty salaries would increase in two increments—5.7 percent on July 1, 1985, and an additional 3.1 percent on January 1, 1986.

Our analysis of the University of California budget includes a lengthy discussion of this issue and a full explanation of the basis for our recommendation that the amount budgeted for faculty salary increase in this item be reduced (please see page 1264).

C. FEDERAL TRUST FUND (Item 6600-001-890)

We recommend approval.

The budget requests \$501,000 from the Federal Trust Fund to be used primarily for student financial aid. Our review indicates that this proposal is reasonable, and we recommend that the request be approved.

CALIFORNIA STATE UNIVERSITY

Item 6610 from the General Fund and various funds

Budget p. E 112

Requested 1985-86	\$1,253,814,000
Estimated 1984-85.....	1,151,552,000
Actual 1983-84	949,984,000
Requested increase (including amount for salary increases) \$102,262,000 (+8.9 percent)	
Total recommended reduction	18,094,000

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6610-001-001—CSU, support	General	\$1,171,771,000
6610-001-890—CSU, support	Federal Trust	(68,962,000)
6610-021-036—CSU, support	State Account for Capital	(13,716,000)
	Outlay	
6610-031-001—CSU, support	General	82,043,000
6610-490—CSU, reappropriation of savings	General	—
Total		\$1,253,814,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Use of Lottery Revenues. Recommend that Lottery Fund revenues budgeted for support of the minority underrepresentation and teacher education programs be reallocated to instructional equipment replacement, so that lottery revenues will be allocated to one-time instructionally-related expenditures. 1329

2. **Student Retention Evaluation.** Recommend adoption of supplemental report language requiring CSU to (1) continue to collect data on student retention rates and report the results annually to the Legislature, and (2) conduct an evaluation of students admitted under special circumstances in order to determine the causal variables related to retention and attrition among these students. 1333
3. **Master Teacher Honorariums. Reduce Item 6610-001-001 by \$1,498,000.** Recommend deletion of funding requested to augment honorarium payments to public school master teachers because there are more cost-effective ways to achieve the program objectives. 1335
4. **Selection of Master Teachers.** Recommend adoption of supplemental report language requiring CSU and the State Department of Education to report jointly to the Legislature on the desirability and feasibility of transferring to CSU the authority to select master teachers. 1335
5. **Clinical Professor/Clinical Practitioner Program. Reduce Item 6610-001-001 by \$306,000.** Recommend reduction of funding requested for the new clinical professor/clinical practitioner program because the cost of the clinical practitioner component is not justified by the benefits. 1336
6. **Computer Training for Faculty. Reduce Item 6610-001-001 by \$100,000.** Recommend deletion of funding requested for a pilot program to train faculty in computer education because a pilot program has already been conducted and alternative funding sources are available to support such training. 1337
7. **Instructional Equipment.** Recommend adoption of supplemental report language requiring CSU to submit the following information: (a) the criteria used systemwide in order to determine whether CSU should accept donated instructional equipment, and (b) an estimate of the annual depreciation of the acceptable donations. 1338
8. **Academic Partnership Program. Reduce Item 6610-001-001 by \$400,000.** Recommend deletion of funding requested to augment the California Academic Partnership Program because the program objectives can be achieved without a budget augmentation. 1341
9. **Joint Doctoral Program. Reduce Item 6610-001-001 by \$149,000.** Recommend deletion of funding requested for a new CSU-UC joint doctoral program in clinical psychology because the program's objectives can be achieved at less cost by expanding existing doctoral programs. 1342
10. **Student Fees. Reduce Item 6610-001-001 by \$14,365,000.** Recommend (1) adoption of supplemental report language requiring CSU to set student fees according to the methodology recommended by the student fee policy committee, thereby increasing reimbursements by \$16,399,000 and permitting a corresponding General Fund reduction, and (2) augmentation of the State University Grant program by \$2,034,000 to provide sufficient financial aid to offset the effect of fee increases on needy students, for a net General Fund savings of \$14.4 million. 1344

CALIFORNIA STATE UNIVERSITY—Continued

11. *Telecommunications Systems. Reduce Item 6610-001-001 1348*
by \$217,000. Recommend reduction in the proposed augmentation for replacing telecommunications systems at four campuses because the project plan does not justify the new system at one of these campuses.
12. *Contracted Telecommunications Management Services. 1349*
Recommend that proposed contract services be converted to new positions because this would be a more cost effective use of the funds.
13. *Community College Transfer Centers. Reduce Item 6610- 1349*
001-001 by \$250,000. Recommend (1) adoption of Budget Bill language prohibiting expenditure of funds for community college transfer centers until an expenditure and operations plan has been approved by the California Postsecondary Education Commission, and (2) deletion of \$250,000 proposed for project ASSIST, because the community colleges should administer this activity.
14. *Public Safety Supervision. Recommend adoption of 1349*
supplemental report language requiring CSU to conduct a study for the purpose of estimating (1) the proportion of CSU public safety supervisorial workload associated with parking enforcement activities and (2) the corresponding costs that should be borne by the Parking Account of the Dormitory Revenue Fund.
15. *Employee Compensation—Benefits. Reduce Item 6610- 1355*
001-001 by \$649,000. Recommend deletion of the amount proposed as a “reserve for benefit improvements” because there is no expenditure plan for these funds.
16. *Employee Compensation—Salary. Reduce Item 6610-031- 1355*
001 by \$160,000. Recommend that the amount requested for increases in faculty salaries be reduced by 0.3 percent because the methodology used to compare CSU salaries to those paid by its comparison institutions places undue emphasis on CSU’s top-heavy staffing pattern.

Overview of Legislative Analyst's Recommendations

We recommend reductions to the CSU’s budget totaling \$20.1 million, and one augmentation amounting to \$2.0 million, for a net savings of \$18.1 million to the General Fund. None of our recommendations, however, would require reductions in the current level of activity under existing CSU programs or any reductions in the services currently provided to students. The largest individual reduction that we recommend—\$16.4 million—would result from implementation of the policy toward student fees that has been developed by the student fee policy committee at the Legislature’s request. This reduction would be partly offset by a \$2 million augmentation that we recommend for financial aid grants to needy students.

The remaining \$3.7 million in recommended reductions are in the following programs or services: (1) teacher education, (2) faculty development, (3) the Academic Partnership program, (4) the joint doctoral program, (5) telecommunications systems, (6) community college transfer centers, and (7) employee compensation.

Our recommendations are summarized in the following table:

**Summary of Changes to the CSU's 1985-86 Budget
Recommended by the Legislative Analyst**

<i>Program</i>	<i>Program Changes</i>	<i>Impact on General Fund</i>
Teacher Education—Master Teachers	-\$1,498,000	-\$1,498,000
Teacher Education—Clinical Practitioners	-306,000	-306,000
Faculty Development	-100,000	-100,000
Academic Partnership.....	-400,000	-400,000
Joint Doctoral	-149,000	-149,000
Student Fees	—	-16,399,000
Financial Aid.....	2,034,000	2,034,000
Telecommunications	-217,000	-217,000
Transfer Centers.....	-250,000	-250,000
Employee Compensation—Benefits	-649,000	-649,000
Employee Compensation—Salary	-160,000	-160,000
Totals.....	-\$1,695,000	-\$18,094,000

GENERAL PROGRAM STATEMENT

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

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

The system includes 19 campuses with an estimated full-time equivalent (FTE) enrollment of 242,439 in 1984-85. In addition, the system has 32,-461.7 authorized personnel-years in the current year.

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

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

OVERVIEW OF THE BUDGET REQUEST

The budget proposes General Fund expenditures of \$1,253,814,000 for support of the CSU system in 1985-86. This is an increase of \$102,262,000, or 8.9 percent, over estimated current-year General Fund expenditures. This increase includes \$82,043,000 associated with the cost of salary and staff benefit increases in 1985-86. The allocation of these funds will be determined through the collective bargaining process, subject to approval by the Legislature.

CALIFORNIA STATE UNIVERSITY—Continued

The 8.9 percent increase in General Fund expenditures proposed by the budget understates the total increase in state support that CSU would receive in 1985–86. This is because, in addition to support from the General Fund, the CSU would receive funds from two other state sources: the Special Projects Fund, which receives state lottery revenues, and the Special Account for Capital Outlay, which receives tideland oil revenues. The budget proposes expenditure of \$13,136,000 in state lottery revenues during 1985–86. It also proposes expenditure of \$13,716,000 from the capital outlay account, to be used for deferred maintenance. Funding for deferred maintenance was allocated from the General Fund in 1984–85.

When funds requested from these two funding sources are added to the General Fund request, the increase in state support proposed for 1985–86 is \$128 million. After adjusting for a change in funding source for the California Agricultural Technology Institute (currently funded by the Department of Food and Agriculture, but proposed for support from the CSU support budget in 1985–86), the proposed increase is \$127 million, or 11 percent, over the current year.

Table 1 provides a budget summary for the CSU system, by program, for the prior, current, and budget years.

Table 1
The California State University
Budget Summary
1983–84 through 1985–86
(dollars in thousands)

Programs	Actual 1983–84	Estimated 1984–85	Proposed 1985–86	Change	
				Amount	Percent
Instruction.....	\$696,700	\$818,811	\$845,376	\$26,565	3.2%
Public Service	816	875	930	55	6.3
Academic Support.....	125,283	146,872	154,323	7,451	5.1
Student Service	166,488	170,418	190,217	19,799	11.6
Institutional Support.....	317,950	357,509	374,305	16,796	4.7
Independent Operations.....	46,635	44,772	45,911	1,139	2.5
Unallocated Reduction.....	—	—	—6,046	—6,046	N/A
Auxiliary Organizations	198,047	205,423	213,191	7,768	3.8
Unallocated Salary Increase	—	—	82,043	82,043	N/A
Totals, Expenditures.....	\$1,551,919	\$1,744,680	\$1,900,250	\$155,570	8.9%
Funding Source:					
General Fund.....	\$949,984	\$1,151,552	\$1,253,814	\$102,262	8.9%
Reimbursements	278,847	267,704	266,448	—1,256	—0.5
Federal Trust Fund	61,220	52,821	68,962	16,141	30.6
Special Account for Capital Outlay Capital Outlay Fund for Public Higher Education	—	—	13,716	13,716	N/A
Dormitory Revenue Fund:	6,067	1,164	—	—1,164	—100.0
Housing	18,830	23,851	23,382	—469	—2.0
Parking.....	7,306	8,469	9,494	1,025	12.1
Continuing Education Revenue Fund.....	31,618	33,399	37,985	4,586	13.7
Special Projects Fund (Lottery)....	—	297	13,258	12,961	4,364.0
Auxiliary Organizations:					
Federal.....	43,075	44,679	46,369	1,690	3.8
Other	154,972	160,744	166,822	6,078	3.8
Personnel-Years	33,406.9	32,461.7	32,380.9	—80.8	—0.2%

The CSU budget is divided into seven program classifications. Table 2 shows the amount proposed for each of these program elements, by funding source. In the analysis that follows, we discuss the budget request for those four programs—Instruction, Academic Support, Student Services, and Institutional Support—that are supported with state funds. The other three program elements—Public Service, Independent Operations, and Auxiliary Organizations—are not supported with state funds, and are not discussed in this analysis.

1985–86 Budget Changes

As detailed in Table 3, the budget for CSU in 1985–86 reflects several offsetting increases and decreases. The table shows that:

- **Baseline adjustments** result in a net increase of \$6.4 million, consisting of an additional \$9.4 million for increases to offset the effects of inflation on the prices that CSU must pay, \$6.2 million in additional funds for merit salary increases and faculty promotions, and a reduction of \$10.7 million to reflect the shift in funding source for deferred maintenance and special repairs from the General Fund to the Special Account for Capital Outlay.
- **Budget change proposals** call for an increase of \$13.9 million. (Each of these augmentations is discussed later in this analysis.)
- **Unallocated salary and benefit increases**, also discussed in this analysis, total \$82.0 million.

Merit Salary Adjustments and Price Increases Not Fully Funded

The budget does not include funding for General Fund nonfaculty merit salary adjustments (\$3,689,000) or inflation increases for general expenses, contract services, and travel expenses (\$2,357,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

ANALYSIS AND RECOMMENDATIONS

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

- \$464,000 to upgrade positions for campus operating systems software specialists (included in the information resource staffing request); and
- \$616,000 for faculty travel expenses and \$250,000 to retrain faculty in order to meet changing institutional needs (included in the faculty development request).

Table 2
The California State University
Source of Funds, by Subprogram
1985-86
(dollars in thousands)

	<u>General Fund</u>			<u>Other State Funds</u>		<u>Special Funds</u>				<u>Grand Totals</u>
	<u>Net</u>	<u>Reimburse- ments</u>	<u>Totals</u>	<u>Special Projects</u>	<u>State Account for Capital Outlay</u>	<u>Continuing Education</u>	<u>Dormitory and Parking</u>	<u>Federal Trust</u>	<u>Foundations and Auxiliary Organizations</u>	
1. Instruction										
Regular instruction	\$793,102	\$26,127	\$819,229	\$4,428 ^a	—	—	—	—	—	\$823,657
Special session instruction	—	—	—	—	—	\$14,188	—	—	—	14,188
Extension instruction	—	—	—	—	—	7,531	—	—	—	7,531
Totals, Instruction	\$793,102	\$26,127	\$819,229	\$4,428 ^a	—	\$21,719	—	—	—	\$845,376
2. Public Service										
Campus community service	—	\$930	\$930	—	—	—	—	—	—	\$930
3. Academic Support										
Libraries	\$48,690	\$23,756	\$72,446	—	—	\$49	—	—	—	\$72,495
Audiovisual services	10,212	4,841	15,053	—	—	346	—	—	—	15,399
Computing support	28,901	13,703	42,604	\$4,037 ^a	—	193	—	—	—	46,834
Ancillary support	13,293	6,302	19,595	—	—	—	—	—	—	19,595
Totals, Academic Support	\$101,096	\$48,602	\$149,698	\$4,037 ^a	—	\$588	—	—	—	\$154,323
4. Student Services										
Social and cultural development ...	\$3,900	\$1,679	\$5,579	—	—	—	—	—	—	\$5,579
Supplemental educational services										
—EOP	12,830	5,524	18,354	—	—	—	—	—	—	18,354
Counseling and career guidance ...	17,348	7,469	24,817	—	—	\$631	—	—	—	25,448
Financial aid	17,231	18,034	35,265	—	—	—	—	\$68,962	—	104,227
Student support	22,033	9,486	31,519	—	—	33	\$5,057	—	—	36,609
Totals, Student Services	\$73,342	\$42,192	\$115,534	—	—	\$664	\$5,057	\$68,962	—	\$190,217

^a Includes other state funds.

5. Institutional Support										
Executive management.....	\$18,442	\$7,940	\$26,382	—	—	\$9,776	—	—	—	\$36,158
Financial operations.....	17,979	8,187	26,166	—	—	914	\$1,818	—	—	28,898
General administrative services	25,945	23,025	48,970	\$4,671 ^a	—	1,109	—	—	—	54,750
Logistical services.....	35,374	16,020	51,394	—	—	1,778	8,206	—	—	61,358
Physical plant operations.....	92,160	39,728	131,888	122	\$13,716	61	16,332	—	—	162,119
Faculty and staff services.....	17,810	7,667	25,477	—	—	177	83	—	—	25,737
Community relations.....	2,567	1,519	4,086	—	—	1,199	—	—	—	5,285
Totals, Institutional Support	\$210,277	\$104,086	\$314,363	\$4,793	\$13,716	\$15,014	\$26,419	—	—	\$374,305
6. Independent Operations.....	—	\$44,511	\$44,511	—	—	—	\$1,400	—	—	\$45,911
7. Unallocated General Fund reduction for MSA and operating ex- penses adjustments.....	—	—	—	—	—	—	—	—	—	—
8. Auxiliary organizations	—	—	—	—	—	—	—	—	\$213,191	\$213,191
9. Unallocated salary increase	\$82,043	—	\$82,043	—	—	—	—	—	—	\$82,043
³ Totals, Support Budget Expendi- tures.....	\$1,253,814	\$266,448	\$1,520,262	\$13,258	\$13,716	\$37,985	\$32,876	\$68,962	\$213,191	\$1,900,250

^a State Lottery Revenues.

CALIFORNIA STATE UNIVERSITY—Continued

Table 3
The California State University
General Fund Budget Changes Proposed for 1985-86
(dollars in thousands)

1984-85 Expenditures (Adjusted)		\$1,151,552
I. Baseline Adjustments		
A. Increased Cost of Existing Personnel		
1. Merit salary adjustments	\$8,755	
2. Unscheduled reduction to non-faculty merit salaries	-3,689	
3. Full-year funding of 1984-85 new positions	1,319	
4. Annualized cost of 1984-85 compensation increases	4,862	
5. Faculty promotions	1,182	
6. OASDI	1,643	
7. Retirement	-167	
8. Health and Welfare	410	
9. Worker's compensation	600	
10. Unemployment compensation	-600	
11. Industrial disability leave	-50	
12. Nonindustrial disability leave	-50	
Subtotal, Increased Cost of Existing Personnel	\$14,215	
B. Nonrecurring Items		
1. Furniture	-\$197	
2. Reappropriated savings	-5,208	
3. Board of Control Claims	33	
Subtotal, Nonrecurring Items	-\$5,372	
C. Inflation Adjustments	\$11,805	
Unscheduled reduction in inflation adjustments	-2,357	
Subtotal, Inflation Adjustments	\$9,448	
D. Impact of New Legislation		
1. Dental Annuitants	\$55	
E. Transfer of Costs to Other Funds		
1. Computer system replacement—to Special Projects Fund (Lottery)	-\$1,264	
2. Special Repairs—to SAFCO	-10,716	
Subtotal, Fund Transfers	-\$11,980	
Total, Baseline Adjustments		\$6,366
II. Program Maintenance Proposals		
A. Enrollment Adjustment (130 FTE)	\$956	
B. Special Cost Factors		
1. Campuses:		
a. Instruction	-2,464	
b. Academic Support	-617	
c. Student Service	2,970	
d. Institutional	1,101	
e. Reimbursements	3,876	
2. Systemwide Offices	626	
3. Systemwide Provisions	-6,102	
Total, Program Maintenance Proposals		\$346
III. Budget Change Proposals		
1. Information Management System	\$1,000	
2. Information Resource Staffing	778	
3. Faculty Development	966	
4. Teacher Education	3,013	
5. Transfer Centers	750	
6. Instructional Equipment Replacement	7,000	
Total, Budget Change Proposals		\$13,507
IV. Unallocated Salary Increase		\$82,043
1985-86 Expenditures (Proposed)		\$1,253,814
Change from 1984-85:		
Amount		\$102,262
Percent		8.9%

Budget Proposes Some Inappropriate Uses of CSU Lottery Revenues

We recommend that CSU revenue from the California State Lottery Fund be allocated for one-time instructionally-related expenditures. (Reallocate Lottery Fund revenue to instructional equipment replacement and General Fund revenue to the minority student underrepresentation and teacher education programs.)

The budget proposes to allocate \$13,136,000 in lottery revenues for CSU, as follows:

- \$7,575,000 for the proposed initiative to address minority student underrepresentation;
- \$1,524,000 for the proposed program to upgrade teacher education; and
- \$4,037,000 for additional resources in instructional computing.

We agree with the Governor that expenditures of lottery revenues should be appropriated by the Legislature. Such action gives the Legislature a complete picture of CSU's fiscal position. We disagree, however, with the Governor's proposed use of lottery revenues because several of the proposed expenditures are (a) ongoing and (b) not instructionally-related.

Unreliable Revenue Should Not Be Used For Ongoing Expenditures. To date, the state has no experience with lottery revenue. It may prove to be volatile in nature and consequently unreliable as a source of revenue for ongoing programs.

Proposed Expenditures Are Not Instructionally-Related. Proposition 37 of 1984—the lottery initiative—stated that lottery revenue “shall be used exclusively for the education of pupils and students and no funds shall be spent for . . . any other non-instructional purpose.”

Two of the Governor's proposed expenditures—minority student underrepresentation and teacher education programs—are (a) ongoing programs and (b) not exclusively for the instruction of students. Consequently, we recommend that lottery revenues be shifted from these programs (to be replaced by the General Fund) and that the lottery revenue be used instead to support proposed expenditures for instructional equipment replacement, which are one-time in nature.

Budget Proposes Elimination of Unidentified Positions But Not Reduction in Funding for These Positions

The Governor's Budget proposes a net reduction of 80.8 positions in 1985–86, which is equivalent to 0.2 percent of the total number of positions shown in the budget for the current year. According to the budget, the reduction reflects the following changes:

- an increase of 76.2 positions in continuing education, a self-supporting activity;
- a decrease of 55.6 positions due to baseline adjustments that are work-load-related;
- the addition of 167.5 new positions related to new programs; and
- an unallocated reduction of 250 positions, with no corresponding reduction in funding.

At this point, we have no idea—nor does the CSU—what this unallocated reduction of 250 positions means. The budget indicates that CSU will

CALIFORNIA STATE UNIVERSITY—Continued

develop a plan to implement the 250-position reduction prior to the legislative hearings. The CSU should include in its plan an identification of the funding associated with the proposed reduction in positions, and should be prepared to discuss this issue with the fiscal committees during the hearings.

I. INSTRUCTION

The CSU budget's instruction element 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 4.

Table 4
The California State University
Instruction Program Expenditures
1983-84 through 1985-86
(dollars in thousands)

Program	Actual	Estimated	Proposed	Change	
	1983-84	1984-85	1985-86	Amount	Percent
Regular instruction.....	\$678,579	\$799,855	\$823,657	\$23,802	3.0%
Special session instruction	10,843	13,023	14,188	1,165	8.9
Extension instruction	7,278	5,933	7,531	1,598	26.9
Totals	\$696,700	\$818,811	\$845,376	\$26,565	3.2%
Funding Source:					
General Fund.....	\$651,860	\$776,710	\$793,102	\$16,392	2.1%
Reimbursements	23,969	23,145	26,127	2,982	12.9
Continuing Education Revenue Fund	18,121	18,956	21,719	2,763	14.6
Capital Outlay Fund for Public Higher Education	2,750	—	—	—	—
Special Projects Fund (Lottery).....	—	—	4,428	4,428	N/A
Personnel:					
Regular Instruction.....	18,748.0	17,755.6	17,776.6	21.0	0.1%
Extension and special session	398.4	401.1	455.3	54.2	13.5
Totals	19,146.4	18,156.7	18,231.9	75.2	0.4%

A. ENROLLMENT

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

As shown in Table 5, the revised estimate of CSU enrollment in the current year (1984-85) is 242,439 FTE students. This includes summer quarter enrollment at the Hayward, Los Angeles, Pomona, and San Luis Obispo campuses, which operate on a year-round basis. The revised estimate is 301 FTE (0.1 percent) lower than what was budgeted for 1984-85, and 450 FTE (0.2 percent) above actual 1983-84 FTE enrollment.

The 1984 Budget Act requires the Director of Finance to unallocate budgeted funds if CSU's enrollment falls short of the budgeted enrollment by more than 2 percent. Because CSU's actual enrollment is only 0.1 percent less than the budgeted amount, no action will be taken pursuant to this provision of the Budget Act.

The budget proposes FTE enrollment of 242,870 in 1985-86, an increase of 431 FTE over the revised estimate of 1984-85 FTE.

Table 5
The California State University
Annual Full-Time Equivalent Students
1983-84 through 1985-86

Campus	1983-84 Actual	1984-85		1985-86 Proposed
		Budgeted	Revised Estimate	
Bakersfield	2,470	2,500	2,560	2,650
Chico	12,643	12,600	12,666	12,700
Dominguez Hills	5,729	5,850	5,464	5,650
Fresno	13,575	13,600	13,726	13,750
Fullerton	15,909	15,600	15,988	15,800
Hayward	9,643	10,000	9,744	10,030
Humboldt	5,896	6,230	5,509	5,700
Long Beach	22,130	22,000	21,887	22,100
Los Angeles	15,617	16,000	14,826	15,280
Northridge	19,654	19,100	19,676	19,500
Pomona	14,416	14,300	14,372	14,500
Sacramento	17,030	16,900	17,563	17,100
San Bernardino	3,955	4,250	4,311	4,600
San Diego	24,748	24,600	25,694	24,800
San Francisco	17,544	17,700	17,550	17,600
San Jose	18,093	18,100	17,869	17,900
San Luis Obispo	15,225	15,430	15,475	15,430
Sonoma	4,166	4,300	4,112	4,200
Stanislaus	3,106	3,200	2,997	3,100
System Totals:				
College Year	241,549	242,260	241,989	242,390
International Programs	440	480	450	480
Grand Totals	241,989	242,740	242,439	242,870

B. REGULAR INSTRUCTION

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

1. Effects of Shifts in Student Demand on Faculty Staffing

In the 1970's, faculty positions were added to meet the shift in student demand (a) from lower division to upper division courses and (b) from the lower-cost liberal arts and social sciences to the more expensive technically- and occupationally-oriented disciplines. This was done because upper division and more technically oriented courses require more faculty to teach a given number of students. Consequently, a constant student-faculty ratio would have resulted in a de facto drop in faculty resources relative to need.

Since 1980, however, student enrollment has increased in lower division

CALIFORNIA STATE UNIVERSITY—Continued

courses. Because this trend is projected to continue in 1985–86, the budget provides for a reduction of 87 faculty positions attributable to this shift in student enrollment.

2. Faculty Workload Data

Some of the basic measures of faculty workload are average class size, the number of student-faculty contact hours, the number of weighted teaching units (WTU) taught by faculty, and the number of student credit units (SCU) generated. Table 6 shows these measures which, for the most part, remained relatively constant during the 1981–83 period. As the table indicates, the number of lecture and laboratory sections taught by CSU faculty average 4.1 per semester. In the case of individual faculty members, this workload could consist of one section of four different courses, four sections of the same course, or any combination thereof. By way of comparison, UC faculty report a total of 11.8 direct student contact hours in 1983–84, in contrast to CSU's reported 16.7 hours in the fall, 1983.

Table 6
The California State University
Faculty Workload Indicators
1981 through 1983

<i>Indicator</i>	<i>Fall 1981</i>	<i>Fall 1982</i>	<i>Fall 1983</i>	<i>Change From 1982</i>
Faculty FTE ^a	12,963.0	12,994.3	12,904.1	-90.2
Percent of regular faculty with Ph.D.....	71.3%	72.3%	72.5%	0.2%
Enrollment FTE ^b	240,952	241,164	241,905	741
Lecture and laboratory sections per faculty FTE.....	4.1	4.0	4.1	0.1
Lecture and laboratory contact hours per fac- ulty FTE per week.....	13.2	13.1	13.2	0.1
Independent study contact hours per faculty FTE per week.....	3.8	3.8	3.5	-0.3
Total contact hours per faculty FTE per week	17.0	16.9	16.7	-0.2
Average lecture class size.....	27.8	27.9	28.2	0.3
Average laboratory class size.....	19.4	19.9	19.2	-0.7
Lecture and laboratory WTU ^c per faculty FTE	11.3	11.3	11.3	—
Independent study WTU per faculty FTE.....	1.6	1.5	1.4	-0.1
Total WTU per faculty FTE.....	12.9	12.8	12.7	-0.1
SCU ^d per WTU.....	21.6	21.7	22.2	0.5
SCU per faculty FTE.....	278.8	278.4	281.2	2.8

^a Full-time-Equivalent (FTE) faculty, the sum of instructional faculty positions reported used.

^b Full-Time-Equivalent (FTE) student equals 15 student credit units.

^c Weighted Teaching Units.

^d Student Credit Units.

3. Minority Underrepresentation Initiative

The budget proposes a major augmentation—\$7,575,000 and 143.5 new positions—to address problems relating to the representation of minorities at CSU. This proposal, to be funded from lottery revenues, consists of the following components:

- \$3,080,000 to establish “summer bridge” programs for newly admitted minority students. These programs—three weeks for entering freshmen and two weeks for transfer students—will provide instruction in basic skills, tutorial assistance, counseling, and university orientation.

- \$3,972,000 to expand the remedial writing course from one semester to one year and to establish a two-semester remedial mathematics course.
- \$523,000 for need-based financial aid grants to graduate students.

As shown in Table 7, the proportion of CSU students that are members of minority groups has increased slightly in recent years. Not all minority groups, however, have followed this trend. Hispanics accounted for 9.3 percent of CSU enrollment in the fall of 1983—an increase of 2.8 percentage points since the fall of 1974, and an increase of 0.3 percentage points since the fall of 1981. In contrast, the percentage of students in 1983 that were Black was virtually the same as it was in 1974 (6.2 percent compared with 6.1 percent in the earlier period), and has actually declined 1.5 percentage points since 1978 and 0.7 percentage points since 1981. The CSU has been unable to determine specific reasons for the decline in the proportion of students who are Black.

Table 7
The California State University
Distribution of Students By Racial Ethnic Group^a
For Selected Years
(Fall Term)

<i>Ethnic Group</i>	1974	1976	1978	1980	1981	1982	1983
Hispanic ^b	6.5%	7.6%	8.6%	9.2%	9.0%	9.2%	9.3%
Black	6.1	6.8	7.7	7.0	6.9	6.5	6.2
Other Minority	8.0	9.2	9.8	10.7	12.4	12.6	13.1
White	79.4	76.4	73.9	73.1	71.7	71.7	71.4
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

^a Percentage distribution based on students responding, fall term.

^b "Hispanic" category defined as "Mexican-American" and "Other Hispanic."

The problem that this budget initiative seeks to address is one of critical importance to the Legislature. Our analysis indicates that the programs which the CSU proposes to fund with the \$7,575,000 augmentation have a reasonable chance of ameliorating this problem, and accordingly, we recommend that the augmentation be approved.

Evaluation of Student Retention Needed

We recommend that the Legislature adopt supplemental report language directing CSU to (1) continue collecting data on student retention rates, including comparisons of students admitted under special circumstances with regularly-admitted students, and report the results annually to the Legislature, and (2) conduct an evaluation of students admitted under special circumstances in order to determine the causal variables related to retention and attrition among these students.

Most of the funds budgeted for the minority underrepresentation initiative, as well as a portion of the baseline funds requested for programs such as EOP and remedial writing, are designed to increase the chances for success at CSU among disadvantaged students. The need for these programs is indicated by a series of CSU studies which show that minority students have, on the average, relatively low rates of retention (continuation in school or graduation).

The studies also reveal that minority students admitted under the CSU special admissions policy are especially prone to dropping out prior to

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graduation. Under the special admissions policy, the CSU may admit students who do not meet the regular admissions requirements, provided the number of such admissions does not exceed 8 percent of all newly admitted undergraduate students for the prior year. In 1983–84, 6,539 students were admitted under this policy.

Studies of five-year retention rates for entering freshmen in fall 1973 and fall 1978 show that only 24 percent of the special admissions students either graduated or were still enrolled at the end of the five-year period, compared to 48 percent of regularly-admitted students. When controlling for ethnic background, moreover, the gap remains significant. Among Black and Mexican-American students, for example, the retention rates were approximately 24 percent for special admits compared to 40 percent for regular admits.

Because the studies do not track students after they leave the CSU system, the data understate the actual continuation rates, since some students transfer to other postsecondary institutions. Nevertheless, the low retention rate for all specially-admitted students, together with the large gap that exists between the retention rates for specially-admitted minorities and regularly-admitted minorities, indicates that the special admissions policy has, so far, been limited in its effectiveness.

The CSU should be prepared to address the effectiveness of the special admissions policy during budget hearings. If the initiatives proposed in the budget are not successful, it would seem appropriate to consider revising the criteria for special admissions, so as to make the program more effective.

In order to establish an analytical basis for dealing with this issue, we recommend that CSU (1) continue to collect and report data on student retention, focusing especially on special admissions students, and (2) conduct a study to determine which variables are causally related to the success and failure of special admissions students. The budget assumes that approximately 10 percent of the minority underrepresentation initiative will be allocated to monitoring and evaluation. Our recommendation could be funded within this allocation.

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

“The CSU shall (1) continue to collect data on student retention rates, including comparisons of students admitted under special circumstances with regularly-admitted students, and report the results annually to the Legislature, and (2) conduct an evaluation, internally or by contract, of students admitted under special circumstances in order to determine the causal variables related to retention and attrition among these students, and report the results of this evaluation to the Legislature by September 30, 1986.”

4. Teacher Education Program

The budget proposes an augmentation of \$4,537,000—\$3,013,000 from the General Fund, and \$1,524,000 from the Special Projects Fund (lottery revenues)—for CSU’s teacher education program. These funds would be used as follows:

- \$1,498,000 from the General Fund would be used to increase the payment awarded to master teachers in grades K–12 who supervise CSU student teachers;

- \$1,515,000 from the General Fund would be used to provide training in clinical supervision skills to master teachers and CSU faculty supervisors of student teachers;
- \$364,000 from lottery revenues (and 2.0 new clerical positions) would be used to establish a new program at seven CSU campuses, under which a public school teacher would serve as a "clinical practitioner" on the CSU campus and a CSU faculty member would serve as a "clinical professor" at a public school;
- \$810,000 from lottery revenues would be used to fund six experimental programs involving the use of clinical supervision in elementary and secondary schools, with the schools to be selected on the basis of competitive proposals; and
- \$350,000 from lottery revenues, to be used for evaluation of these initiatives.

We believe that three of these five program elements have been adequately justified, and the amounts requested for them are reasonable. Accordingly, we recommend approval of the amounts proposed for clinical supervision training, the experimental programs, and the evaluation component. In the case of the remaining program elements, however, our analysis indicates that the funding augmentation is *not* warranted, as discussed in the following sections.

Increase in Master Teacher Honorariums Not Necessary

We recommend that the proposed \$1.5 million General Fund augmentation requested for honorarium payments to public school master teachers be deleted because there are more cost-effective ways to achieve the program's objectives. (Reduce Item 6610-001-001 by \$1,498,000.)

We further recommend that the Legislature adopt supplemental report language requiring the California State University and the State Department of Education to report jointly to the Legislature, by December 15, 1985, on the desirability and feasibility of transferring to CSU the authority to select master teachers.

Currently, master teachers—K-12 teachers who supervise CSU or UC student teachers during the students' prescribed classroom training—receive an additional payment of \$5 per semester unit (\$3.33 per quarter unit). This generally amounts to \$30 per year for each student supervised. (Master teachers normally supervise one or two students per year.) The budget proposes to increase this payment, or honorarium, to \$25 per semester unit, or \$150 per year—a 400 percent increase—at a General Fund cost of \$1.5 million.

We recommend that these funds be deleted from the budget for the following reasons:

- There is no evidence to indicate that increasing the honorarium by \$120 per year will attract additional master teachers of high quality or affect the performance of existing master teachers.
- Master teachers can seek additional remuneration and benefits for their services through the collective bargaining process. This is the normal procedure for providing allowances to compensate teachers for assuming extra work-related duties.
- Superior alternatives are available for increasing the quality of master teaching. The budget proposal for clinical supervision, for example, includes funds to provide financial incentives for master teachers to seek training in clinical supervision skills. Furthermore, the proposal to establish a "clinical professor" position in selected public schools should provide

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additional support for master teachers. Such support is also provided through the Mentor Teacher program, established by SB 813 (1983).

For these reasons, we recommend that the Legislature delete the \$1.5 million augmentation requested for increasing the honorarium paid to master teachers.

If the Legislature decides to provide the additional funds for increasing the honorarium, it may wish to extend the increase in master teacher payments to the teacher education programs operated by the University of California. Such an augmentation was not requested in the Governor's Budget and would require an additional \$115,000 from the General Fund.

We believe the Legislature might also wish to consider changing the manner in which master teachers are selected, in order to raise the quality of master teaching. Conceptually, selection is the joint responsibility of the CSU and the public school authority. In practice, however, it tends to be controlled primarily by the public school principal. As noted in the Chancellor's advisory committee report, *Excellence in Professional Education*, this sometimes results in the selection of master teachers who are most in need of extra help in the classroom, rather than those who are most capable of providing guidance to a student teacher. In light of this finding, we recommend that the CSU and the State Department of Education report to the Legislature on the desirability and feasibility of transferring to CSU the authority to select master teachers.

The following supplemental report language, if added under Items 6100 and 6610, would secure for the Legislature such a report:

"The CSU and the State Department of Education shall report jointly to the Legislature, by December 15, 1985, on the desirability and feasibility of transferring to CSU the authority to select master teachers."

Clinical Practitioners Not Justified

We recommend that the proposed augmentation to establish a clinical professor/clinical practitioner program be reduced by \$306,000 because the cost of the clinical practitioner component is not justified by the benefits. (Reduce Item 6610-001-001 by \$306,000.)

The proposed clinical professor/clinical practitioner program would establish exchange programs between seven CSU teacher education programs and seven public schools (grades K-12); at a cost of \$364,000 from lottery revenues in 1985-86. In each campus/school arrangement, a CSU professor and a public school teacher would, essentially, exchange positions for a period of one year. While at the public schools, CSU professors, designated as clinical professors, would assist in teaching and provide support for master teachers. Public school teachers assigned to CSU, designated as clinical practitioners, would provide support for the regular teacher education faculty. It is expected that different faculty members will rotate through these assignments if the program continues beyond 1985-86.

We find merit in the concept of assigning CSU professors of teacher education to the public schools on a rotating basis because this will enable the faculty to gain field experience relating directly to their primary task of training prospective teachers. Typically, professors of teacher education either have had no experience as public school teachers or have not taught in public school for a number of years. This component of the program, moreover, is consistent with the intent of Chapter 498, Statutes of 1983 (SB

813), which requires CSU professors who teach methodology courses to participate in public school classroom instruction on a periodic basis.

In contrast, we find relatively little benefit to be derived by assigning a public school teacher to a temporary faculty position at CSU, for the following reasons:

- There is a less costly alternative for achieving the objectives of establishing the clinical practitioner position. By rotating CSU faculty members through the public schools, this component of the proposed program would serve as a means of meeting the objective of providing support to the CSU teacher education programs. The first component of the program, in other words, eliminates the need for the second component.

- The public school teacher serving as a clinical practitioner would receive little benefit from the program. Unlike those professors of teacher education who are placed in the public schools, the public school teachers assigned to CSU campuses would not be gaining field experience which is essential to their primary task of teaching grade K-12 pupils. The CSU professor, in other words, would be placed in a relevant clinical setting, whereas the public school teacher would be removed from it. Furthermore, if public school teachers desire to increase their exposure to CSU teacher education programs, they can enroll in courses in these programs.

- The program will have unintended adverse consequences. Public schools will have to replace those teachers selected for assignment to CSU—presumably superior teachers—with substitute teachers, who are likely to be less experienced and less effective.

For these reasons, we recommend deletion of the clinical practitioner component of the proposed program, for a General Fund savings of \$306,000 (assuming that our previous recommendation for switching this source of funding from lottery revenues to the General Fund is approved) and elimination of 2.0 clerical support positions.

5. New Pilot Program for Faculty Training in Computer Skills

We recommend that the proposed \$100,000 General Fund augmentation for a pilot program to train faculty in computer education be deleted, because a pilot program has already been conducted and alternative funding sources are available to support such training. (Reduce Item 6610-001-001 by \$100,000.)

The budget proposes an augmentation from the General Fund of \$100,000 for a pilot program to train CSU faculty to use computers. This program would consist of workshops designed to help faculty in a broad range of disciplines to use computer-based education in their classrooms.

This proposal is substantially the same as one included in the 1984-85 budget. That proposal sought \$628,000 to develop computer-based education training for faculty members. Pursuant to our recommendation, the Legislature deleted the entire amount requested.

We continue to recommend that an augmentation for this purpose not be provided, for the following reasons:

- There already is funding within the CSU budget to facilitate this type of training. Specifically:

- the CSU offers courses providing instruction in the use of computers, and faculty members are able to enroll in these courses;

- under collective bargaining contracts now in force, incentives are provided for faculty members to pursue these professional development opportunities;

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- the CSU maintains campus computing consultants who are available to assist faculty in incorporating computer applications into the curriculum; and
- CSU faculty members are eligible to attend computer skills workshops sponsored by the 15 state-funded Teacher Education and Computer centers.
 - The 1985–86 budget requests an augmentation of \$250,000 for CSU to use in retraining faculty to meet changing institutional needs. The CSU's budget change proposal indicates that these funds could be used for computer-based training of faculty members in a variety of academic disciplines.
 - A pilot program to train faculty in computer-based education was conducted at the San Luis Obispo campus in 1983. It is not clear why funding is needed to conduct another one.

6. Augmentation Requested for Instructional Equipment Replacement

The budget requests \$19,343,000 from the General Fund for instructional equipment replacement (IER) in 1985–86, an increase of \$4.9 million, or 34 percent, over the current-year level. The budget proposal actually represents an increase of \$7.5 million, or 63 percent, over the current-year *baseline* level of funding because the current-year amount includes \$2.6 million in one-time funds which were not expended in 1983–84 and reappropriated to CSU for 1984–85. The Budget Bill also contains language reappropriating amounts provided to CSU in 1984–85 but not expended.

We estimate that between 1976–77 and 1983–84, a backlog of approximately \$56 million in instructional equipment replacement requirements has accumulated. As we pointed out in last year's *Analysis*, we estimate that \$15 million would be required annually to keep this backlog from increasing. Given the CSU's backlog of IER needs, we recommend approval of the proposed augmentation.

Report on New Procedure to Estimate IER Needs

In order to improve the basis on which decisions regarding instructional equipment funding are made, the Legislature adopted language in the *Supplemental Report of the 1984 Budget Act* requiring CSU to prepare an annual report on instructional equipment replacement needs, using the model developed by the University of California. The CSU has submitted a progress report, stating that the system is in the process of collecting data and assessing the campus inventory data systems in order to determine what changes are necessary to adapt to this new approach. The report indicates that the new procedure will be used in determining CSU's 1986–87 budget request.

Donated Instructional Equipment

We recommend that the Legislature adopt supplemental report language directing CSU to submit the following information: (a) the criteria used systemwide to determine whether donated instructional equipment should be accepted and (b) an estimate of the annual depreciation charge for acceptable donations.

Discussion of this issue and the reasons for our recommendation are included in our analysis of the University of California's budget (please see page 1248).

7. Budget Proposes Reductions in Two Instructional Programs

The budget proposes to reduce the baseline level of funding in two CSU programs—the Engineering and Computer Science Enhancement program and the Academic Improvement program.

The Engineering and Computer Science Enhancement program (part of the statewide Investment in People initiative funded in 1982–83) would be reduced by \$1.0 million, or 43 percent, from the baseline level of \$2.4 million. Under this program, the Chancellor allocates funds to upgrade instruction in engineering and computer science, based on campus proposals.

The Academic Improvement program would be reduced by \$600,000, or 47 percent, from the baseline level of \$1.3 million. Under this program, the Chancellor allocates funds for a variety of activities, primarily in the areas of curriculum development, teacher education, and education of students having special needs. These funds also are awarded based on campus proposals.

The budget contains no rationale for the proposed reductions. We have no analytical basis, however, on which to recommend a change in the level of funding proposed for these programs.

Concurrent Enrollments

In addition to the program reductions identified in the previous section, the budget proposes to reduce the General Fund appropriation by directing \$2.0 million in revenues generated from Continuing Education fees to the CSU's support items as a reimbursement. This amount represents about one-half of the fees paid by Continuing Education students who enroll concurrently in regular campus programs supported by the General Fund. Under this arrangement, a student does not pay the regular State University Fee, but instead pays extension fees which are deposited in the Continuing Education Fund.

Currently, CSU reallocates these extension fee revenues (approximately \$3.8 million in 1982–83) from the Continuing Education Revenue Fund to the academic departments in which the concurrently enrolled students attend the regular education courses, to support departmental activities outside the normal budgetary process. The Governor proposes that these revenues, instead, be shared with the General Fund.

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 expenditures for the Academic Support program in the prior, current, and budget years.

A. COMPUTING SUPPORT

1. Instructional Computing

The budget requests \$2,710,000 in lottery revenues to augment the amount available for general campus instructional computing in 1985–86. The budget also proposes that \$1,327,000 in lottery revenues be used to continue a multi-year project that is replacing and upgrading local time-sharing computer systems at CSU campuses. Finally, the budget requests the following General Fund increases related to instructional computing:

- \$207,000 to expand the Computer-Assisted Design/Computer-Aided Manufacturing (CAD/CAM) project at the San Luis Obispo campus,

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Table 8
The California State University
Academic Support Program Expenditures
1983-84 through 1985-86
(dollars in thousands)

Program	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change	
				Amount	Percent
Libraries	\$60,760	\$70,764	\$72,495	\$1,731	2.4%
Audiovisual services.....	13,468	15,011	15,399	388	2.6
Computing support	38,408	44,173	46,834	2,661	6.0
Ancillary support	12,647	16,924	19,595	2,671	15.8
Totals.....	\$125,283	\$146,872	\$154,323	\$7,451	5.1%
Funding Source:					
General Fund	\$119,974	\$141,388	\$101,096	-\$40,292	-28.5%
Reimbursements.....	5,107	5,076	48,602	43,526	857.5
Continuing Education Revenue Fund	202	408	588	180	44.1
Special Projects Fund (Lottery)	—	—	4,037	4,037	N/A
Personnel:					
Libraries	1,517.7	1,511.6	1,498.6	-13.0	-0.9%
Computer support	672.7	608.1	607.3	-0.8	-0.1
Other.....	788.5	767.0	777.6	10.6	1.4
Totals.....	2,978.9	2,886.7	2,883.5	-3.2	-0.1%

- \$120,000 to expand the Center for Design of Educational Computing, currently located at the Northridge campus,
- \$289,000 for a maintenance management system, and
- \$152,000 for maintenance of data processing equipment.

Our review indicates that these proposals are needed to support the instruction program.

2. Administrative Computing

The budget proposes \$1 million from the General Fund to initiate a multi-year replacement and upgrade of campus administrative information management systems. In addition, the budget includes language that would authorize CSU to carry over funds remaining unspent at the end of 1984-85 and use these funds for instructional equipment replacement, deferred maintenance, or the administrative information management system. Another provision of the Budget Bill, however, prohibits the expenditure of funds for the administrative information management system until the Department of Finance has approved the feasibility study for this system.

The CSU hired a consultant in 1984-85 to assist the Division of Information Systems in developing a plan to implement the administrative information management system. The consultant is scheduled to submit a preliminary report prior to March 1, 1985, and a final report in August, 1985. The CSU should be prepared to discuss the consultant's preliminary report during the budget hearings.

Our analysis indicates that there is a need to upgrade the existing administrative computing system, and, based on our discussions with the

consultant, we believe it is reasonable to initiate the project in the budget year. Consequently, we recommend approval of the amount proposed in the budget for this purpose. Nevertheless, we will review the consultant's report prior to the budget hearings, and, if necessary, revise our recommendation to reflect the content of that report.

3. Progress Report on the Development of Computing Support Funding Formulas

The Supplemental Report of the 1984 Budget Act requires CSU, the Department of Finance, and the Legislative Analyst to develop funding formulas for computing support staffing, operating expenses, and equipment. As required by the supplemental language, CSU has submitted a status report on the project. In its report, CSU indicates that a consultant has been hired to assist CSU's project management group in undertaking this task. The project is scheduled for completion by September 1985, and the system anticipates that its budget request for 1986-87 will be developed using the new formulas.

B. ANCILLARY SUPPORT

1. Augmentation for Academic Partnership Program Is Not Needed

We recommend that the \$400,000 General Fund augmentation proposed for the California Academic Partnership Program be deleted because the objectives of this program can be funded from within baseline resources. (Reduce Item 6610-001-001 by \$400,000.)

The California Academic Partnership Program (CAPP) was established by Senate Bill 813 to increase the involvement of postsecondary institutions in improving the quality of secondary schools. Under the program, grants are awarded by the Chancellor of CSU, with the advice of a program advisory committee. The CAPP was initially funded in 1984-85 at the \$1 million (General Fund) level. The budget proposes \$1.0 million in order to continue the baseline level of funding and an augmentation of \$400,000. Thus, the total request for the CAPP in 1985-86 is \$1.4 million—a 40 percent increase over the current-year level.

The CAPP, as amended by Ch 620/84 (AB 2398), requires CSU to “establish a voluntary cooperative program for the academic assessment of secondary school students in the state,” in addition to administering the CAPP grant program. In response to this requirement, CSU expanded the dissemination of the Math Diagnostic Testing Program (MDTP), which was developed jointly by CSU and UC in 1983-84. The program coordinator indicates that approximately 400 high schools used the MDTP in 1983-84, and he estimates that 600 high schools will use the test in 1984-85.

To assist in the administration of the MDTP, seven regional centers were established at CSU and UC campuses during 1983-84 and 1984-85. The proposed budget augmentation would be used to continue support for the regional centers and to expand the dissemination of the test to additional secondary schools in 1985-86.

Our analysis indicates that the baseline level of funding for the CAPP—approximately \$1.0 million—is sufficient to support the testing program in 1985-86. In fact, \$206,000 has been allocated from CAPP to support the MDTP in 1984-85, and CSU indicates that \$242,000 in current-year unexpended CAPP funds will be carried over for expenditure in 1985-86. Thus, the baseline level of funding for the California Academic Partnership Program in 1985-86, augmented by the carry-over funds—for a total of \$1.2 million—will be sufficient to fund the proposed level of support for the

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math diagnostic testing program (\$0.4 million) and also provide a significant increase in the amount of CAPP funding allocated to other grants and administration (\$0.8 million).

Accordingly, we recommend deletion of the proposed augmentation for the CAPP, for a General Fund savings of \$400,000.

2. New Joint Doctoral Program Is Not Needed

We recommend that the \$149,000 General Fund augmentation requested for a new CSU-UC joint doctoral program be deleted, because the program's objectives can be achieved at less cost by expanding existing doctoral programs. (Reduce Item 6610-001-001 by \$149,000.)

The Donahoe Higher Education Act of 1960 assigns to the University of California the sole authority among the three public segments of higher education to award doctoral degrees, except that UC and CSU may award joint doctoral degrees in selected fields. Currently, there are six joint doctoral programs in operation.

The budget proposes \$149,000 from the General Fund to establish a new joint doctoral program in clinical psychology during 1985-86. The program would be operated by the San Diego State University Department of Psychology and the UC San Diego Department of Psychiatry (School of Medicine), subject to approval of the program by the California Postsecondary Education Commission (CPEC).

The \$149,000 would be allocated to San Diego State University for 4.7 new positions, in order to support a projected first-year enrollment of five students. These funds would be supplemented by regular enrollment-generated funds, provided in accordance with FTE reported by both UC and CSU for enrollment growth in the new program. (It is expected that an additional three students would enroll in the program at UCSD in 1985-86, to be supported within UC's regular budget allocation.)

This funding arrangement illustrates the relatively high cost of joint doctoral programs. When the University of California expands or establishes a new Ph.D. program, the state does not provide any funding beyond the regular marginal cost per FTE—\$3,958 in 1985-86. By contrast, the budget proposal would result in an expenditure of approximately \$30,000 per student in 1985-86 for the enrollment projected at CSU's San Diego campus.

Presumably, the rationale for providing to CSU a budget allocation beyond the regular enrollment-generated funds is that CSU's ongoing level of funding is not based on the need to accommodate the relatively high instructional costs associated with the education of doctoral students. It is, therefore, incumbent upon CSU, when proposing the establishment of a joint doctoral program, to justify the high cost of the program by showing that the proposed joint arrangement would be more effective than the less expensive alternative of establishing or expanding a comparable program solely within the UC. In the case of the proposed new joint doctoral program in clinical psychology, however, the system has not provided any justification for incurring these additional costs.

Both UCLA and UC Berkeley currently operate doctoral programs in clinical psychology. Both campuses, moreover, have access to psychiatry programs—in the schools of medicine at UCLA and UC San Francisco. In our review of the proposed San Diego State University/UC San Diego program, we find nothing to indicate why a comparable program could not be established by the less costly method of expanding either of the existing clinical psychology programs at UCLA or UC Berkeley. The UC

could expand enrollment in its clinical psychology programs, if a need for additional Ph.Ds in this program area, relative to others, were demonstrated. If such a need could be demonstrated, enrollment in the clinical psychology program could be expanded without any increase in state costs. Even if an increase in enrollment were desired without offsetting reductions elsewhere, it would be less costly to augment the UC's budget directly.

For these reasons, we recommend that the request for funds to support a new joint doctoral program be denied for a General Fund savings of \$149,000.

3. California Agricultural Technology Institute

The budget requests \$964,000 from the General Fund to support the California Agricultural Technology Institute (CATI) at CSU Fresno in 1985-86. During the current year, the CATI is funded by the State Department of Food and Agriculture (DFA), using \$1 million appropriated from the General Fund.

The budget proposal to transfer support of the CATI from the DFA's budget to CSU's budget in 1985-86 is in accordance with language in the *Supplemental Report of the 1984 Budget Act*.

III. STUDENT SERVICES

The Student Services program includes social and cultural developments, 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
1983-84 through 1985-86
(dollars in thousands)

Program	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change	
				Amount	Percent
Social and cultural development	\$5,709	\$5,421	\$5,579	\$158	2.9%
Supplemental educational services—					
EOP	14,421	16,609	18,354	1,745	10.5
Counseling and career guidance	22,082	25,481	25,448	33	0.1
Financial aid	94,612	86,599	104,227	17,628	20.4
Student support.....	29,664	36,308	36,609	301	0.8
Totals	\$166,488	\$170,418	\$190,217	\$19,799	11.6%
Funding Source:					
General Fund	\$20,159	\$35,619	\$73,342	\$37,723	105.9%
Reimbursements	83,173	76,121	42,192	-33,929	-44.6
Federal Trust Fund	59,167	52,821	68,962	16,141	30.6
Dormitory Revenue Fund	3,904	4,932	5,057	125	2.5
Continuing Education Fund	85	925	664	-261	-28.2
Personnel:					
Social and cultural development	188.2	147.5	146.4	-1.1	-0.7%
Supplemental educational services—					
EOP	326.8	347.6	374.3	26.7	7.7
Counseling and career guidance	637.2	668.1	665.8	-2.3	-0.3
Financial aid	395.5	413.4	425.6	12.2	3.0
Student support.....	1,066.3	1,154.0	1,142.8	-11.2	-1.0
Totals	2,614.0	2,730.6	2,754.9	24.3	0.9%

CALIFORNIA STATE UNIVERSITY—Continued**A. TUITION AND FEES**

Currently, CSU students pay two mandatory fees established by the Board of Trustees—the Student Services Fee and the State University Fee. *The Student Services Fee* provides funding for counseling, testing, career planning and placement, health services, financial aid administration, housing administration, and a portion of the services provided by the deans of students. *The State University Fee*, established in 1982–83, does not fund specific programs, although by agreement the revenue from this fee is not used to fund instructional costs.

Table 10 shows the fees charged students for the prior and current years, and the fees proposed for the budget year.

Table 10
CSU Student Fee Levels
1983–84 through 1985–86

	<i>Actual</i> 1983–84	<i>Actual</i> 1984–85	<i>Proposed</i> 1985–86
Student Services Fee	\$210	\$213	—
State University Fee			
Full-time	402	360	\$573
Part-time	(132)	(120)	(333)
Graduate Differential	(36)	(36)	—

1. Student Fees Should Be Set Using the Methodology Developed at the Legislature's Request By the Fee Policy Committee

We recommend that the Legislature adopt supplemental report language directing CSU to set the annual systemwide student fees (State University Fee) at \$630 for full-time students and \$372 for part-time students in 1985–86, consistent with the methodology developed at the Legislature's request by the student fee policy committee. We further recommend that reimbursements to CSU be increased by \$16,399,000 and the General Fund appropriation be reduced by the same amount. (Reduce Item 6610-001-001 by \$16,399,000.)

We further recommend that funding for the State University Grant program be augmented by \$2,034,000 in order to provide sufficient financial aid to offset the effect of fee increases on needy students. (Increase Item 6610-001-001 by \$2,034,000.)

Based on the fee-setting practices followed by CSU in prior years, student fees in 1985–86 would be increased by \$27 (from \$573 to \$600 for a full-time undergraduate), or 4.7 percent, in order to compensate for the effects of inflation and workload adjustments on student services costs. This fee increase would have generated an additional \$8.5 million in reimbursements, offsetting General Fund requirements by the same amount.

The Governor's Budget proposes no increase in student fees, and instead request a General Fund augmentation of \$8.5 million to maintain CSU's current undergraduate fee at the 1984–85 level. In addition, the

budget proposes to:

- consolidate the Student Services Fee into a single State University Fee,
- reclassify students taking 6.0 units from full-time to part-time status, thereby reducing their fees from \$573 to \$333 per year, and
- eliminate the existing \$36 differential between graduate and undergraduate student fees.

The cost to the General Fund of these last two proposed changes is \$6.1 million. Consequently, the budget proposes a fee "buy-out" of \$14.6 million (\$8.5 million plus \$6.1 million) at the expense of the General Fund.

We believe that the proposed structural changes to the CSU fees are warranted. We do not believe, however, that the policy toward student fees proposed in the budget is appropriate.

As discussed in our analysis of the California Postsecondary Education Commission's (CPEC) budget, the Legislature, in the *Supplemental Report of the 1984 Budget Act*, directed CPEC to convene a committee for the purpose of developing a long-term policy towards student fees (please see page 1227). In December 1984, the committee completed its work and recommended that (1) fees be set annually, using a specified methodology, (2) existing graduate differentials be eliminated, at no cost to the state, and (3) sufficient financial aid be provided to offset fee increases to students with demonstrated need.

We believe that the policy developed by the committee represents a reasonable compromise for resolving this long-standing issue. Accordingly, we propose that the recommended policy be implemented by the Legislature, beginning in 1985-86. This would require a basic fee increase of 6.1 percent at CSU, plus selected increases to offset the cost of eliminating the graduate differential and reclassifying students taking 6 units from full-time to part-time status.

To implement this policy, we recommend that the Legislature adopt the following supplemental report language:

"CSU shall increase the State University Fee (consolidated State University and Student Services fee) to \$630 for full-time students and \$372 for part-time students in 1985-86."

Table 11 summarizes the fees charged in the current year, the fee level proposed in the budget for 1985-86, and the fees that would result from implementing in 1985-86 the fee policy recommended by the fee policy committee.

Table 11
The California State University
State University and Student Services Fees

	1984-85	Proposed 1985-86		
		Governor's Budget	Analyst's Recom- mendation	Change over Governor
Undergraduate Students:				
0-5.9 units	\$333	\$333	\$372	\$39
6.0 units	573	333	372	39
Over 6.0 units	573	573	630	57
Graduate Students:				
0-5.9 units	369	333	372	39
6.0 units	609	333	372	39
Over 6.0 units	609	573	630	57

CALIFORNIA STATE UNIVERSITY—Continued

Approval of this recommendation would increase reimbursements in 1985-86 by \$16,399,000 and permit a General Fund savings of the same amount. It would have no impact, however, on the budgeted level of expenditures within the CSU system or the level of service provided to students.

We further recommend that the Legislature increase the amount budgeted for CSU's State University Grant by \$2,034,000, in order to increase the amount of financial aid available to needy students and thereby offset the effect of the increase in student fees on these students. Taken together, our recommendations would result in a net General Fund savings of \$14,365,000.

B. PROGRAM SERVICES**1. Federal Trust Fund (Item 6610-001-890)**

We recommend approval.

The budget proposes an appropriation of \$68,962,000 from the Federal Trust Fund for support of CSU. As shown in the budget, this is \$16.1 million, or 31 percent, above estimated current-year expenditures. CSU has informed us, however, that the current-year total will be adjusted upward by approximately \$14 million, in order to reflect a recent increase in the amount received for the Basic Educational Opportunity Grant program.

Our analysis indicates that the proposed use of these funds for financial aid is justified.

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 estimated personnel and expenditures for institutional support in the prior, current, and budget years.

Table 12
The California State University
Institutional Support Program Expenditures
1983-84 through 1985-86
(dollars in thousands)

Program	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change	
				Amount	Percent
Executive Management	\$35,083	\$33,639	\$36,158	\$2,519	7.5%
Financial Operations	29,266	28,169	28,898	729	2.6
General Administrative Services	44,278	48,183	54,750	6,567	13.6
Logistical Services	53,207	57,901	61,358	3,457	6.0
Physical Plant Operations	129,979	161,203	162,119	916	0.6
Faculty and Staff Services	20,543	23,290	25,737	2,447	10.5
Community Relations	5,594	5,124	5,285	161	3.1
Totals	\$317,950	\$357,509	\$374,305	\$16,796	4.7%

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Funding Source:					
General Fund.....	\$158,117	\$197,835	\$210,277	\$12,442	6.3%
Reimbursements	121,968	119,499	104,086	-15,413	-12.9
Parking Account, Dormitory Revenue Fund.....	6,439	7,287	8,094	807	11.1
Dormitory Revenue Fund.....	14,926	18,919	18,325	-594	-3.1
Capital Outlay Fund for Public Higher Education	3,317	1,164	—	-1,164	-100.0
State Account for Capital Outlay	—	—	13,716	13,716	N/A
Continuing Education Revenue Fund	13,183	12,508	15,014	2,506	20.0
Special Projects Fund (Lottery)	—	297	4,793	4,496	1,513.8
Personnel:					
Executive Management	791.9	689.1	715.7	26.6	3.9%
Financial Operations	910.3	871.9	874.0	2.1	0.2
General Administrative Services.....	1,503.3	1,485.0	1,534.1	49.1	3.3
Logistical Services.....	1,150.5	1,109.9	1,092.1	-17.8	-1.6
Physical Plant Operations.....	3,081.0	3,382.0	3,406.1	24.1	0.7
Community Relations.....	110.6	73.1	73.5	0.4	0.5
Unidentified Reduction	—	—	-250.0	-250.0	N/A
Totals	7,547.6	7,611.0	7,445.5	-165.5	-2.2%

A. THE CHANCELLOR'S OFFICE

Table 13
Chancellor's Office Expenditures °
(dollars in thousands)

	Estimated 1984-85		Proposed 1985-86		Change		
	Positions	Amount	Positions	Amount	Positions	Amount	Percent
<i>Chancellor's Office</i>							
Executive Office	7.0	\$410	7.0	\$408	0.0	-\$2	
Administration	70.3	2,147	70.3	2,165	0.0	18	
Academic Affairs	70.6	3,388	70.6	3,423	0.0	35	
Business Affairs	67.9	2,922	66.9	2,894	-1.0	-28	
Faculty and Staff Relations.....	42.4	1,828	42.4	1,883	0.0	55	
Legal Services	21.5	1,049	21.5	1,050	0.0	1	
Faculty and Staff Services.....	0.0	727	0.0	813	0.0	86	
Totals, Personal Services	279.7	\$12,471	278.7	\$12,638	-1.0	\$167	
Operating Expense and Equipment		\$7,433		\$8,266		\$833	
Totals, Chancellor's Office	279.7	\$19,904	278.7	\$20,904	-1.0	\$1,000	5.0%
<i>Trustees' Audit</i>							
Personal Services.....	10.0	\$508	10.0	\$530	0.0	\$23	
Operating Expense and Equipment		116		134		17	
Totals, Trustees' Audit.....	10.0	\$624	10.0	\$664	0.0	\$40	6.4%
<i>Information Systems</i>							
Personal Services.....	128.0	\$5,046	129.0	\$5,251	1.0	\$205	
Operating Expense and Equipment		6,444		6,709		265	
Totals, Information Systems	128.0	\$11,490	129.0	\$11,960	1.0	\$470	4.1%
<i>Special Funds</i>							
Personal Services.....	0.0	0	0.0	0	0.0	0	
Operating Expense and Equipment		\$18		\$23		\$5	
Totals, Special Funds	0.0	\$18	0.0	\$23	0.0	\$5	27.8%
Grand Totals.....	417.7	\$32,036	417.7	\$33,551	0.0	\$1,515	4.7%

° Details may not add to total due to rounding.

CALIFORNIA STATE UNIVERSITY—Continued

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 proposed by these divisions in the current and budget years. The budget includes \$33.6 million for the Chancellor's office in 1985-86, an increase of \$1.5 million, or 4.7 percent, over estimated current-year expenditures.

B. SYSTEMWIDE OPERATIONS**1. Telecommunications Replacement at Sonoma Campus Has Not Been Justified**

We recommend that the General Fund augmentation for proposed telecommunications system replacement at four CSU campuses be reduced by \$217,000, because the CSU project plan indicates that a new system for the Sonoma campus is not justified. (Reduce Item 6610-001-001 by \$217,000.)

CSU has submitted a feasibility study of a project to replace the existing campus telephone centrex systems with integrated voice/data digital systems. For the first phase of this project, the budget proposes \$909,000 in order to lease four new integrated systems—at the Long Beach, Sacramento, Pomona and Sonoma campuses—and \$314,000 to contract for telecommunications managerial services at these campuses as well as at two additional campuses which are scheduled for system upgrade in 1986-87.

The new systems are justified in the feasibility study, and in a related project plan, on the basis that the systems would result in a net savings in telephone charges over a 10-year period. The project plan, however, reveals that in the case of the Sonoma campus, installation of the new system would result in a net cost, rather than a net savings. This cost is estimated to be \$1.2 million in the 10-year period.

The cost analysis in the project plan refers to campus telephone charges. The feasibility study also refers briefly to computer-related benefits—such as increasing access to remote computing facilities—which could result from installation of the new system. Neither the feasibility study nor the project plan, however, include any estimate of the value of such benefits or assess the extent to which such benefits would accrue specifically to the Sonoma campus.

The Department of Finance has indicated that CSU has agreed to submit individual campus cost-benefit analyses prior to the installation of each new telecommunications system. Assuming the validity of the studies already submitted, we see no reason to require additional cost-benefit analyses for the Long Beach, Sacramento, and Pomona campuses. In the case of the other campuses, including Sonoma State University, cost-benefit analyses should be submitted in time to permit legislative review of the requests to fund the new systems.

Accordingly, we recommend that funds requested for the telecommunications project at the Sonoma campus, along with the related contractual expenditures for managerial support, be deleted, for a General Fund savings of \$217,000.

If CSU submits a new cost-benefit analysis for the Sonoma State University project justifying the proposed system, we will revise our recommendation accordingly.

2. Contract Services Not Cost-Effective

We recommend that the funding proposed for contracted telecommunications management services be allocated instead for new CSU positions because this would be a more cost-effective use of the funds.

As noted in the preceding section, the budget requests \$314,000 to fund contracts for telecommunications management services at six CSU campuses during 1985-86. In comparing the cost of purchasing these services through contracts with the cost of obtaining comparable services by establishing new positions, we find that the proposal to contract out this work is not cost-effective. We estimate that the CSU would receive about 50 percent more personnel-hours by hiring persons with the needed expertise than by contracting for these services. Consequently, we recommend that the Legislature approve funding for contracted telecommunications management, but budget these funds to support new CSU positions, rather than for contracts. The proposed level of funding would be sufficient to establish one position at each participating campus.

3. Community College Transfer Centers

We recommend that the Legislature adopt Budget Bill language prohibiting the expenditure of funds for community college transfer centers until an expenditure and operations plan has been approved by the California Postsecondary Education Commission.

We further recommend that \$250,000, and five positions, requested in CSU's budget for project ASSIST be deleted, because the community colleges should administer this activity. (Reduce Item 6100-001-001 by \$250,000.)

The budget proposes a General Fund augmentation of \$750,000 for CSU as part of a \$3.4 million proposal to establish community college transfer centers. Our analysis of the community college budget includes a lengthy discussion of this issue and the reasons for our recommendation (please see page 1395).

4. Additional Study of Public Safety Activities Is Needed

We recommend that the Legislature adopt supplemental report language directing CSU to review the workload of all public safety supervisory positions, up to and including directors of public safety, and to estimate (1) the proportion of such workload associated with parking enforcement activities and (2) the corresponding costs that should be borne by the Parking Account of the Dormitory Revenue Fund.

The CSU's public safety programs are supervised by campus public safety directors and consist of two types of activities: protection (security) and parking enforcement. The Legislature, in the *Supplemental Report of the 1984 Budget Act*, directed CSU to identify the share of public safety workload which is related to parking and which should therefore be funded by the Parking Account of the Dormitory Revenue Fund rather than the General Fund.

In response, CSU conducted a study of (1) dispatcher services for campus parking and (2) the supervision of parking enforcement personnel. The results of this study are reflected in its 1985-86 budget. The CSU study, however, covered only the first level of supervision in the campuses' public safety programs. The Chancellor's Office staff has acknowledged that part of the workload of second-level supervisors and campus directors of public safety is related to parking activities, but they chose not to

CALIFORNIA STATE UNIVERSITY—Continued

include these positions within the scope of the study because of difficulties in applying quantifiable workload measures to these positions.

We believe that the Chancellor's Office can, through the use of sample surveys and site visits, make a reasonably accurate estimate of how much time public safety supervisory personnel devote to parking. We note that prior to 1984-85, two CSU campuses estimated that 50 percent of the public safety director's workload was associated with parking, and the campuses split the funding of these positions accordingly between the General Fund and the Parking Account of the Dormitory Revenue Fund. If this policy were applied to all CSU campuses in 1985-86, it would result in an estimated savings to the General Fund of \$480,000.

Consequently, we recommend that the Legislature direct CSU to expand the scope of its previous study to include all supervisory positions, including the directors. This recommendation can be implemented by adoption of the following supplemental report language:

"The CSU shall review the workload of all public safety supervisory positions, including directors of public safety, and shall report to the Legislature by December 15, 1985, (1) an estimate of the proportion of such workload associated with parking enforcement activities, and (2) the corresponding costs that should be borne by the Parking Account of the Dormitory Revenue Fund."

5. Deferred Maintenance and Special Repairs (Item 6610-021-036)*We recommend approval.*

The budget proposes \$13,716,000 from the Special Account for Capital Outlay for deferred maintenance and special repairs in 1985-86, an increase of \$808,000, or 6.3 percent, over the current-year expenditures for this purpose. (In the current year, funding for deferred maintenance is being provided from the General Fund.)

The budget proposal actually represents an increase of \$3.4 million, or 33 percent, over the baseline level of funding for the current year because current-year funding includes \$2.6 million in one-time funds that were reappropriated from balances that remained unexpended at the end of 1983-84. The 1985 Budget Bill also contains language to reappropriate unexpended balances for deferred maintenance in 1985-86.

The proposed level of funding would continue a multi-year plan to reduce the backlog of campus repair projects. The CSU estimates that the budget amount will reduce the backlog from approximately \$24 million to \$16 million by the end of 1985-86.

Progress Report on Development of Maintenance Staffing Standards

The Supplemental Report of the 1984 Budget Act requires CSU and UC to develop a common set of staffing standards for campus maintenance of similarly used equipment and space. As required by the supplemental language, CSU has submitted a progress report, indicating that a consultant has been hired to develop the standards. The CSU consultant will submit a report on the first phase of the project on May 1, 1985, and a final report will be submitted by January, 1986.

6. Funds to Study Linguistic Minority Students Vetoed

The Supplemental Report of the 1984 Budget Act directed the Legislative Analyst to report on the use of funds appropriated to CSU for a study of successful teaching practices to meet the needs of underachieving students in secondary schools, particularly linguistic minority students.

The Legislature appropriated \$100,000 from the General Fund for this purpose in the Budget Act. The Governor, however, vetoed the funds.

7. Reappropriation (Item 6610-490)

We recommend approval.

The 1985 Budget Bill contains language reappropriating certain unexpended balances from CSU's 1984 Budget Act appropriation, to be used for instructional equipment replacement, deferred maintenance and special repairs, or the administrative information management systems. A similar provision was included in the Budget Act of 1984, but the expenditure of reappropriated funds was limited to instructional equipment, deferred maintenance, and special repairs. This provision resulted in the reappropriation of \$5.2 million that otherwise would have reverted to the General Fund.

V. UNALLOCATED SALARY INCREASE

(Item 6610-031-001)

A. 1985-86 CSU SALARY INCREASE PROPOSAL

The Governor's Budget requests \$82,043,000 for CSU employee compensation increases in 1985-86. Of this amount, \$8,768,000 (0.8 percent) would be used to maintain the current level of employee benefits, while the balance of \$73,275,000 would be used to provide salary increases ranging from 5.7 percent to 10.5 percent, as shown in Table 14.

Table 14
The California State University
Proposed Salary Increases
1985-86
(dollars in thousands)

Date Increase Effective	Faculty		All Other Employees	
	Amount	Percent	Amount	Percent
July 1, 1985.....	\$36,395	5.7% ^a	\$26,078	5.7% ^b
January 1, 1986	9,897	3.1	—	—
June 1, 1986	905	1.7	—	—
Total Increase	\$47,197	10.5%	\$26,078	5.7%

^a 1 percent increase would cost \$6,385,000.

^b 1 percent increase would cost \$4,575,000.

Thus, on July 1, 1985, all employees would receive a 5.7 percent salary increase and a 0.8 percent benefit enhancement. The faculty would receive additional salary increases on January 1 and June 1 of 1986 amounting to 3.1 percent and 1.7 percent, respectively. As discussed later in this analysis, the proposal for faculty salary increases is based on the amount needed to achieve parity with faculty salaries provided by comparison institutions. The comparison institutions differ from those used as the basis for salary increase proposals since 1974.

Table 15
The California State University
1984-85 Employee Compensation Program

	Unit 1 Physicians	Unit 2 Health Care	Unit 3 Faculty	Unit 4 Academic Support	Unit 5 Operations Support	Unit 6 Crafts	Unit 7 Clericals	Unit 8 Public Safety	Unit 9 Technical Support	Subtotals All Units
A. MOU Agreements										
1. Number of Employees	121	306	14,828	1,339	1,910	839	5,872	262	2,315	27,792
2. Salary increase:										
Amount	\$633,215	\$774,599	\$51,729,872	\$3,651,790	\$3,240,395	\$2,308,131	\$10,930,633	\$696,647	\$5,767,894	\$79,733,176
Percent	9.0%	9.6%	9.0%	9.0%	8.8%	10.0%	9.0%	8.5%	8.8%	9.0%
3. Benefits:										
Amount	44,630	51,759	3,694,698	259,929	236,740	148,306	782,755	52,845	418,541	5,690,203
Percent	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
4. Other										
a. Salary Increase			1,438,111 ^a	0.5%						1,438,111
b. Librarians' Salary Adjustment			210,000 ^a							210,000
c. Outstanding Profes- sor Awards			1,605,750 ^a							1,605,750
d. Hard-to-Hire Sup- plement			1,900,000 ^a							1,900,000
e. Uniform Allowance								40,979		40,979
Subtotals, Units	\$677,845	\$826,358	\$60,578,431	\$3,911,719	\$3,477,135	\$2,456,437	\$11,713,388	\$790,471	\$6,186,435	\$90,618,219
	9.6%	10.3%	11.4% ^b	9.6%	9.4%	10.6%	9.7%	9.6%	9.4%	10.2%
B. Nonrepresented										
	<i>Executive, Management, & Supervisory</i>		<i>Confidential</i>		<i>Excluded & Unclassified</i>					<i>Subtotals, Nonrepresented</i>
1. Employees	2,053		6		670					2,729
2. Salary Increase:										
Amount	\$8,241,695		\$12,809		\$747,716					\$9,002,220
Percent	9.1%		10.0%		8.2%					9.0%

3. Benefits:				
Amount	571,071	673	506,630	1,078,374
Percent	0.6%	NA	NA	NA
4. Other	18,000			18,000
Subtotals, Nonre-				
presented	\$8,830,766	\$13,482	\$1,254,346	\$10,098,594
	9.8%	10.5%	N/A	10.2%
C. Reserve for Benefit Im-				
provements				\$649,498
D. Total Allocated				\$101,366,311
E. Total Appropriated				\$101,861,000
F. Total Appropriated But				
Not Allocated				\$494,689

^a Effective January 1, 1985.

^b Pay rate increase of 11.43 percent (annualized) effective January 1, 1985.

CALIFORNIA STATE UNIVERSITY—Continued**1. Collective Bargaining Agreements for the 1984–85 Fiscal Year**

The 1984–85 memoranda of understanding (MOU) between the CSU and the nine bargaining units that represent its employees, together with the employee compensation increases provided to managerial, supervisory, and other personnel not covered by collective bargaining, resulted in an allocation of \$101,366,311 for salary and benefit increases in the current year, as shown in Table 15. Because the Budget Act of 1984 appropriated \$101,861,000 for this purpose, \$494,689 was not required and will revert to the General Fund at the end of the current year.

Faculty. After protracted negotiations which ultimately involved the participation of a fact-finder, CSU and its faculty signed an MOU in December 1984. The MOU provides all faculty with an across-the-board 9 percent salary increase for the full year, and an additional across-the-board increase of 0.5 percent on January 1, 1985. As shown in Table 15, the agreement also provides (1) market condition salary supplements to augment salaries in disciplines where critical recruitment and retention problems exist, (2) an allocation for exceptional merit service awards, and (3) an adjustment to place librarians on the faculty salary schedule. In total, the faculty unit pay rate increase effective on January 1, 1985, was 11.43 percent.

Executive, Management, and Supervisory Raises. The 1,246 non-represented executive and management personnel received a 9 percent salary increase for all of 1984–85, based on the average increase granted unit employees, while the 807 nonrepresented supervisory employees received a 10 percent increase based on the unit six—crafts—salary increase.

Cost Elements of 1984–85 MOU to Be Funded From 1985–86 Salary Increase Funds. The basic salary and benefit increase contained in the MOU will be carried into the 1985–86 CSU base budget. The following four elements of the MOU, however, will not be funded in 1985–86 unless new salary increase funds are provided:

- addition of librarians to the faculty salary schedule (1985–86 cost: \$444,500)
- outstanding professor awards (\$5,007,500, for 1,870 awards)
- a salary supplement for hard-to-hire faculty—primarily in engineering, computer science, and business (\$3,175,000), and
- stipends to full-time department chairmen (\$1,281,000).

As noted above, the Governor's Budget does propose new salary increase funds for 1985–86. Consequently, these four elements of the 1984 MOU will be funded first, at a cost of \$9,908,500, and the balance of the proposed \$82 million will be used for across-the-board salary and benefit increases to all CSU employees.

2. Issues Raised by the Salary Proposal for 1985-86

We recommend that the amount requested from the General Fund within the baseline budget for CSU employee compensation increases be reduced by \$649,000 because there is no expenditure plan for this amount. (Reduce Item 6610-001-001 by \$649,000.)

We recommend that the augmentation requested from the General Fund for faculty salary increases be reduced by \$160,000 because a 10.2 percent increase, rather than a 10.5 percent increase, is needed to achieve parity when no allowance is made for CSU's top-heavy staffing pattern. (Reduce Item 6610-031-001 by \$160,000.)

Unused Reserve for Benefit Improvement is Built Into the 1985-86 Budget Base. As shown in Table 15, the 1984 Budget Act appropriated \$101.9 million for CSU salary increases. Of this amount, \$8.1 million (0.8 percent) was included for maintenance of benefits. The CSU, however, determined that not all of the \$8.1 million was needed for this purpose and consequently did not utilize \$649,498 of the \$8.1 million. This amount was placed in a "reserve for benefit improvements."

At the time this analysis was prepared, the CSU had no plan to use these funds, which, if not expended, will revert to the General Fund on June 30, 1985. The Governor's Budget for 1985-86 assumes that this reserve will be expended, and consequently builds the dollar amount into CSU's base budget for 1985-86. Given that there is no expenditure plan for these funds, we recommend that the General Fund appropriation for 1985-86 be reduced by \$649,000.

Changes in the List of CSU Comparison Institutions. 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 the faculty salaries they provide. Since 1974, the CSU group of "comparison institutions" has consisted of:

- Bowling Green State University,
- Illinois State University,
- Iowa State University,
- Miami University (Ohio),
- Northern Illinois University,
- Portland State University,
- Southern Illinois University,
- SUNY-Albany,
- SUNY-College at Buffalo,
- Syracuse University,
- University of Colorado (Boulder),
- University of Hawaii,
- University of Oregon,
- University of Southern California,
- University of Wisconsin (Milwaukee),
- Virginia Polytechnic Institute,
- Wayne State University,
- Western Michigan University, and
- University of Nevada (Reno).

In the current year, this group of institutions has approximately 16,000 faculty members earning an average salary of \$32,378, while CSU's 10,700 faculty positions will earn an average salary of \$36,945. Using CPEC's salary projection methodology, CSU faculty would need a salary increase

CALIFORNIA STATE UNIVERSITY—Continued

of only 2.768 percent in 1985-86 to keep pace with faculty employed by these institutions, as shown in Table 16.

Table 16
The California State University
Projected Salaries and Percentage Parity Deficiencies
CSU Versus Its Existing
Group of Comparison Institutions
1985-86

	Average Salaries		Percentage Increase Required in CSU Salaries	
	CSU 1984-85	Salaries in Existing Comparison Group 1984-85 1985-86	1984-85	1985-86
Professor	\$41,703	\$40,362 \$42,977	-3.216%	3.054%
Associate professor	32,075	31,082 33,146	-3.096	3.340
Assistant professor.....	26,213	25,245 26,987	-3.693	2.953
Instructor	23,157	19,516 20,829	-15.723	-10.052
All-Ranks Average	\$36,945	\$35,701 ^a \$38,041 ^a	-3.367%	2.968%
Less:				
Turnover and promotions.....				-0.200
Adjusted net parity deficiency				2.768%

^a All ranks averages are computed by weighting the salaries at each rank by the California State University's 1984-85 staffing pattern for both its own and the comparison institutions' salaries. Actual average salary is \$32,378 in 1984-85.

For some time, CSU has been dissatisfied with the listing of comparison institutions that form the basis for evaluating faculty salary levels within the system. The CSU maintains that the existing group of comparison institutions (1) gives too much weight to institutions located in the economically depressed north-central region of the United States, (2) does not reflect the size distribution of CSU institutions, and (3) needs more balance between private and public institutions since CSU competes with both.

Accordingly, CSU has (1) requested that CPEC reexamine the comparison institutions on the list and (2) suggested that the following list of institutions be used for salary-setting purposes in 1985-86 and thereafter:

- University of Bridgeport,
- Boston University,
- Rutgers University (Newark),
- SUNY-Albany,
- Bucknell University,
- DePaul University,
- Wayne State University,
- Mankato State University,
- Cleveland State University,
- University of Wisconsin (Milwaukee),
- University of Miami (Florida),
- Georgia State University,
- North Carolina State University,
- Virginia Polytechnic Institute,
- Arizona State University,
- University of Southern California,

- University of Colorado (Denver),
- University of Nevada (Reno),
- Lewis & Clark College, and
- University of Texas (Arlington).

In 1984-85, this group of institutions has approximately 12,600 faculty earning an average salary of \$34,586. Using CPEC's projection methodology, it is estimated that CSU faculty would need a salary increase of 10.756 percent in 1985-86 to keep pace with faculty employed by these institutions, as shown in Table 17.

Table 17
The California State University
Projected Salaries and Percentage Parity Deficiencies
CSU Versus Its Proposed
Group of Comparison Institutions
1985-86

	Salaries in		Percentage	
	CSU Average Salaries 1984-85	Proposed Comparison Group 1984-85 1985-86	Increase Required in CSU Salaries 1984-85 1985-86	
Professor	\$41,703	\$43,997 \$47,213	5.501% 13.213%	
Associate professor	32,075	32,793 35,152	2.239 9.595	
Assistant professor	26,213	26,689 28,686	1.816 9.435	
Instructor	23,157	21,399 23,083	-7.592 -0.321	
All-Ranks Average	\$36,945	\$38,545 ^a \$41,362 ^a	4.331% 11.956%	
Less:				
Turnover and promotions.....				-0.200
Adjustment for law faculty.....				-1.000
Adjusted net parity deficiency				10.756%

^a All ranks averages are computed by weighting the salaries at each rank by the California State University's 1984-85 staffing pattern for both its own and the comparison institutions' salaries. Actual average salary is \$34,586 in 1984-85.

The CPEC, with the assistance of an advisory committee, currently is studying this issue. Nevertheless, the Governor's Budget proposes that the new list of institutions be adopted, and on this basis provides sufficient funds to increase CSU faculty salary rates by 10.5 percent in 1985-86.

Legislative Analyst Recommendation. We agree that the comparison institutions on the proposed list represent a better geographical, size, and public/private mix than those on the existing list. The method used to compare salaries offered by CSU with those offered by the comparison group, however, is flawed. In effect, it gives CSU "the best of both worlds" by providing for salary parity even though CSU's staffing pattern is far in excess of parity. As shown in Table 18, nearly 61 percent of CSU's faculty are full professors, while only 35 percent of the comparison institutions' faculty falls in this group.

The CSU defends this top-heavy distribution on the basis that a more liberal policy toward advancement is needed if CSU is to be competitive in hiring faculty. This, however, is the purpose of salary parity—CSU cannot have it both ways.

When the "all ranks" averages of faculty salaries are calculated using CSU's staffing pattern, the result is an upward bias that cannot be justified on the basis of maintaining CSU's competitiveness. For example, in 1984-85, the actual all-ranks average salary paid by the comparison group is

CALIFORNIA STATE UNIVERSITY—Continued

\$34,586. Using CSU's methodology, however, the 1984-85 all-ranks average for these institutions appears to be \$38,545—some \$3,959 (11.4 percent) greater than what these institutions actually pay.

Table 18
The California State University
Staffing Patterns: CSU Versus
Comparison Institutions
1984-85

CSU	Professor	Associate Professor	Assistant Professor	Instructor	Total
Number	6,530	2,532	1,520	176	10,758
Percent	60.7%	23.5%	14.1%	1.7%	100.0%
Comparison Institutions					
Number	4,385	4,344	3,387	512	12,618
Percent	34.8%	34.4%	26.9%	4.1%	100.0%

Clearly, the comparison institutions made a trade-off in utilizing the funds available to them. They are able to pay higher salaries by rank (see Table 17) because they have proportionately fewer people at the highest paid rank—full professor. The CSU should be subject to the same fiscal discipline if the comparison is going to be meaningful. Consequently, we propose that an adjustment be made in the comparison (as an adjustment is made in the case of turnover/promotions and law faculty) to neutralize this "best of both worlds" advantage provided to CSU by its methodology. Specifically, we propose a staffing adjustment equal to one half of the difference between the percentage increase required in CSU salaries calculating the all-ranks average using (a) CSU's staffing pattern and (b) the new comparison group's staffing pattern. Our calculation finds this difference to be 0.554 percent, as shown in Table 19.

Table 19
The California State University
Difference in Projected
Salary Increase Using CSU's
Staffing Pattern and Using the
Comparison Institution's
Staffing Pattern
1985-86

	CSU Average Salaries 1984-85	Comparison Group Salaries		Percentage Increase Required in CSU Salaries	
		1984-85	1985-86	1984-85	1985-86
All-Ranks Average:					
Using CSU staffing pattern	\$36,945	\$38,545	\$41,362	4.331%	11.956%
Using comparison institutions staff- ing pattern	(\$33,479)	(\$34,586)	(\$37,111)	(3.307%)	(10.849%)
Staffing pattern difference					-1.107%
Less:					
Staffing pattern adjustment (1.107% × 0.50)					-0.554
Turnover and promotions					-0.200
Adjustment for law faculty					-1.000
Adjusted net parity deficiency					10.202%

In sum, if CSU's staffing pattern is used in making the comparison, the result is a 1985-86 salary lag of 11.956 percent (before adjustments), while use of the new comparison group's staffing pattern produces a salary lag of 10.849 percent. One-half of the difference between these figures is 0.554 percent.

We propose to adjust the comparison for only one-half the difference because not all the difference in staffing is due to CSU's promotion system. Some of the difference is due to the age of CSU's faculty—at the rank of full professor, 55.1 percent are over 50 years of age. We propose an arbitrary splitting of the difference to reflect this consideration.

Based on this analysis, we recommend that funding for faculty salary increases provide for an increase of 10.2 percent—0.3 percentage points below the budget figure—for a General Fund savings of \$160,000. The ongoing savings from this recommendation would be \$3.2 million per year.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY

Item 6610-301 from the Capital Outlay Fund for Public Higher Education and High Technology Education Revenue
Bond funds

Budget p. E 127

Requested 1985-86	\$56,408,000
Recommended approval	9,637,000
Recommended reduction	5,070,000
Recommendation pending	41,701,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Withhold recommendation on the following 14 projects, pending receipt of additional information:
 - Item 6610-301-146(1), Handicapped Access Projects, Statewide (\$3,306,000)
 - Item 6610-301-146(5), Complete Unfinished Space in Library, Chico (\$1,953,000)
 - Item 6610-301-146(6), Business Building, Fresno (\$10,110,000)
 - Item 6610-301-146(9), Remodel Science Building, Humboldt, (\$613,000)
 - Item 6610-301-146(10), Renovate Chemistry Laboratories, Long Beach, (\$818,000)
 - Item 6610-301-146(11), Library Addition, Pomona (\$326,000)
 - Item 6610-301-146(14), Faculty Office Building, San Bernardino (\$2,434,000)
 - Item 6610-301-146(15), Physical Sciences Building, Rehabilitation, San Diego (\$2,162,000)
 - Item 6610-301-146(19), Science Building Chemical Fume Hoods, San Francisco (\$243,000)
 - Item 6610-301-146(21), Remodel Business Building, San Francisco (\$1,100,000)

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

- Item 6610-301-146 (22), Remodel Old Library for Administration, San Jose (\$1,640,000)
 - Item 6610-301-146 (25), Library II, Stanislaus (\$325,000)
 - Item 6610-301-525 (1), Engineering/Computer Science/Math Labs, Long Beach (\$9,868,000)
 - Item 6610-301-525 (2), Agricultural Sciences Building, San Luis Obispo (\$6,803,000).
2. **Library Conversion—Fullerton. Reduce by \$79,000.** 1364
Recommend that equipment funds related to converting lecture space and offices in the library building to library use be reduced to eliminate overbudgeting and delete equipment unrelated to library expansion.
 3. **Old Library Rehabilitation—San Diego. Reduce by \$93,000.** 1365
Recommend that equipment funds related to rehabilitation of the old library be reduced because the amount requested exceeds state equipment cost guidelines.
 4. **Science Building Conversion—San Francisco. Reduce by \$68,000.** 1365
Recommend that equipment funds related to conversion of the old science building be reduced to delete funds for equipment that is not justified.
 5. **Library Conversion—San Luis Obispo. Reduce by \$249,000.** 1366
Recommend that equipment funds related to conversion of library space to meet academic programming needs be reduced to delete funds for equipment that is not justified.
 6. **Engineering Addition—San Luis Obispo. Reduce by \$696,000.** 1366
Recommend that equipment funds for the new Engineering Building be reduced to eliminate overbudgeting relative to state equipment cost guidelines.
 7. **Engineering Enrollment Plan—Statewide.** 1367
Recommend that the CSU report on its plan for meeting projected enrollments in engineering on a systemwide basis.
 8. **Engineering Building Addition—Fullerton. Reduce by \$321,000.** 1370
Recommend that preliminary plans and working drawing funds be deleted because the project would provide space in excess of the campus' needs as determined by state space guidelines.
 9. **Engineering/Computer Science Addition—Sacramento. Reduce by \$460,000.** 1370
Recommend that preliminary plans and working drawing funds for a new Engineering/Computer Science Addition be deleted because (a) the project would provide space in excess of campus needs as determined by state space guidelines and (b) CSU needs to address engineering space needs on a systemwide basis.
 10. **Music Building Office Addition—Pomona. Reduce by \$176,000.** 1373
Recommend that preliminary plans and working drawing funds for a new music building and office addition be deleted because this campus has adequate space to meet future enrollment needs based on state space guidelines.
 11. **Life Science Building Renovation—San Diego. Reduce by \$248,000.** 1373
Recommend that preliminary plans and

working drawing funds to rehabilitate the Life Science building be deleted because CSU should evaluate either abandoning this building or reducing occupancy of the building to within acceptable earthquake safety guidelines as established by the Seismic Safety Commission.

12. **Preliminary Planning Funds—Statewide. Reduce by \$180,000.** Recommend that preliminary planning funds be reduced because the historical level of funding has proved sufficient to meet planning needs. 1374
13. **Minor Capital Outlay—Statewide. Reduce by \$2,500,000.** 1375
Recommend that funds for minor capital outlay projects be reduced by (a) deleting \$1,000,000 for asbestos removal because the request is premature and (b) reducing the amount for general capital outlay improvements by \$1,500,000 to reflect the funding level approved in 1984–85.
14. **Overbudgeted Construction Funds—Statewide.** 1375
Recommend that amounts approved for construction be reduced by 3 percent to eliminate overbudgeting.

ANALYSIS AND RECOMMENDATIONS

The budget includes \$56,408,000 for capital outlay for the California State University (CSU) in 1985–86. Funding for the program is proposed from the Capital Outlay Fund for Public Higher Education (COFPE) (\$39,737,000) and from High Technology Education Revenue Bond funds (\$16,671,000). A discussion of bond financing is included in our analysis of the University of California's capital outlay program (please see page 1309). The projects requested for 1985–86 are summarized by project category in Table 1.

Table 1
California State University
1985–86 Capital Outlay Program
Summary by Category
(dollars in thousands)

<i>Category of Project</i>	<i>Number of Projects</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>	<i>Estimated Future Cost^a</i>
A. Structural, Health and Safety Code Corrections....	2	\$2,405	Pending	\$174
B. Equipment for New Buildings.....	5	3,596	\$2,411	—
C. Construction Funds for Projects for Which Preliminary Plans and Working Drawings Have Been Appropriated.....	9	35,339	Pending	5,447
D. New/Remodeled Facility for Instruction Programs and Libraries.....	7	1,942	Pending	40,311
E. Statewide Projects (planning, minor projects, energy projects and handicap access).....	4	13,126	Pending	—
Totals.....	27	\$56,408	Pending	\$45,932

^a CSU estimate for projects included in the Budget Bill.

I. PROJECTS RECOMMENDED FOR APPROVAL

Our review indicates that three projects totaling \$1,586,000 should be approved as proposed in the Governor's Budget. The projects include preliminary plans and working drawing funds for a faculty office addition

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

on the San Francisco campus, and various energy conservation projects to be undertaken on a statewide basis. The amounts requested for these projects are reasonable and we recommend that these amounts be approved as shown in Table 2.

Table 2
California State University
1985-86 Major Capital Outlay
Projects Recommended for Approval
Item 6610-301-146
(dollars in thousands)

Category/ Subitem	Project Title	Location	Phase ^a	Budget Bill Amount	Estimated Future Cost ^b
<i>D. Instructional Related Projects</i>					
(20)	Faculty Office Addition to Science Building	San Francisco	pw	\$86	\$1,155
<i>E. Statewide Projects</i>					
(4)	Energy Conservation Retrofits	Statewide	pw	1,500	1,500
Totals				\$1,586	\$2,655

^a Phase symbols indicate: p = preliminary planning, and w = working drawings.

^b CSU estimate.

II. PROJECTS FOR WHICH RECOMMENDATION IS WITHHELD

We withhold recommendation on \$41,701,000 requested for 14 projects, pending receipt of additional information on these projects.

A substantial portion of the CSU request for 1985-86 consists of construction funds for projects that the Legislature previously approved for preparation of preliminary plans and working drawings. At the time this analysis was prepared, the preliminary plans and cost estimates for 12 projects had not been completed. The Legislature needs this information in order to substantiate the amount of funds requested for construction. We therefore withhold recommendation on these projects, pending receipt of preliminary plans and cost estimates.

In addition, two projects that are funded in the budget, involve construction of additional library facilities at Stanislaus and Pomona. The need for these projects could be affected by the results of a systemwide study of library needs which was funded in the 1984 Budget Act. The study (which was to be sent to the Legislature on February 1, 1985) was being reviewed by the California Postsecondary Education Commission (CPEC) at the time this analysis was prepared. We withhold recommendation on these two projects, pending review of the study, and CPEC's comments on it. Table 3 summarizes the projects on which we have withheld recommendation.

Table 3
California State University
Projects for Which Recommendation Is Withheld
(dollars in thousands)

<i>Item/Fund</i>	<i>Project Title</i>	<i>Location</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Estimated Future Cost^b</i>
Item 6610-301-146 (COFPHE)					
A. Code Correction Projects					
(15)	Physical Sciences Building Rehabilitation	San Diego	c	\$2,162	\$139
(19)	Science Building Chemical Fume Hoods	San Francisco	wc	243	—
C. Projects Previously Funded for Plans/Drawings					
(5)	Complete Unfinished Space in Library ..	Chico	c	1,953	95
(6)	Business Building	Fresno	c	10,110	315
(9)	Remodel Science Building	Humboldt	c	613	135
(10)	Renovate Chemistry Laboratories	Long Beach	c	818	1,636
(14)	Faculty Office Building	San Bernardino	c	2,434	19
(21)	Remodel Business Building	San Francisco	c	1,100	75
(22)	Remodel Old Library for Administration	San Jose	c	1,640	138
D. Instructional Related Projects					
(11)	Library Addition	Pomona	pw	326	7,228
(25)	Library II	Stanislaus	pw	325	6,384
E. Statewide Projects					
(1)	Handicap Access Projects	Statewide	wc	3,306	—
Totals, COFPHE				\$25,030	\$16,164
Item 6610-301-525 (High-Tech Revenue Bond Fund)					
D. Instructional Related Projects					
(1)	Engineering/Computer Science/Math Labs	Long Beach	c	9,868	2,072
(2)	Agricultural Science Building	San Luis Obispo	c	6,803	1,100
Totals, High-Tech Revenue Bond Funds				\$16,671	\$3,172
Totals, All Funds				\$41,701	\$19,336

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

^b CSU estimate (does not include financing costs for High-Tech Revenue Bonds).

III. RECOMMENDED DELETIONS/REDUCTIONS

Our review of the CSU capital outlay program indicates that funding for 10 projects totaling \$12,800,000 should be reduced or deleted. These projects and our recommendations on each are summarized in Table 4.

Table 4
California State University
Legislative Analyst's Recommended Changes
(dollars in thousands)

<i>Sub item</i>	<i>Project Title</i>	<i>Location</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>	<i>Estimated Future Cost^b</i>
B. Equipment Projects						
(7)	Library Conversion	Fullerton	e	\$453	\$374	—
(16)	Old Library Rehabilitation	San Diego	e	195	102	—

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

(18) Convert Science Building	San Francisco	e	383	315	—
(23) Convert Library	San Luis Obispo	e	786	537	—
(24) Engineering Addition	San Luis Obispo	e	1,779	1,083	—
D. Instructional Related Projects					
—Engineering Projects					
(8) Engineering Building Addition	Fullerton	pw	321	—	\$7,219
(13) Engineering/Computer Science Addition	Sacramento	pw	460	—	10,890
—Other Projects					
(12) Music Building/Office Addition	Pomona	pw	176	—	3,691
(17) Life Science Building	San Diego	pw	248	—	3,375
E. Statewide Projects					
(2) Preliminary Planning.....	Statewide	p	320	140	—
(3) Minor Capital Outlay.....	Statewide	pwce	8,000	5,500	—
Totals			\$12,800	\$8,051	\$25,175

^a Phase symbols: p = preliminary plans; w = working drawings; c = construction and e = equipment.

^b Department request.

EQUIPMENT PROJECTS**Fullerton Library Conversion**

We recommend that Item 6610-301-146(7), \$453,000 for equipment for the Library Conversion on the Fullerton campus, be reduced by \$79,000 to eliminate overbudgeting and to delete funding for equipment that is not related to library expansion.

The budget includes \$453,000 to provide new equipment for the \$1.5 million conversion of lecture/faculty office space to library use on the Fullerton campus. The conversion project has already been approved by the Legislature.

The library was constructed initially with sufficient space to meet anticipated growth in library space needs. Since then, the library space earmarked for future growth has been used for classrooms and offices. Based on existing space guidelines, conversion of the classroom/office space to library use will increase the amount of library space from 70 percent to approximately 96 percent of the campus's needs. The loss of classroom/office space will bring the campus to 100 percent of need in these areas. Thus, based on the Trustee's plan, completion of this project, which was funded for construction in the 1984 Budget Act, will meet the campuswide space needs for classrooms, offices, and library for the foreseeable future.

Our review of the detailed list of the equipment to be purchased with the requested funds indicates that (1) the item is overbudgeted and (2) a portion of the request is not justified.

Overbudgeting. The overbudgeting results because the detailed list of equipment items submitted by CSU totals only \$430,000. Consequently, this item is overbudgeted by \$23,000.

Amount Not Justified. The CSU request also includes approximately \$56,000 for acquisition of new computers and computer-related devices associated with the technical processing activities of the existing library. Our review indicates that the equipment is not related to the expansion of building space. Rather, acquisition of the computers is aimed at achieving efficiencies by expanding the capability of the staff to meet technical processing requirements. Acquisition of this equipment appears to be warranted, but it should not be funded from capital outlay funds. The CSU

support budget includes funds for equipment purchases, and the desired computers should be considered for funding from this source based on their priority relative to other systemwide equipment needs. Consequently, we recommend that the \$56,000 requested for computer-related equipment be deleted.

For these reasons, we recommend that Item 6610-301-146(7) be approved in the revised amount of \$374,000, for a reduction of \$79,000.

San Diego Old Library Rehabilitation.

We recommend that Item 6610-301-146(16), \$195,000 for equipment for the Old Library Rehabilitation project on the San Diego campus, be reduced by \$93,000 because the amount requested exceeds state equipment cost guidelines.

The budget includes \$195,000 to provide moveable equipment related to the Old Library Rehabilitation project on the San Diego campus. This project, funded for construction in the 1984 Budget Act, will upgrade the Old Library to meet current building code requirements and provide general modernization of the facility. The project includes conversion of space to meet programmatic needs in nursing, public health and anthropology.

Our review indicates that based on state equipment cost guidelines for new space, this item is overbudgeted by \$93,000. The project provides 1,200 assignable square feet (asf) in new laboratories for nursing. Based on existing cost guidelines, \$26,000 should be adequate to equip this space. Public health is provided net new space of 2,391 asf which, according to state cost guidelines, should not require more than \$76,000 for equipment. These areas represent the total amount of additional space requiring equipment. The remainder of the work included in the project consists of seismic safety and code corrections. Therefore, additional equipment to support programs in this space is not justified. Consequently, we recommend that the equipment funds in Item 6610-301-146(16) be approved in the amount of \$102,000, for a reduction of \$93,000.

San Francisco Science Building Conversion

We recommend that Item 6610-301-146(18), \$383,000 for equipment funds for the Science Building Conversion project on the San Francisco campus, be reduced by \$68,000 to delete equipment funds that are not justified.

The budget includes \$383,000 for equipment related to the Science Building Conversion project on the San Francisco campus. This \$1.4 million project, funded for construction in the 1984 Budget Act, includes (1) remodeling of the old science building to provide program space for nursing, anthropology and archeology, (2) 37 faculty offices to be relocated from the Business Building and (3) upgrading of building utilities to eliminate deficiencies.

The detailed equipment list submitted by CSU indicates that approximately \$18,000 is requested for computers and computer-related equipment. The support budget for CSU already contains \$14.2 million to fund computing needs, including a \$2.9 million augmentation for 1985-86. The CSU should evaluate the need for these additional computers on a systemwide basis, and fund those having sufficient priority from the amount made available in the support budget for computer purchases.

In addition, this request includes \$50,000 for "The Center for Advanced Medical Technology", which is part of the Biology Department. The building alteration, however, results in a net reduction in the amount of space assigned to Biology. Thus, the state has already appropriated adequate

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

funds to equip the space occupied by this discipline in connection with previous construction projects. Consequently, additional equipment funds for this discipline have not been justified.

We therefore recommend that Item 6610-301-146(18) be reduced by a total of \$68,000.

San Luis Obispo Library Conversion

We recommend that Item 6610-301-146(23), \$786,000 for equipment for the Library Conversion project on the San Luis Obispo campus, be reduced by \$249,000 to delete equipment funds which are not justified.

The budget includes \$786,000 for equipment related to conversion of the old library on the San Luis Obispo campus. This \$2.6 million project, funded for construction in the 1984 Budget Act, includes alterations to 54,227 asf in the old library to provide additional instructional capacity space for architecture and environmental design and art. The project provides an increase of 170 full-time-equivalent (FTE) student capacity in laboratory space, 256 FTE in lecture capacity, and 51 faculty offices.

Our review indicates that the request for equipment funds for this project is overbudgeted. Specifically, we recommend a reduction of \$249,000 because:

- \$208,000 is requested for computers and computer-related equipment associated with noninstructional space. The need for this additional equipment should be considered in light of the availability of self-instructional computer laboratories campuswide. The CSU has not adopted standards for utilization of such facilities. Moreover, additional equipment of this type can and should be funded from the CSU's support budget, based on its priority relative to other needs.
- The budget includes an excessive amount for audiovisual equipment. A total of \$32,000 is requested for various video cassette recorders, projectors, TV monitors and overhead projectors. The request includes assignment of these items to various storage rooms. The equipment list, however, shows that these items are also included in the equipment to be provided in various laboratory spaces. We recommend that the duplicate items be deleted, for a reduction of \$32,000.
- The request includes \$9,000 for additional equipment items related to maintenance activities in the building. This is not a new building, but a remodeled existing building. Any equipment needed for maintenance should be funded within the normal equipment replacement budget, not as part of a capital outlay request.

For these reasons, we recommend that Item 6610-301-146(23) be approved in the revised amount of \$537,000, for a reduction of \$249,000.

San Luis Obispo Engineering Addition

We recommend that Item 6610-301-146(24), \$1,779,000 for equipment for the new Engineering Building on the San Luis Obispo campus, be reduced by \$696,000 to eliminate overbudgeting.

The budget includes \$1,779,000 for equipment for the new Engineering Building on the San Luis Obispo campus. This \$6.6 million building, funded for construction in the 1983 Budget Act, provides additional instructional capacity of 143 FTE in laboratory, 151 FTE in lecture, and 50 faculty offices. The 45,500 asf building was constructed in order to provide additional space for engineering and *replace* existing inadequate facilities which are to be demolished or reassigned to campus maintenance functions.

Our review of the CSU equipment list indicates that the request is overbudgeted. The request does not taken into account existing space which currently is being used by engineering and has already been equipped. These existing facilities include a capacity of 87 FTE in laboratory. Taking this existing capacity into account, \$1,083,000 should be sufficient to equip the *net new space* provided in the new building. Any need to replace existing equipment should be funded within the replacement equipment portion of the support budget. We therefore recommend a reduction of \$696,000 in Item 6610-301-146 (24) to eliminate overbudgeting of the item.

INSTRUCTIONAL RELATED PROJECTS

Statewide Space Needs for Engineering

We recommend that prior to budget hearings the CSU evaluate planned enrollment and space needs for Engineering on a statewide basis and report its findings to the Legislature.

The budget includes funds for three projects that would provide additional space for engineering. Preliminary plans and working drawing funds are requested for a \$7.5 million project on the Fullerton campus that would provide additional space for engineering and computer science. A similar \$11.3 million project at Sacramento would provide upgraded space and related support facilities for engineering and computer sciences. In addition, \$9,868,000 in construction funds are requested for the engineering, computer science and math laboratory project on the Long Beach campus.

Table 5
California State University
Student Enrollment Changes
Engineering Programs and Campus Totals
Percent Change from 1978 to 1983

	<u>All Majors</u>		<u>Engineering Majors</u>	
	<u>Bachelors</u>	<u>Masters</u>	<u>Bachelors</u>	<u>Masters</u>
Chico.....	+11%	-21%	+69%	—
Fresno.....	+17	-16	+36	+63
Fullerton	+12	+1	+160	+95
Humboldt	-14	-17	+21	—
Long Beach.....	+7	-24	+102	+54
Los Angeles.....	-9	-26	+58	-4
Northridge.....	+5	-19	+33	+105
Pomona	+15	-18	+30	-31
Sacramento	+11	+20	+54	+31
San Diego	+10	-11	+80	+57
San Francisco	+3	-29	+26	—
San Jose	-3	-19	-2	+6
San Luis Obispo.....	+1	-3	+10	-31
Systemwide.....	+7	-15	+42	+34

Source: Preliminary Planning Guide, San Jose State University Engineering Addition Program.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

Enrollment Trends. All of the recent requests for additional space in engineering and related support facilities are based on increased enrollment in engineering fields within the CSU. Table 5 shows that between 1978 and 1983, undergraduate majors in *engineering fields* have increased 42 percent, while graduate level majors have increased 34 percent on the 13 campuses which offer engineering programs. At the same time, the number of majors in *all fields* (including engineering) at these campuses have increased by only 7 percent at the undergraduate level and have *declined* 15 percent at the graduate level. This shows that while engineering instruction has increased substantially, overall enrollment has grown at a modest rate or even declined.

Laboratory Capacity. To accommodate the substantial increase in engineering enrollment, CSU must devote more of its resources—including building space—to engineering programs and less to other disciplines. Table 6 shows that enrollment in the *laboratory* mode of instruction for engineering on these same campuses stood at 2,115 FTE during Fall 1983. The capacity of existing buildings, plus buildings previously approved by the Legislature (Long Beach and San Luis Obispo) provide systemwide capacity for 2,230 FTE, approximately 115 FTE or 5 percent above actual enrollment. CSU, however, cannot attain “full” capacity in these spaces because existing space may not meet program needs in the specific areas of study where growth has occurred. Because of this limitation and because faculty resources may not be available, enrollments at various campuses have been restricted.

Table 6
California State University
Engineering Laboratory Enrollment vs Capacity
1983-84

	FTE Enrollment	FTE Capacity	Space Surplus (Deficit)
Chico.....	80	61	(19)
Fresno.....	103	121	18
Fullerton.....	73	82	9
Humboldt.....	39	45	6
Long Beach.....	249	204 ^a	(45)
Los Angeles.....	40	96	56
Northridge.....	113	89	(24)
Pomona.....	349	437	88
Sacramento.....	128	136	8
San Diego.....	116	121	5
San Francisco.....	62	63	1
San Jose.....	255	309	54
San Luis Obispo.....	508	466 ^b	(42)
Systemwide.....	2,115	2,230	115

^a Includes 75 FTE in new building to be occupied September 1986.

^b Includes 56 FTE net increase in new Engineering Building to be occupied September 1985.

Future Needs. Enrollments in engineering are projected to continue to increase over the next six years. In the case of the three campuses (Fullerton, Sacramento and San Jose) for which new major projects are proposed in the Trustees' capital outlay program, enrollment is projected to increase by 951 FTE or 33.6 percent over 1983-84 budgeted levels. (The San Jose proposal is included in this analysis although the request was not approved by the Trustees in time to be considered for inclusion in the Governor's Budget.)

While enrollment is projected to increase substantially in engineering, total enrollment on these campuses is relatively stable. In fact, campus-wide enrollment at San Jose is expected to decline by 600 FTE over the next six years. Consequently, the anticipated growth in engineering reflects continuation of the shift in student demand away from other disciplines. Table 7 shows engineering and total enrollment planned for these three campuses assuming new engineering facilities are constructed by 1990.

Table 7
California State University
Projected Change in Enrollment
Campuswide and Engineering—Selected Campuses

Campus	Campuswide (FTE) ^a			Engineering (FTE) ^a		
	1984	1990	Change	1984	1990	Change
Fullerton.....	15,600	15,700	+100	727	1,010	+283
Sacramento.....	16,900	16,900	—	960	1,024	+64
San Jose.....	18,100	17,500	-600	1,410	2,014	+604
Totals.....	50,600	50,100	-500	2,825	4,048	+951

^a FTE includes lecture and laboratory budgeted enrollment.

Source: Data from the CSU Chancellor's Office, Physical Planning and Development Program Documents

How Much Should Engineering Enrollment Grow? The new proposals for engineering facilities will certainly assist these three campuses in meeting their projected program needs. The Legislature, however, must evaluate these educational needs within the context of systemwide program needs.

On a systemwide basis CSU is proposing that engineering facilities be constructed at three campuses to allow enrollment to grow by 951 FTE, representing 7 percent of the actual Fall 1983 systemwide engineering enrollment of 12,875 FTE (lecture and laboratory enrollment). This "need", however, was not identified in the Trustees Five Year Capital Outlay Program for 1984-85 through 1988-89. This program anticipated no new capacity in engineering except on the Long Beach Campus. No information has been provided to determine on an analytical basis, whether or not (1) this recent increase is warranted or (2) that the CSU requests will meet all projected "needs" in the future.

Thus, the Legislature must consider funding requests for major construction projects costing \$40.4 million (including San Jose) that individually meet campus needs but collectively may not address systemwide needs in the most efficient manner.

We believe the Legislature needs more information regarding the systemwide implications of these three requests for engineering space. Specifically, it needs information on:

- What changes have occurred since the time the Trustees adopted the 1984-85 Five Year Plan that warrant an increase in engineering space?
- What is the systemwide need for engineering space?
- What modifications/alterations are needed throughout the system to eliminate "obsolete" space and to improve the utilization of existing space assigned to engineering?
- What ratio of engineering enrollment to total enrollment is appropriate for each campus?

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

- Are sufficient qualified faculty available to accommodate the projected enrollment growth in engineering?
- What programmatic changes would allow better utilization of existing space—such as eliminating “technical” programs which are available at the community college level (welding, machine shop, etc.)

The answers to these questions would provide the Legislature with the information it needs to assess engineering space needs on a systemwide basis. In this assessment, the relative priority of specific projects will become more clearly defined. We therefore recommend that prior to budget hearings the CSU provide the Legislature with answers to the questions listed above.

Engineering Addition—Fullerton

We recommend deletion of Item 6610-301-146(8), \$321,000 for preliminary plans and working drawings for a new engineering building addition on the Fullerton campus because the project would result in excess campus capacity.

The budget includes \$321,000 for preliminary planning and working drawings for an engineering building addition on the Fullerton campus. The 31,500 asf building would include 18,250 asf for engineering laboratories, 8,640 asf in computer science laboratories, 2,860 asf for faculty offices and 1,750 asf for lecture space. The new facility would increase capacity on the Fullerton campus by 314 FTE. The estimated future cost for constructing and equipping the new facility is \$7,219,000.

The Fullerton campus has experienced a substantial increase in enrollment in engineering and computer sciences which is projected to continue for the next several years. Computer science enrollment has increased from 281 FTE in 1980 to 518 FTE in 1983, with 657 FTE projected for 1989. For engineering, 1980 enrollment was 485 FTE, 1983 enrollment was 761 FTE and enrollment in 1989 is projected at 1,110 FTE. *Despite the nearly tripling of enrollment in these disciplines, enrollment on the Fullerton campus is projected to remain stable at approximately 15,700 FTE.* Therefore, the recent and projected growth in these disciplines is a result of a shift in enrollment between disciplines, rather than an increase in campuswide enrollments.

Based on state space guidelines, the Fullerton campus has sufficient capacity to meet current and projected enrollment. Lecture capacity is at 100 percent of need while laboratory capacity is at 105 percent of need. Consequently, while the type of space existing on the Fullerton campus may not be optimum given the recent shift in enrollment to engineering and computer sciences, the amount of space is adequate. The CSU has not evaluated whether or not existing space that is no longer needed because of the shift in student demands can be reassigned and altered to meet the needs of engineering and computer science. We therefore recommend deletion of Item 6610-301-146(8), for a reduction of \$321,000.

Sacramento Engineering/Computer Science Addition

We recommend deletion of Item 6610-301-146(13), \$460,000 for preliminary plans and working drawings for a new Engineering/Computer Science addition on the Sacramento campus because this project would provide space in excess of the campus's needs based on state guidelines.

The budget includes \$460,000 for preliminary plans and working draw-

ings for a new Engineering/Computer Science addition on the Sacramento campus. The 47,147 asf facility consists of 5,700 asf in lecture space, 3,536 asf in undergraduate teaching laboratories, 7,994 asf for graduate research laboratories, 14,400 asf for 100 faculty offices, 5,300 asf for shop and storage facilities and 10,560 asf for noncapacity self-instruction computer laboratories. The estimated future cost for construction and equipment is \$10,809,000.

Our analysis of this request indicates that the amount of space requested for these activities is not justified.

Lecture Space Not Justified. The CSU indicates that the construction of this lecture space will allow the campus to vacate temporary facilities with a capacity of 572 FTE. This "temporary" lecture space, however, was addressed in a 1978 capital outlay project which was also designed to replace this temporary space. Consequently, the state has previously funded replacement of the temporary space. Moreover, recent data indicate that the Sacramento campus utilizes its classrooms an average of 49.8 hours per week. We find that the campus could abandon these temporaries now if utilization of existing permanent classrooms is increased to the state guideline of 53 hours per week.

Our analysis of the lecture space requested in this project given its current scope indicates that approval of project would result in *excess capacity* in lecture instruction space. According to current enrollment projections, the Sacramento campus is expected to maintain an enrollment of 14,602 FTE in lecture. Based on state space guidelines, the campus has a capacity of 14,623 FTE (including the 572 FTE capacity in temporary facilities) representing essentially 100 percent of need. Consequently the request to construct new permanent lecture capacity with 884 FTE results in surplus capacity of 334 FTE even if the temporary space is removed from campus. Given the steady-state enrollment at the Sacramento campus, the amount of lecture space included in the project is not justified.

Teaching Laboratory/Graduate Research Space Needs. Currently, the Sacramento campus has approximately 41,000 asf for engineering teaching laboratories and graduate research laboratories. The enrollment in engineering is stable, and no substantial increase is projected. Space guidelines indicate a need for 61,340 asf to house the current program. The existing space represents approximately 67 percent of need based on guidelines for this discipline. Similarly, the space needs in teaching laboratories and graduate research laboratory space in computer science total 2,300 square feet, whereas available space is only 904 asf, representing approximately 40 percent of the space needs.

Thus, in terms of these two disciplines, there is a shortage of laboratory space.

Campuswide, however, the reverse is true. This project would *add* capacity for an additional 22 FTE in upper-division laboratory and provide 100 percent of the need for graduate research space. The Sacramento campus has a current capacity for 1,021 FTE in laboratory mode of instruction, with a projected enrollment of 811 FTE, indicating a space *surplus* of 210 FTE (more than 25 percent) in laboratories. Construction of new space proposed in this project would increase capacity to 29 percent *over the need* as determined by existing state space on guidelines.

Given the existing surplus space, we see no basis for construction of additional space for laboratory instruction on the Sacramento campus. The campus needs to undertake a study of its current allocation of laboratory space to determine those disciplines which currently occupy space in

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

excess of the amount justified by enrollment. In this way, the campus may identify space which can be reassigned and altered to meet the current and projected laboratory space needs in engineering and computer science. This evaluation should also include renovation of existing space assigned to engineering because some of this space is obsolete given the recent changes in engineering instruction.

Faculty Offices. The CSU indicates a need for 971 faculty offices for the Sacramento campus based on steady-state enrollment. The available inventory totals 955 offices, with 107 of these offices located in temporary facilities. This project would provide 100 new permanent faculty offices which would allow the campus to abandon 84 of the temporary facilities. Upon completion of the project, the campus would continue to occupy 23 temporary faculty offices.

Our on-site review of campus facilities indicates that several campuses currently occupy temporary facilities which were constructed on the CSU campuses at a time when enrollment was increasing at a rapid rate. These temporary facilities are reaching the end of their useful life and need to be replaced. Consequently, recent and proposed projects at Fresno, San Francisco, and Long Beach address the need to replace temporary faculty offices with new permanent facilities. The CSU, however, has in the past requested funds to replace temporary facilities and then reassigned the temporary facilities to other non-capacity uses. If temporary facilities are inadequate for faculty offices and other instructional purposes, we see no basis for reassigning the space to other administrative functions.

On this basis, we recommend that the portion of the project for construction of new faculty offices be addressed in a revised proposal. The CSU should address two issues in this request. First, the CSU should indicate its plan to abandon the 84 temporary offices replaced by constructing permanent faculty offices. Second, the CSU should indicate its plan for abandoning the remaining 23 temporary faculty offices, which has not been addressed in the current project.

Self-Instruction Computer Laboratories are Costly. This proposal includes construction of 10,560 asf for self-instructional laboratories to support the academic program in computer science and engineering. No scheduled instruction would occur in these laboratories. Instead, students would use the facilities on a "drop-in" basis. The estimated total cost to construct and equip these spaces is approximately \$2.8 million.

The CSU has not developed any state standards on which to evaluate the need for providing additional self-instruction computer stations on the various campuses. The proposal for Sacramento is based on a projection that students enrolled in certain courses will need to use self-instruction computer laboratories for approximately three hours per week per class. No information is provided, however, to indicate whether or not this projection is validated by any systemwide experience on the campuses. Moreover, the state has provided funds in the past for self-instruction computer laboratories as an adjunct to the central campus computer center. It is not known to what extent the projected campuswide needs for self-instruction computer laboratories can be met by using these facilities.

Before the Legislature appropriates any significant amount of funds for expansion of self-instruction computer laboratories, particularly those to be devoted to specific disciplines, the CSU must develop a *systemwide* approach for assessing space needs for these laboratories. The *Supplemental Report of the 1984 Budget Act* included language directing that such

an assessment be undertaken. Until this assessment is completed we have no basis for evaluating the need for additional self-instruction computer laboratories.

Summary. Our review of the engineering/computer science addition indicates that the scope of this project needs to be revised substantially. A revised proposal which addresses the need for alterations, new permanent faculty offices, and a proposal for self-instruction laboratories consistent with some statewide planning guidelines (to be developed) would warrant consideration by the Legislature. As currently proposed, however, we have no basis on which to recommend approval of the project. We therefore recommend deletion of the funds requested in Item 6610-301-146 (13), for a reduction of \$460,000.

Pomona Music Building/Office Addition

We recommend deletion of Item 6610-301-146 (12), \$176,000 for preliminary plans and working drawings for a music building/office addition on the Pomona campus, because this campus has adequate space to meet future enrollment needs.

The budget includes \$176,000 for preliminary plans and working drawings to construct a music building and office addition on the Pomona campus. The project includes construction of approximately 10,000 asf consisting of music practice rooms, a recital hall, two music laboratories, and 50 faculty offices. The building would increase laboratory capacity on the campus by 29 FTE. The estimated future cost for construction and equipment is \$3,691,000.

According to the CSU Trustee's budget, enrollment on the Pomona campus has stabilized and will be maintained at 13,000 FTE students through 1990-91. Based on state space guidelines, the existing campus capacity in laboratory space exceeds projected enrollment by 132 FTE, or approximately 11 percent. Consequently, the amount of existing laboratory space on the Pomona campus is more than adequate to meet projected enrollment needs and construction of additional instructional and support space is not justified. Moreover, the campus can use the existing 500 seat little theater for music recitals.

The university should reevaluate its current assignment of space among disciplines, to determine where existing space can be redirected to better address programmatic space needs in specific disciplines, such as the music practice room and music laboratories proposed in this project.

Finally, the request for faculty offices should also be addressed through reassignment or retention of existing space assigned to faculty offices. The CSU indicates that the campus currently has sufficient faculty offices to meet its needs. This project would provide an additional 50 faculty offices which would allow the department to reassign 35 offices to other uses. Upon completion of the project, the campus would have a surplus of 15 offices. Consequently, the request for additional permanent faculty offices has not been justified.

For these reasons, we recommend that Item 6610-301-146 (12) be deleted, for a savings of \$176,000.

San Diego Life Science Building Renovation

We recommend deletion of Item 6610-301-146 (17), \$248,000 for preliminary plans and working drawings to rehabilitate the Life Science Building on the San Diego campus, because the CSU should evaluate abandoning the facility or reducing occupancy of the facility to within acceptable

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued***earthquake safety guidelines as established by the Seismic Safety Commission.***

The budget requests \$248,000 for preliminary plans and working drawing funds to rehabilitate the Life Science Building on the San Diego campus. The project includes structural upgrading of the building to meet current earthquake safety standards. In addition, the project would modernize instructional facilities in the building for Anthropology, Biology, Botany, Psychology and Zoology with a capacity of 948 FTE in lecture, 89 FTE in laboratory, and 29 faculty offices. The estimated future costs for construction of the building rehabilitation is \$3,375,000.

Our review of the projected enrollment for the San Diego campus indicates that there is a surplus of laboratory instructional space on this campus. The campus capacity would be over 100 percent of need without occupying this building. Consequently, upgrading of this facility to meet current earthquake requirements would perpetuate the excess capacity. The CSU should abandon this facility by relocating the instructional program to other buildings which currently are under-utilized. This would have the effect of eliminating the excess capacity on the campus at the lowest cost. Alternatively, the building could be retained and used in a less intensive manner. For example, the facility could be converted to meet campus needs for storage of seldom-used books or other low-occupancy use and substantially reduce the life safety risk in the building. Such a change in occupancy would be consistent with the Seismic Safety Commission's report on addressing seismic hazards in state buildings.

Consequently, substantial upgrading and modernization of the facility does not appear justified, and we therefore recommend deletion of the funds requested in Item 6610-301-146(17), for a reduction of \$248,000.

STATEWIDE PROJECTS**Preliminary Planning**

We recommend Item 6610-301-146(2), \$320,000 for statewide preliminary planning, be reduced to eliminate the \$180,000 augmentation, because the historical funding level of \$140,000 has proved sufficient to meet funding needs for project planning.

The budget includes \$320,000 to provide funds for advanced planning of projects that are expected to be included in the Governor's Budget for 1986-87. Traditionally, the budget includes preliminary planning funds so that the segments of higher education can develop preliminary plans for projects on behalf of which funding for either working drawings or working drawings and construction is likely to be included in the Governor's Budget for the following year. This request would continue this policy.

The amount requested for project planning represents a significant increase over the amount provided in the current year. The 1984-85 budget appropriated \$140,000 for preliminary planning, including planning of energy related projects. At the time this analysis was prepared, however, the Department of Finance had only authorized the expenditure of \$64,000 for the preparation of plans. Consequently, the amount approved in the current year budget appears to be more than sufficient to meet the CSU's planning needs.

The CSU capital outlay program for 1986-87 should not increase significantly from that proposed in 1985-86. Therefore, we see no basis for increasing the amount provided for this planning activity.

We therefore recommend an appropriation of \$140,000 under Item 6610-301-036 (2) to continue the same level of funding for this preliminary planning activity, for a savings of \$180,000.

Minor Capital Outlay Projects

We recommend that Item 6610-301-146(3) be reduced by \$2,500,000 to (1) delete funds for asbestos removal (\$1 million), because the request is premature, and (2) reduce the amount for general minor capital outlay project improvements (\$1,500,000) to reflect the funding level approved for 1984-85.

The budget requests \$8,000,000 for minor capital outlay projects (\$200,000 or less per project) for the various CSU campuses. The request represents a lump sum amount to be allocated by the Chancellor's Office to the 19 CSU campuses for general campus improvements other than energy conservation. In addition, the budget indicates that \$1 million of this amount is to be used for removal of asbestos hazards.

Asbestos Removal Request Premature. Our review of the detailed list of projects proposed to be undertaken in 1985-86 indicates that no projects for removal of asbestos are proposed. We have no information to indicate the basis for the requested \$1 million or the planned distribution of these funds. The CSU currently is undertaking a systemwide study of asbestos hazards to identify funding requirements for corrective measures on a campus-by-campus basis. Until the results of this study are known, the request is premature. We therefore recommend deletion of the \$1,000,000 requested for asbestos removal.

Reduction to Historical Level. The balance of the funds requested for minor capital outlay improvements represents a substantial increase in the amount provided in prior fiscal years. The 1984-85 budget appropriated \$5.5 million for projects for the various campuses. Prior year funding levels were substantially below this amount. We see no basis for increasing the amount previously approved by the Legislature.

Moreover, our review of the projects that CSU proposes to finance indicates that (1) many projects are not needed, (2) the projects are low-priority in comparison to other academic needs, or (3) alternative funding sources should be used to finance the improvements. Examples include several projects to construction storage space where campuses have excess space, improvements to multimedia space which are too costly, air conditioning of existing buildings, and improvements to buildings which may be remodeled under a major project.

For these reasons, we recommend a total reduction of \$2,500,000 in Item 6610-301-146 (3) to delete funds for asbestos removal and reduce the minor capital outlay program to the historical level, eliminating low-priority projects.

Overbudgeted Construction Funds

We recommend that the amounts approved for construction in Items 6610-301-146 and 6610-301-525 be reduced by 3 percent to eliminate over-budgeting of construction costs.

The Governor's Budget requests \$41 million for the construction phase of capital outlay projects in 1985-86. This amount is based on the level of the construction cost index anticipated for July 1, 1985. At the time the index was projected, the level appeared to be reasonable. The inflation rate, however, has not increased as anticipated. Using the most recent indices, adjusted by the currently expected inflation rate of about ½ per-

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

cent per month, construction costs in the budget are overstated by approximately 3 percent. We therefore recommend that any funds approved for construction under this item be reduced by 3 percent to eliminate over-budgeting.

Supplemental Report Language

For purposes 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.

CALIFORNIA MARITIME ACADEMY

Item 6860 from the General Fund, the Federal Trust Fund, and the Continuing Education Revenue Fund

Budget p. E 134

Requested 1985-86	\$5,359,000
Estimated 1984-85	5,027,000
Actual 1983-84	3,532,000
Requested increase (excluding amount for salary increases) \$332,000 (+6.6 percent)	
Total recommended reduction	102,000
Recommendation pending	Unknown

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6860-001-001—CMA, support	General	\$5,359,000
6860-001-519—CMA, support	Continuing Education	(271,000)
6860-001-890—CMA, support	Federal Trust	(389,000)

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. **Resident Student Fees.** Withhold recommendation on resident student fees, pending reviewing of the California Postsecondary Education Commission's final report on student fees at CMA. 1378
2. **Nonresident Student Fees.** Reduce Item 6860-001-001 by \$15,000. Recommend that CMA be directed to increase nonresident tuition by 10 percent because the fee proposed in the budget is significantly below the level called for by the academy's own policy of basing nonresident tuition on the costs of instruction. 1379
3. **Room and Board Fees.** Reduce Item 6860-001-001 by \$87,000. Recommend that CMA be directed to increase room and board fees by 7.9 percent and 5.0 percent, respectively, to reflect projected increases in the costs of providing these services. 1380

GENERAL PROGRAM STATEMENT

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

The CMA is governed by an independent seven-member board appointed by the Governor for four-year terms. The academy has 435 students and 135.1 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests an appropriation of \$5,359,000 from the General Fund for support of the CMA in 1985-86. This amount is \$332,000, or 6.6 percent, higher than estimated General Fund expenditures in the current year. The increase will grow by the amount of any salary or staff benefit increase approved for the budget year. Table 1 summarizes expenditures and funding sources for the academy in the prior, current, and budget years.

The budget anticipates that the academy will receive \$389,000 in federal funds during 1985-86. These funds are provided primarily for student financial aid.

Table 1
California Maritime Academy
Budget Summary
1983-84 through 1985-86
(dollars in thousands)

	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change	
				Amount	Percent
Instruction	\$2,509	\$2,891	\$3,371	\$480	16.6%
Academic Support	1,448	1,825	1,745	-80	-4.4
Student Services	2,579	3,101	2,986	-115	-3.7
Unallocated Reduction	—	—	-25	-25	NA
Administration ^a	(2,527)	(3,026)	(2,603)	(-423)	(-14.0)
Totals	\$6,536	\$7,817	\$8,077	\$260	3.3%
General Fund	\$3,532	\$5,027	\$5,359	\$332	6.6%
Capital Outlay Fund for Public Higher Education	177	—	—	—	—
Continuing Education Revenue Fund	—	138	271	133	96.4
Federal Trust Fund	783	649	389	-260	-40.1
Reimbursements	2,044	2,003	2,058	55	2.7
Personnel-years	131.9	135.1	135.1	—	—

^a Administrative costs are prorated among the other budget categories.

Table 2 shows the factors that account for the change in the CMA's planned expenditures between the current and budget years. The table shows that the proposed General Fund augmentation is primarily for equipment and gymnasium repairs.

We recommend approval of the proposed program changes, as listed below:

- \$213,000 for new equipment, including \$100,000 to purchase a diesel engine for laboratory instruction;
- \$207,000 for repairs to the campus gymnasium;

CALIFORNIA MARITIME ACADEMY—Continued

Table 2
California Maritime Academy
Proposed General Fund Budget Adjustments
(dollars in thousands)

1984-85 Expenditures (Revised)		\$5,027
Changes to Maintain Existing Budget		-133
1. Inflation adjustment.....	\$102	
2. Merit salary adjustment	47	
3. Enrollment shift	45	
4. Fuel oil	182	
5. Nonrecurring costs	-583	
6. Miscellaneous	74	
Budget Change Proposals		465
1. Equipment	213	
2. Gymnasium repair	207	
3. Miscellaneous	45	
1985-86 Expenditures (Proposed)		\$5,359
Change From 1984-85:		
Amount.....		\$332
Percent.....		6.6%

- \$28,000 for miscellaneous special repairs;
- \$10,000 for legal services associated with personnel grievances;
- \$7,000 for faculty professional development expenses; and
- \$129,000 to expand the academy's continuing education program, a self-supporting activity funded by fees.

Merit Salary and Price Increases Not Fully Funded

The budget proposes no funding for nonfaculty merit salary and inflation adjustments that normally would be provided in 1985-86. Presumably, these costs, which we estimate at \$25,000, will be financed by diverting funds budgeted for other purposes.

ANALYSIS AND RECOMMENDATIONS**Tuition and Fees**

We withhold recommendation on resident student fees at the California Maritime Academy, pending review of the California Postsecondary Education Commission's report on CMA student fees.

Table 3 shows tuition and other fee levels for resident students at CMA in effect or proposed for the period 1982-83 through 1985-86.

Table 3
California Maritime Academy
Tuition and Fee Levels for Resident Students
1982-83 through 1985-86

	1982-83	1983-84	1984-85	Proposed 1985-86
Tuition (Student Services/Education)	\$695 ^a	\$645	\$645	\$645
Medical	126	159	162	162
Health insurance	273	285	185	185
Athletic	45	45	55	55
Service and activity	85	85	85	85
Other ^b	40	40	31	31
Totals	\$1,264	\$1,259	\$1,163	\$1,163

^a Includes one-time \$50 surcharge.

^b Includes life insurance and cruise fees.

As the table shows, the budget proposes no changes in CMA student fees from the current-year level.

The *Supplemental Report of the Budget Act of 1984* directed the California Postsecondary Education Commission (CPEC) to conduct a study of student fee policies at CMA and to recommend a policy to the Legislature by March 15, 1985. In response to this directive, CPEC has issued a draft report which proposes a methodology for use in setting fees at the CMA. If adopted, this policy would require a 7.4 percent increase in mandatory fees (student services, education, and medical fees) for resident students in 1985-86. This would raise these fees from \$807 to \$867, an increase of \$60 over the current year.

Because the CPEC's report is still in draft, it is possible that the methodology for setting fees recommended by the commission will be different from the one summarized above. Consequently, it would be premature for us to make a recommendation on fees for resident students at this time. Accordingly, we withhold recommendation, pending review of CPEC's final report.

Nonresident Tuition Should Be Increased

We recommend that the Legislature (1) adopt supplemental report language directing CMA to increase nonresident tuition annually by 10 percent until the tuition level is consistent with what the academy's established policy calls for, and (2) increase reimbursements and reduce the General Fund appropriation by \$15,000. (Reduce Item 6860-001-001 by \$15,000.)

Pursuant to the *Supplemental Report of the 1981 Budget Act*, CMA adopted a policy on nonresident tuition levels. Under this policy, tuition is based on specified components of instructional costs, adjusted for federal subsidies to nonresident students.

As Table 4 shows, *the academy has not adhered to its own adopted policy.*

Table 4
California Maritime Academy
Nonresident Tuition and Enrollment
1982-83 through 1985-86

	<i>Actual</i>			<i>Proposed</i> 1985-86
	<i>1982-83</i>	<i>1983-84</i>	<i>1984-85</i>	
Nonresident tuition	\$2,447	\$2,463	\$2,463	\$2,463
Tuition called for by CMA's adopted policy	2,397	^a	3,483	4,952
Nonresident enrollment.....	60	83	73	61

^a CMA did not provide an estimate for 1983-84.

The academy indicates that adherence to the policy methodology it adopted in response to the Legislature's 1981 directive would have resulted in excessively large increases in nonresident tuition in the prior, current, and budget years. This, the academy maintains, would have led to a reduction in enrollment of nonresident students, thereby jeopardizing

CALIFORNIA MARITIME ACADEMY—Continued

a \$75,000 federal subsidy provided to the CMA. This subsidy is conditioned upon an agreement by the academy "to admit student residents of other states to the extent of at least ten percent (10%) of each entering class, if such out-of-state students apply for admission and are otherwise qualified for such admission."

There are two defects in the academy's explanation of why it decided not to comply with its own adopted policy. First, even if the policy would have required "excessively large increases" in tuition, this hardly explains why the academy chose instead to increase tuition by *less than 1 percent* in 1983-84, and has proposed *no increase* for either the current or budget years.

Second, the academy appears to have misinterpreted the condition on which the federal subsidy depends. This applicable federal regulation, quoted above, indicates that it is the academy's willingness to admit all qualified nonresident applicants *who apply*, up to 10 percent of each entering class, which is the test of compliance—not the number of nonresidents actually admitted. If the academy admitted all qualified students who apply but fell short of the 10 percent level, it presumably would be in compliance with the regulations. It follows, therefore, that an increase in the nonresident tuition could not possibly lead to denial of the subsidy. (Currently, nonresident students comprise 16 percent of total CMA enrollment.)

Further, note that nonresident tuition levels at the California State University and the University of California are substantially higher than CMA's, and the Governor's Budget proposes to increase these levels still further in 1985-86. Specifically, the budget proposes to increase nonresident tuition from \$3,510 to \$3,780 at the CSU, and from \$3,564 to \$3,816 at the UC.

We recognize that catch-up increases in nonresident tuition, if imposed in a single year, would create a hardship for the affected students. Consequently, we recommend that the Legislature adopt supplemental report language directing the CMA to increase its nonresident tuition by 10 percent annually (the maximum permitted by CPEC's proposed policy), until nonresident tuition has reached the level called for by the academy's policy. This would result in a nonresident tuition of \$2,709 in 1985-86, an increase of \$246 over the current-year level. Reimbursements would increase by an estimated \$15,000, permitting a corresponding General Fund reduction.

To implement our recommendation, we recommend that the Legislature adopt the following supplemental report language:

"CMA shall, beginning in 1985-86, increase nonresident tuition annually by 10 percent, until the level of nonresident tuition is consistent with the level called for by the methodology described in the academy's 1982 report to the Legislature on nonresident tuition."

Room and Board Fees Should be Increased

We recommend that the Legislature (1) adopt supplemental report language directing CMA to increase room and board charges sufficiently to cover projected increases in dormitory operating and food costs, and (2) increase reimbursements and reduce the General Fund appropriation by \$87,000. (Reduce Item 6860-001-001 by \$87,000.)

All CMA students reside in campus dormitories for 11 months each year.

Table 5 shows the room and board fees currently paid by the students and the annual increases in these fees since 1982-83.

Table 5
CMA Room and Board Fees
1982-83 through 1985-86

	1982-83	1983-84	Percent Increase	1984-85	Percent Increase	Governor's Budget Proposal	
						1985-86	Percent Increase
Room	\$1,005	\$1,050	4.5%	\$1,123	7.0%	\$1,123	—
Board	2,010	2,109	4.9	2,256	7.0	2,256	—

Normally, CMA increases student fees for room and board to cover projected increases in food and dormitory operating costs. Pursuant to a request by CMA, however, the budget proposes that room and board charges be held constant in 1985-86, pending a study of housing and food operating costs. This study is to be completed by the academy during the summer.

Until a better basis for setting these fees has been identified, we believe the academy should continue to increase fees in line with the increased costs incurred in feeding and housing academy students. This policy provides a reasonable basis for setting room and board fees. We also note that the academy's room and board fees in the current year are in line with those charged by UC and CSU campuses, when expressed on a monthly basis.

We therefore recommend that the Legislature direct the CMA to increase room and board fees in 1985-86 in order to cover the projected increase in dormitory and food costs. Because the academy did not provide information on the projected increases in food and dormitory operating costs during 1985-86, we recommend that the academy's budget be adjusted using the increases in electricity and gas (7.9 percent average) and food (5.0 percent) projected by the Department of Finance. This would result in increases of \$88 and \$112 in room and board charges, respectively. These increases would produce \$87,000 in additional reimbursements, and permit a corresponding savings to the General Fund.

To implement our recommendation, we recommend that the Legislature adopt the following supplemental report language:

"CMA shall increase student fees for room and board in 1985-86 to \$1,211 and \$2,368, respectively."

Status of the Continuing Education Revenue Fund (Item 6860-001-519)

We recommend approval.

Chapter 1181, Statutes of 1983, established the Continuing Education Revenue Fund (CERF) for CMA's extension program, and directed the Legislative Analyst to report on the fund's fiscal condition in the *Analysis of the 1985-86 Budget Bill*.

The academy established its Department of Continuing Maritime Education in 1974 to conduct courses for adult education in maritime vocational and technical training. Courses are offered primarily during evenings and weekends, and are funded by student fees.

The academy implemented the Continuing Education Revenue Fund in 1984-85. Table 6 summarizes the fund's condition. (The table differs

CALIFORNIA MARITIME ACADEMY—Continued

from the CERF table in the Governor's Budget, due to a revision that occurred too late to incorporate in the budget document.)

Table 6
CMA Continuing Education Revenue Fund
1984-85 through 1985-86
(dollars in thousands)

	<i>Estimated</i> 1984-85	<i>Proposed</i> 1985-86
Beginning reserves	\$95	\$95
Revenues	212	245
Total Resources	\$307	\$340
Expenditures	212	271
Year-End Reserves.....	\$95	\$69

The General Fund is reimbursed from the Continuing Education Revenue Fund for the cost of the continuing education program. According to the academy's budget projections, the General Fund will be fully reimbursed for these costs in the current and budget years.

As Table 6 shows, the budget proposes expenditures of \$271,000 for the continuing education program in 1985-86, and projects revenues from student fees of \$245,000, thus requiring the academy to use \$26,000 of its CERF reserves to finance proposed expenditures. This would reduce reserves to \$69,000 at the end of 1985-86.

Because part of the proposed expenditures are of a nonrecurring or short-term nature, the projected revenues are approximately in balance with ongoing expenditures. Consequently, the academy should be able to continue to operate the continuing education program on a self-supporting basis, provided student fees are set at an appropriate level.

Federal Trust Fund (Item 6860-001-890)*We recommend approval.*

The budget proposes an appropriation of \$389,000 from the Federal Trust Fund to provide financial aid to CMA students. Our analysis indicates that these expenditures are justified.

CALIFORNIA MARITIME ACADEMY—CAPITAL OUTLAY

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

Budget p. E 139

Requested 1985-86	\$295,000
Recommended reduction	80,000
Recommendation pending	215,000

ANALYSIS AND RECOMMENDATIONS**Minor Capital Outlay**

We recommend that Item 6860-301-146(1) be reduced by \$80,000 to delete funding for one project which should be funded on a priority basis from the support budget. We withhold recommendation on \$215,000 requested for two projects, pending receipt of additional cost information.

The budget includes \$295,000 under Item 6860-301-146(1) for three minor capital outlay projects for the California Maritime Academy. Specifically, the budget includes, (1) \$80,000 to re-roof and insulate the engineering laboratory, (2) \$39,000 to complete a three-year project to install fire-rated doors in the academy residence hall, and (3) \$176,000 to construct a 1,500 square foot addition to the administration building.

Repair/Insulate Roof, Engineering Building. The budget includes \$80,000 to install a new roof with insulation on the academy's engineering building. The academy maintains that this project will repair roof leaks and save energy.

This work is of a repair nature and should be budgeted, on a priority basis, through the academy's support/operations budget. Moreover, the energy savings estimated by the academy is too high. It assumes that the engineering building will be heated *24 hours per day* for the entire academic year. The academy could realize a major savings in energy usage by administratively reducing the temperature maintained in the engineering building when it is not occupied. Once this action has been taken, the academy should reevaluate the benefits of insulation and, if it is found to be cost-effective, install the insulation in connection with the roof repair project. Under any circumstance, however, the project is a *maintenance* problem that should be funded on a priority basis through the academy's support/operations budget.

Cost Estimates Are Inadequate. The cost estimates provided by the academy for the remaining two projects included under this item contain no information showing how the amounts were derived. Consequently, we withhold recommendation on the balance of the funding requested in this item, pending receipt of additional information to justify the cost estimates.

CALIFORNIA COMMUNITY COLLEGES

Item 6870 from the General

Fund and various funds

Budget p. E 140

Requested 1985-86.....	\$1,157,504,000
Estimated 1984-85.....	1,117,196,000
Actual 1983-84.....	1,067,274,000
Requested increase (excluding amount for salary increases) \$40,308,000 (+3.6 percent)	
Total recommended reduction	7,715,000
Recommendation pending	31,700,000

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6870-001-001—CCC Board Support	General	\$6,089,000
6870-001-165—CCC, Community College Credentials	Credentials	(544,000)
6870-101-001—CCC, Local Assistance	General	1,151,415,000
6870-101-909—CCC, Instructional Improvement	Instructional Improvement	(467,000)
Total		\$1,157,504,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. **Apportionments. Reduce Item 6870-101-001 by \$7,100,000.** Recommend reduction because the amount proposed to fund ADA growth exceeds projected requirements. 1392
2. **Apportionments. Withhold recommendation on \$31.7 million requested to fund districts experiencing ADA losses, pending receipt of a plan to allocate the funds.** 1393
3. **Transfer Centers. Recommend adoption of Budget Bill language requiring CPEC to approve a coordinated plan for selecting and operating transfer centers before funds appropriated to support these centers can be expended.** 1395
4. **Transfer Centers. Increase Item 6870-001-001 by \$150,000.** Recommend augmentation to develop and administer project ASSIST to coordinate the transfer function. 1395
5. **In-Service Training Programs. Reduce Item 6870-101-001 by \$765,000.** Recommend reduction because expansion of these programs would be premature. 1401
6. **Chancellor's Discretionary Funds. Recommend adoption of supplemental report language specifying that the unallocated funds provided for 1985-86 be incorporated into the Chancellor's Office budget for 1986-87 and not be considered an ongoing, undesignated support item.** 1404

GENERAL PROGRAM STATEMENT

In 1985-86, the California Community Colleges (CCC) 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 (which signify a level of accomplishment that is roughly equivalent to the first two years of

college), occupational certificates and credentials, remedial and basic skills instruction, citizenship instruction, and fee-supported community service instruction. Any high school graduate or citizen over 18 years old may attend a community college.

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 145.3 full-time equivalent positions for the current year.

A. Enrollment

Table 1 shows fall student enrollment in the community colleges since 1978, as reported by the Chancellor's Office and the Department of Finance. The table indicates that of the 1.1 million community college students in the current year, 1.0 million (88 percent) will participate in credit programs while the remaining 131,044 students (12 percent) will participate in noncredit programs.

Table 1
California Community Colleges
Fall Student Enrollment
1978 to 1984

	<i>Credit</i>	<i>Noncredit</i>	<i>Totals</i>	<i>Percent Change</i>
1978.....	1,048,756	111,063	1,159,819	—
1979.....	1,100,681	147,778	1,248,459	7.6%
1980.....	1,189,976	193,260	1,383,236	10.8
1981.....	1,254,360	177,164	1,431,524	3.5
1982.....	1,192,920	162,062	1,354,982	-5.3
1983.....	1,090,224	148,111	1,238,335	-8.6
1984.....	1,003,803	131,044	1,134,847	-8.4
1985.....	1,056,130	156,160	1,212,290	6.8

OVERVIEW OF THE BUDGET REQUEST

A. Total Support for Community Colleges

As shown in Table 2, the Governor's Budget projects total revenue of \$2,121 million for the support of the community college system in 1985-86—an increase of \$130 million, or 6.5 percent, over estimated revenues in the current year. Of the total, \$1,179 million would come from state funding sources and the remainder would come from local revenues (\$515 million), federal funds which flow directly to community college districts (\$92 million), mandatory student fees (\$69 million), state lottery revenues (\$36 million), and other sources (\$230 million).

B. Summary of Changes From 1984-85 to 1985-86

Table 3 shows the components of the \$130 million increase in community college support proposed for 1985-86, by funding source.

Baseline adjustments account for a reduction of \$37,966,000. This reduction primarily reflects General Fund reductions of \$85.7 million, partially offset by an increase of \$47.1 million in property tax revenues. The major General Fund reductions proposed in the budget include: \$36.6 million to reflect enrollment declines, \$5.0 million due to lower-than-expected utilization of student financial assistance, and \$47.1 million to reflect increased

CALIFORNIA COMMUNITY COLLEGES—Continued

Table 2
California Community Colleges
Total Support From All Sources
1983-84 through 1985-86
(dollars in millions)

	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change From 1984-85 to 1985-86	
				Amount	Percent
1. State Support:					
State operations	\$6.8	\$9.0	\$9.1	\$0.1	1.1%
Categoricals programs	62.7	88.8	86.2	-2.7	-2.9
Apportionments	1,012.0	1,030.4	1,083.2	52.8	5.1
Subtotals, State	\$1,081.5	\$1,128.2	\$1,178.5	\$50.3	4.5%
2. Local Support:					
Property taxes	\$384.4	\$429.4	\$476.8	\$47.4	11.0%
Subventions	14.9	14.9	14.9	0.0	0.0
Local debt	23.8	23.4	23.1	-0.3	-1.3
Subtotals, Local	\$423.1	\$467.7	\$514.8	\$47.1	10.1%
Subtotals, State and Local	\$1,504.6	\$1,595.9	\$1,693.3	\$97.4	6.1%
3. Federal Support	\$102.0	\$97.0	\$92.0	-\$5.0	-5.1%
4. Other Revenues	230.2	230.2	230.2	0.0	0.0
5. Fees	—	68.0	69.2	1.2	1.8
6. Lottery Revenues	—	—	36.0	36.0	N/A
Totals	\$1,836.8	\$1,991.1	\$2,120.6	\$129.5	6.5%
Funding Sources:					
General Fund	\$1,067.3	\$1,117.2	\$1,167.5	\$50.3	4.5%
COFPHE	4.0	—	—	—	—
Other State/Reimbursements	10.3	11.0	11.0	0.0	0.0
Local	423.1	467.7	514.8	47.1	10.1
Federal	102.0	97.0	92.0	-5.0	-5.2
Other/Fees/Lottery	230.2	298.2	335.3	37.1	12.4

revenues from local property taxes (these local revenues offset General Fund requirements on a dollar-for-dollar basis).

The budget for 1985-86 requests increases totaling \$167.5 million through *budget change proposals*. This amount consists of increases from the General Fund (\$136.0 million), lottery revenues (\$36.0 million), and other revenues (\$531,000), partially offset by a decrease in federal funds (\$5 million). The major proposed increases calling for General Fund support are:

- \$129.9 million to fund (1) cost-of-living adjustments for community college apportionments, (2) ADA growth, (3) equalization aid, and (4) a one-time adjustment;
- \$2 million to expand employer-based training programs;
- \$1.9 million for 20 transfer centers at selected community colleges and for associated administrative costs of the Chancellor's Office; and
- \$1.5 million for in-service training programs established by Ch 1662/84.

The budget proposal does not include any funds for the estimated cost of merit salary increases (\$58,000 in 1985-86) or inflation adjustments for operating expenses and equipment (\$59,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

Table 3
California Community Colleges
Summary of Changes from 1984-85 to 1985-86
By Funding Source
(dollars in thousands)

	Funding Sources					Totals
	General Fund	Lottery Revenues	Federal Funds	Local Revenues	Other	
1984-85 Expenditures (revised)	\$1,117,196	—	\$97,000	\$467,700	\$309,204	\$1,991,100
A. Baseline Adjustments:	-85,728	—	—	47,100	662	-37,966
1. Enrollment.....	(-36,620)	—	—	—	—	—
2. Local revenue shortfall....	(6,940)	—	—	—	—	—
3. Student financial aid	(-5,000)	—	—	—	—	—
4. Fee revenue	—	—	—	—	(1,224)	—
5. Job Training Partnership Act.....	—	—	—	—	(-562)	—
6. Transfers from local assistance	(-265)	—	—	—	—	—
7. Fee impact study-second year	(-130)	—	—	—	—	—
8. Property tax offset and others	(-50,653)	—	—	(47,100)	—	—
B. Budget Change Proposals	\$136,036	\$35,967	-\$5,000	—	\$531	\$167,534
1. Job Training Partnership Act.....	—	—	—	—	(450)	—
2. Office automation	(218)	—	—	—	—	—
3. EOPS and HSPS services	(151)	—	—	—	—	—
4. Transfer centers	(1,873)	—	—	—	—	—
5. CO-TOP	—	—	—	—	(81)	—
6. In-Service Training	(1,500)	—	—	—	—	—
7. Employer based training	(2,000)	—	—	—	—	—
8. Local assistance.....	(129,922)	—	—	—	—	—
9. Lottery revenue	—	(35,967)	—	—	—	—
10. Other.....	(372)	—	(-5,000)	—	—	—
1985-86 Expenditures.....	\$1,167,504	\$35,967	\$92,000	\$514,800	\$310,397	\$2,120,668
(proposed)						
Change from 1984-85:						
Amount	\$50,308	\$35,967	-\$5,000	\$47,100	\$1,193	\$129,568
Percent	4.5%	N/A	-5.2%	10.1%	0.4%	6.5%

C. Ten-Year Funding History

a. Total Community College Revenues

Table 4 and Chart 1 display total funding for the California Community Colleges, by funding source, for the 10 years 1976-77 to 1985-86. The principal funding sources identified in the table are as follows:

- **Local Property Tax Levies**—revenues raised by the tax on real property. The amount displayed also includes revenues from state property tax subventions and local debt service.
- **State Aid**—community college revenues provided from the state General Fund and special funds.
- **Federal Aid**—all community college revenues received from the federal government.
- **Other**—combined state/federal grants, income from the sale of property and supplies, interest income, fees for community service courses, lottery revenues, and other miscellaneous income.
- **Mandatory Student Fees**—revenues received from the mandatory student fee imposed by Ch 1xx/84.

Table 4
California Community Colleges
Total Revenues^a
(dollars in millions)

	Local Property Tax ^b	State Aid	Federal Aid	Mandatory		Total Funding	Average Daily Attendance	Total Funding		1976-77 Dollars ^d	
				Student Fees	Other ^c			Per ADA	Percent Change	Per ADA	Percent Change
1976-77.....	\$668.0	\$484.2	\$103.1	—	\$110.7	\$1,366.0	721,884	\$1,892	—	\$1,892	—
1977-78.....	778.1	524.7	115.7	—	96.7	1,515.2	718,303	2,109	11.5%	1,964	3.8%
1978-79.....	360.8	839.8	99.5	—	120.9	1,421.0	635,372	2,237	6.0	1,923	-2.1
1979-80.....	295.4	1,027.0	121.8	—	164.6	1,608.8	670,623	2,399	7.3	1,880	-2.2
1980-81.....	347.8	1,119.5	138.3	—	201.4	1,807.0	725,514	2,491	3.8	1,781	-5.2
1981-82.....	416.4	1,104.3	116.0	—	228.0	1,864.7	750,715	2,484	-3	1,648	-7.5
1982-83.....	413.8	1,086.5	104.5	—	230.2	1,835.0	728,856	2,518	1.4	1,566	-5.0
1983-84 (Estimated)	423.1	1,074.7	102.0	—	230.2	1,830.0	665,166	2,751	9.3	1,611	2.9
1984-85 (Estimated)	467.7	1,119.2	97.0	\$68.0	230.2	1,982.1	640,690	3,094	12.4	1,712	6.3
1985-86 (Proposed)	514.8	1,169.3	92.0	69.2	266.2	2,111.5	652,000	3,239	4.7	1,696	-1.0
<i>Cumulative Change</i>											
Amount	-\$153.2	\$685.1	-\$11.1	NA	\$155.5	\$745.5	-69,884	\$1,347	—	-\$196	—
Percent	-22.9%	141.5%	-10.8%	NA	140.5%	54.6%	-9.7%	71.2%	—	-10.4%	—

Source: *Financial Transactions of School Districts, Governor's Budget* (various years).

^a Excludes funding for the Chancellor's Office.

^b Includes state property tax subventions and local debt.

^c Includes combined state/federal grants, county income, food service revenues, fees for community service courses, nonresident tuition revenues, lottery revenues, and other miscellaneous revenues.

^d Adjusted by the GNP deflator for state and local government purchases.

Table 4 shows that total funding for the California Community Colleges is proposed to increase from \$1,366 million in 1976-77 to \$2,112 million in 1985-86. This is an increase of \$746 million, or 55 percent, over the 10-year period. Support from two of the five funding sources shows an increase over the 10-year period:

- State aid—up 142 percent to \$1,169 million, and
- Other revenues—up 141 percent to \$266 million.

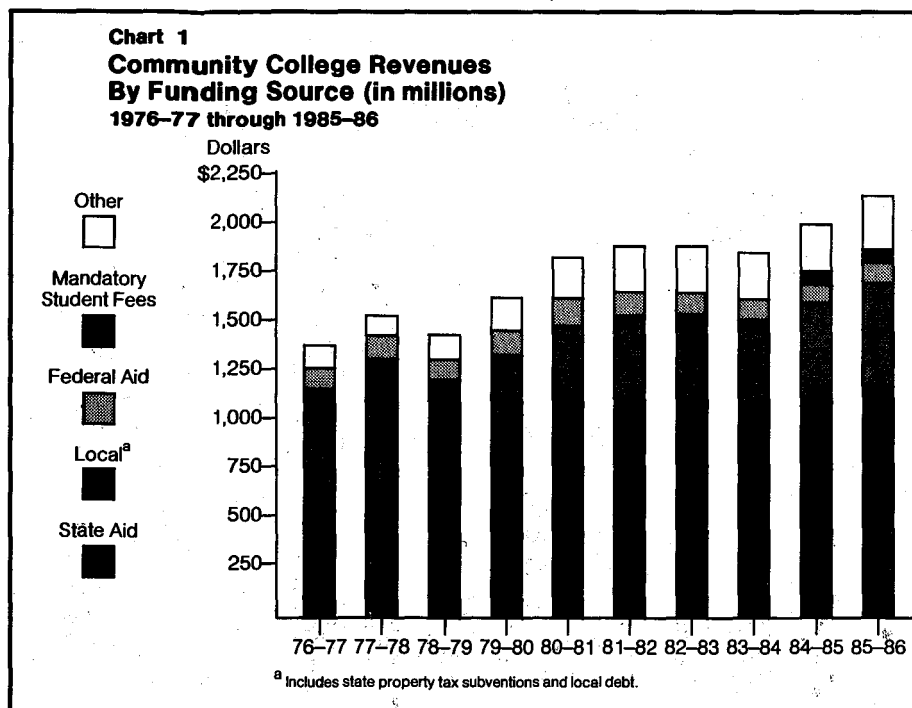
Two other funding sources are expected to provide less support in 1985-86 than they did in 1976-77:

- Federal aid—down 11 percent to \$92 million, and
- Local property tax revenues—down 23 percent to \$515 million.

The other funding source—mandatory student fees—has been in existence only since 1984-85.

The decline in local property tax revenues between 1977-78 and 1978-79 was due to the effects of Proposition 13, which was approved by the voters on June 6, 1978, while the corresponding increase in state aid resulted from the enactment of SB 154 and AB 8. The increases in other revenue reflect, in large part, interest income earned by community colleges on invested balances, and in 1985-86, revenues anticipated from the state lottery.

Community college average daily attendance fluctuated widely over the 10-year period. It dropped to a low of 635,372 in 1978-79, and then



CALIFORNIA COMMUNITY COLLEGES—Continued

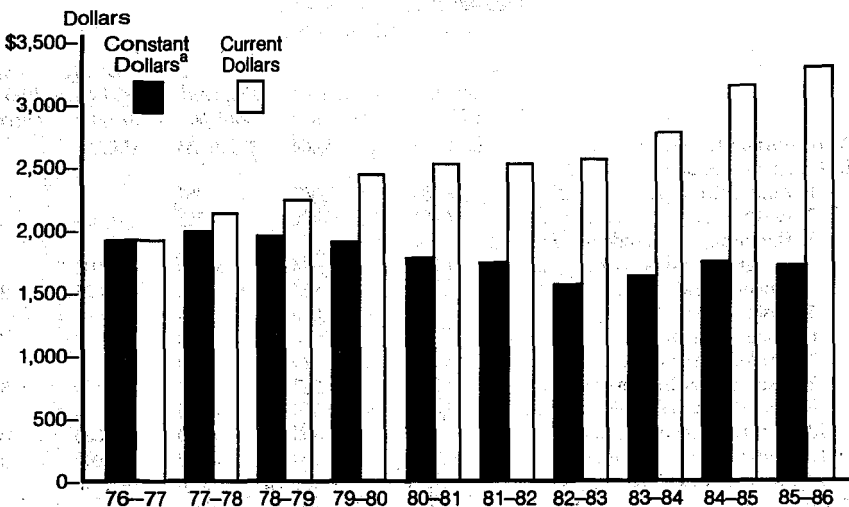
climbed to 750,715 in 1981-82. Since 1981-82, ADA has declined steadily, and is estimated to be 640,690 in the current year. The Governor's Budget projects an ADA level of 652,000 in 1985-86, 9.7 percent below the 1976-77 level of 721,884, but 11,310 (1.8 percent) above the current-year level.

b. Revenues Per ADA

Table 4 and Chart 2 display per-pupil 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). The table and chart show per-pupil funding in current dollars increasing by 71 percent during the 10-year period, from \$1,892 to \$3,239. This is an increase of \$1,347.

When per-pupil expenditures are adjusted for the effects of inflation, however, it can be seen that purchasing power per ADA has actually declined since 1976-77. The table shows that community college funding per pupil, which was \$1,892 in 1976-77, will have fallen to \$1,696 by 1985-86, after adjusting for the effects of inflation. This is a decline of 10.4 percent, or \$196 per pupil. Per-pupil funding in constant dollars reached a peak of \$1,964 in 1977-78 and fell steadily to a low of \$1,556 in 1982-83. We estimate that if the Governor's Budget is approved, per-pupil funding in constant dollars will decline 1 percent between 1984-85 and 1985-86.

Chart 2
Community College Funding Per Pupil
in Constant and Current Dollars
1976-77 through 1985-86



ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following proposed program changes which are not discussed elsewhere in this analysis:

- An increase of \$245,000 requested for an assistant chancellor position, an accountant position, staff to administer the transfer center initiative, and contract services to coordinate the Foster Parent Training program.
- An increase of \$2,165,000 requested to fund workload and inflation adjustments in two programs—the Extended Opportunity Programs and Services (EOPS) and the Handicapped Student Program and Services (HSPS).
- An increase of \$243,000 requested to fund the first year of a two-year program to automate the data processing functions of the Chancellor's Office and to study the office's information needs.
- An increase of \$325,000 requested to support administrative and research activities associated with the mandatory student fee.
- An increase of \$2,000,000 requested to fund an expansion of the Employer-Based Training program.

I. LOCAL ASSISTANCE TO COMMUNITY COLLEGES (6870-101-001)

The local assistance portion of the budget for the community colleges has two components—community college apportionments and categorical aid programs. The major categorical aid programs include the Extended Opportunity Programs and Services (EOPS), Handicapped Student Program and Services (HSPS), deferred maintenance/special repairs, and student financial aid.

Table 5
California Community Colleges
Appropriations for Local Assistance
1983-84 through 1985-86
(dollars in thousands)

	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change From 1984-85 to 1985-86	
				Amount	Percent
A. Base Apportionments.....	\$1,010,013	\$1,028,464	\$1,079,285	\$50,821	4.9%
B. Categorical Support:					
1. Apprenticeship	8,984	9,967	9,967	—	—
2. EOPS.....	24,691	26,732	27,782	1,069	4.0
3. Handicapped Student Pro- grams and Services	21,794	23,634	24,579	945	4.0
4. Financial Aid.....	—	14,825	10,000	-4,825	-32.4
5. Foster Parent Training.....	—	1,000	—	-1,000	-100.0
6. Transfer Centers	—	—	1,800	1,800	NA
7. Academic Senate	68	70	70	—	—
8. Instructional Improvement.....	877	967	467	-500	-51.7
9. Voc. Ed Special Project	2,418	3,076	3,076	—	—
10. Voc. Ed Inservice.....	—	500	1,500	1,000	200.0
11. Employer-Based Training	1,900	1,900	3,900	2,000	105.3
12. Deferred Maint.	3,994	8,006	7,000	-1,006	-12.6
Subtotals, Categorical.....	\$64,726	\$90,677	\$90,141	-\$536	-0.6%
Totals, Local Assistance.....	\$1,074,739	\$1,119,141	\$1,169,426	\$50,285	4.5%
Funding Sources:					
General Fund.....	\$1,063,458	\$1,111,124	\$1,161,415	\$50,291	4.5%
Instructional Improvement Fund.....	117	184	184	—	—
COFPHE.....	3,994	6	—	-6	-100.0
State School Fund.....	4,752	4,751	4,751	—	—
Reimbursements	2,418	3,076	3,076	—	—

CALIFORNIA COMMUNITY COLLEGES—Continued

Table 5 shows the amounts appropriated for local assistance in the prior, current, and budget years for (1) general education base apportionments and (2) the 12 categorical aid programs. The table shows that total state General Fund support for local assistance is proposed at \$1,161 million in 1985-86—an increase of \$50.3 million, or 4.5 percent over 1984-85.

1. Community College Apportionments

The budget requests a total of \$1,079 million to fund base apportionments for community college districts in 1985-86—an increase of \$50.8 million, or 4.9 percent, over the estimated current-year expenditure level.

The Governor's proposal would provide sufficient funds to meet the statutory requirements for community college apportionments in the budget year, as established by SB 851 (Ch 565/83). Combined support from the General Fund, the State School Fund, local property tax revenues, and student fees would fund the base apportionment (\$1,505 million), the statutory cost-of-living adjustment (COLA) of 5.9 percent (\$89.1 million), "equalization 2" (\$8.5 million), and average daily attendance growth (\$18.2 million).

The budget also requests \$90.1 million to support categorical and special purpose programs administered by the community colleges. This is a \$536,000, or .6 percent, reduction from the estimated current-year funding level. The major categorical aid funding changes proposed in the budget include:

- a \$2 million augmentation to fund a 4 percent Cost of Living Adjustments for the districts' EOPS and HSPS programs;
- a \$1.8 million augmentation to establish 20 transfer centers at selected community colleges;
- a \$500,000 reduction in support for grants to local districts through the Fund for Instructional Improvement;
- a \$1.5 million augmentation to fund in-service training programs for vocational education instructors and counselors; and
- a \$2 million augmentation to fund additional employer-based training programs.

In addition to these changes, the budget proposes to redirect \$1.0 million from deferred maintenance for use in locating and removing asbestos materials in college facilities. The budget for 1985-86 also reflects a \$5.0 million General Fund savings from the \$15 million appropriated in AB 1xx (Ch 1xx/83) for financial aid. The most recent surveys indicate that the entire \$15 million will not be expended.

a. Funding for Average Daily Attendance Growth Overbudgeted

We recommend that the amount requested for average daily attendance (ADA) growth be reduced by \$7,100,000, because the proposed amount exceeds projected requirements (Reduce Item 6870-101-001 by \$7,100,000.)

The Governor's Budget requests \$18.2 million to fund a 1.8 percent increase in average daily attendance (ADA) statewide in the community colleges during 1985-86. The 1.8 percent increase (11,310 ADA over the estimated current-year level of 640,690) is based on the provisions of current law which authorize state-funded community college ADA to grow annually at the same rate that the state's adult population is growing.

Our analysis indicates that, while ADA growth will occur in some districts, community college ADA statewide will most likely continue to decline in 1985-86. Table 5 shows that community college ADA has fallen each year since 1981-82, from 750,715 to 640,690 in 1984-85. The budget's estimate of 652,000 ADA statewide assumes that in 1985-86 the downward trend since 1981-82 will be reversed in the budget year.

We can find no analytical basis for projecting a reversal in the recent trend, and therefore conclude that the Governor's Budget overfunds ADA growth.

Nevertheless, some funding for ADA growth is necessary in the budget year, due to the funding mechanism established for the community colleges by SB 851.

Under SB 851, savings associated with the ADA losses are not available for allocation to districts experiencing ADA growth. These savings either revert to the state's General Fund or reduce a deficit in community college apportionments which may result from shortfalls in local revenues. Thus, if the budget were to contain no funds for growth, individual districts with ADA increases would not get any additional funding for this growth, even though other districts were losing ADA.

Our review indicates that statewide ADA growth, exclusive of offsetting ADA declines, will total approximately 6,700 in 1985-86. This increase assumes the following:

1. Districts that experienced an increase in ADA between 1983-84 and 1984-85 will continue to grow in 1985-86, at a rate equal to the projected rate of change in the district's adult populations (as determined by the Population Unit of the Department of Finance);
2. Districts that experienced a decline in ADA of less than 3.75 percent, the statewide average ADA decline between 1983-84 and 1984-85, will see this decline reversed in 1985-86, and will grow by the rate of change in the adult population; and
3. Districts that experienced a decline in ADA of more than 3.75 percent will not see a reversal in their fortunes, and therefore will not contribute to statewide ADA growth in the budget year.

Using these assumptions, we estimate that statewide ADA growth will be 1.0 percent, rather than 1.8 percent as the budget assumes.

Accordingly, we recommend that \$7.1 million be deleted from the amount budgeted for ADA growth in 1985-86. The remaining \$11.1 million would be sufficient to fund increases in ADA averaging 1 percent statewide.

b. Plan Needed to Allocate One-Time Only Funds

We withhold recommendation on the request for \$31.7 million to restore revenue losses of districts that experience ADA declines in 1985-86, pending receipt of a specific plan that details how these funds would be allocated.

The budget proposes \$31.7 million to restore, in part, the revenue losses experienced by the districts that will continue to lose average daily attendance (ADA) in 1985-86. These funds would be provided for 1985-86 only;

CALIFORNIA COMMUNITY COLLEGES—Continued

they would not be considered a part of the recipient districts' base revenues. The Budget Bill contains the following language to implement this proposal:

"Notwithstanding any other provision of law, for the 1985-86 fiscal year, \$31,677,000 of the amount appropriated in Schedule (a) shall be used for allocation to those districts that lose base revenue in 1985-86 as determined by the Chancellor and agreed to by the Director of the Department of Finance. This amount shall not be considered part of the base calculation as defined in Section 84701(b) of the Education Code in determining the base amount for the 1986-87 apportionments."

Our analysis confirms the need to provide additional funds to districts that would experience significant losses in base revenues resulting from ADA declines. Similar adjustments have been provided to K-12 school districts to prevent disruptions of educational programs that would otherwise occur if the districts were to experience large revenue losses in a single year.

The proposed language, however, is not specific enough to permit an evaluation of this request by the Legislature. Neither the Department of Finance nor the Chancellor's Office has developed a plan for allocating these funds among the community college districts. A specific plan is needed so that the following questions can be answered:

- What criteria will be used to allocate the funds?
- Which districts will qualify for the adjustment under the criteria?
- How much of the proposed appropriation will each district receive?

We withhold recommendation on the request for \$31.7 million for the one-time funding adjustment, pending receipt of a specific plan that answers these questions and details how the funds would be allocated.

c. Study on Differential Funding

Senate Bill 851 (Ch 565/83) directed the Chancellor of the California Community Colleges to study alternative means of funding the colleges which would better reflect the cost of delivering instruction and services. The Chancellor responded to this directive in December 1984 when he submitted a report to the Legislature entitled *A Plan for Implementing a Differential Cost Funding System for the California Community Colleges*.

The report focused on the following eight research topics: (1) the appropriate support categories to be included in a differential funding system, (2) the identification of relevant workload measures, (3) the appropriate level of support for each cost category, (4) the expected consequences of the new funding model on individual district budgets, (5) means for integrating student services into the funding model, (6) the estimated cost of implementing the differential funding model, (7) the identification of advantages and disadvantages under the new system, and (8) the design of a plan to implement the new funding system.

In general, the concept of differential funding involves the provision of state apportionments to community college districts based upon the district's actual costs of providing instruction and related support services. This would be done in a three-step process first, various cost categories would be selected for all community colleges. Second, workload measures within each category would be determined for each district. Third, state funds would be distributed to the local districts based on their prior-year costs and the workload indices.

Some of the major findings and recommendations contained in the report include:

- The current data available from the community colleges are "adequate to provide a basic framework for differential funding but not for a fully developed and implemented system."
- The one-time costs of improving existing data and collecting new data at both the state and local level would be approximately \$3.3 million over three years.
- A differential funding system should not include funding for categorical programs such as EOPS and HSPS until separate workload measures are developed that recognize the special needs of students in these programs.
- Three levels of authority should be recognized in the process of allocating state apportionments for community colleges, with each level having a clearly-defined responsibility—the *Legislature and the Governor* should determine the total state apportionment through the annual budget process, the *Board of Governors and the Chancellor* should allocate funds among individual districts, and the *local boards of trustees and the chief executive officers* should allocate funds within individual districts and colleges.

On December 7, 1984 the Board of Governors adopted a recommendation of its Budget, Finance, and Legislation Committee which states, "the concept of differential funding holds promise, the development of such a system appears to be moving in the right direction, and the process, as described, should continue."

We will be prepared to comment on the differential funding proposal during budget hearings.

2. Community College Transfer Centers

We recommend that the Legislature adopt Budget Bill language in Items 6440-001-001 (UC), 6610-001-001 (CSU), and 6870-101-001 (CCC) specifying that no funds can be expended for transfer centers until a coordinated plan for the selection and operation of such centers has been reviewed and approved by the California Postsecondary Education Commission.

We further recommend that \$250,000 and five positions be deleted from UC and CSU and that \$150,000 and two positions be added for project ASSIST to the budget for the community college Chancellor's Office, with supplemental report language specifying that first priority in the use of this funding be given to completion of the Irvine/L.A. Harbor ASSIST project. (Reduce Items 6440-001-001 and 6610-001-001 by \$250,000 and five positions each, and increase Item 6870-001-001 by \$150,000 and two positions).

a. The Decline in Transfer Students

In the past several years, there has been a significant decline in the number of students transferring from California's community colleges to its four-year institutions of higher education. This decline is shown in Table 6.

Thus, in the fall of 1983, 35,579 students transferred to UC and CSU. This number is 7,960 less than the peak year of 1975 when there were 43,539 transfer students.

CALIFORNIA COMMUNITY COLLEGES—Continued

Table 6
Number of Community College Students Who Transferred to
the University of California and the California State University
1976-1983

Year	CCC Credit Students	Community College Transfer Students		
		Fall Term		Full Year
		UC	CSU	CSU
1975.....	1,101,548	8,002	35,537	52,917
1976.....	1,073,104	7,123	32,653	51,230
1977.....	1,120,520	6,392	34,001	51,159
1978.....	1,048,256	6,193	31,609	47,430
1979.....	1,100,681	5,649	30,428	46,326
1980.....	1,189,976	5,428	30,490	46,649
1981.....	1,254,360	4,778	30,026	45,283
1982.....	1,192,920	5,137	29,824	45,400
1983.....	1,090,224	5,305	30,274	45,726

Source: California Postsecondary Education Commission.

b. Efforts to Increase the Transfer Rate

The transfer of students from community colleges to the four-year segments is a significant element in California's policy of open access to higher education. Because of the decline in transfers, noted above, there has been considerable attention focused on the transfer rate during the past year. Specifically:

- the Board of Governors of the Community Colleges assigned top priority to the transfer function in its 1984 work plan,
- the CCC Chancellor's Office issued a major report on transfer trends and data, by college,
- the community college Academic Senate has sought ways to improve articulation,
- UC, Berkeley has developed a regional transfer preference program,
- an intersegmental group convened by CSU is working on the issue of clearly defining a baccalaureate-level course for use by all segments as a community college group is working to define an associate degree-level course,
- UC, Irvine and L.A. Harbor College are developing a computer program containing a variety of transfer and articulation information for use by students and their counselors,
- transfer centers have been established at several community colleges, and
- CPEC created an Ad Hoc Committee on Community College Transfer which conducted hearings and issued 25 recommendations to improve the 5 elements of a successful transfer program—(1) high school preparation, (2) identification, assessment, and counseling of potential transfer students, (3) adequate transfer courses, (4) adequate information about transferring, and (5) coordinated enrollment planning.

c. The Creation of Community College Based Transfer Centers

Everyone who has studied the transfer problem tends to agree that transfers between the community colleges and the four-year segments would be facilitated if the community colleges centralized transfer serv-

ices in campus-based "transfer centers." Because the transfer process is so complex, faculty and staff would be able to advise students more accurately about the process if information on transfer programs was available at a central location on each community college campus. In addition, there is a widespread belief that both UC and CSU campuses need offices at each community college to serve as a point of contact for receiving transfer information, resolving problems and coordinating activities to improve articulation.

Toward this end, the Governor's Budget requests state funds to support a number of transfer centers in 1985-86. Specifically, the budget requests \$3,373,000 from the General Fund to (a) establish 20 transfer centers and (b) develop a computerized access system, called ASSIST. This request is summarized in Table 7 and discussed below.

Table 7
Proposed Expenditures for
California Community College
Transfer Centers
1985-86
(dollars in thousands)

Segment	State Administrative Support		Local Assistance	Totals	Budget Item
	Amount	Positions			
California Community Colleges.....	\$73	(—)	\$1,800	\$1,873	6870-001-001 6870-101-001
University of California					
(a) Centers.....	500	(10)	—	500	6440-001-001
(b) ASSIST.....	250	(5)	—	250	6440-001-001
California State University					
(a) Centers.....	500	(10)	—	500	6610-001-001
(b) ASSIST.....	250	(5)	—	250	6610-001-001
Totals	\$1,573	(30)	\$1,800	\$3,373	

For each designated transfer center, \$90,000 would be provided to fund a counselor, a staff assistant, and related operating expenses. The CCC Chancellor's Office would receive \$73,000 to use in monitoring the program. The centers would:

- identify potential transfer students, using information now available on all students such as placement tests, GPA's, coursework, and self-identification,
- provide orientation services and assistance in developing an academic transfer plan,
- coordinate counseling and faculty advising services on campus, including in-service training,
- collect and distribute transfer-related information to the potential transfer students, and
- establish procedures for appropriate working relations among all student service units to ensure proper follow-up assistance to transfer students.

Under the proposal, UC and CSU would receive \$500,000 and 10 positions each for counseling representatives who, on a rotating schedule, would:

- meet with potential transfer students to assess academic background;

CALIFORNIA COMMUNITY COLLEGES—Continued

- discuss academic options, including majors best suited to a student's talents and preparation;
- evaluate transcripts;
- assist in planning coursework for transfer to their systems;
- schedule pre-application appointments and interviews for students with UC and CSU faculty and staff;
- arrange, where appropriate, for concurrent enrollment in certain courses so that students can ascertain course level and rigor at university campuses;
- schedule UC and CSU campus tours, college nights, and college fairs;
- conduct workshops on transfer procedures and seminars on UC and CSU campus life;
- assist in completing applications for admission, financial aid, and housing;
- follow-up on application materials as necessary; and
- work with the community college counselors to organize meetings between key CCC faculty and staff and UC and CSU counterparts, to discuss issues relating to course equivalency, student transition questions, and other related matters.

Finally, UC and CSU would receive an additional \$250,000 and five positions each to develop a computerized information system called ASSIST.

ASSIST would allow students to use microcomputers to: (1) determine the transferability of courses between participating institutions; (2) assess individual progress toward, and satisfaction of, major and minor and general requirements for any articulated program in any receiving institution; and (3) identify courses in the sending institutions which may be taken in lieu of such requirements.

ASSIST is intended to improve the transfer process "by enabling CCC students to compare at their leisure any number of prospective majors at those four-year institutions to which they may wish to consider transfer. Students are then able to use time with a professional counselor to much better advantage, since evaluation and paperwork that otherwise would need to be done during the counseling session could be completed beforehand."

Legislative Analyst's Recommendations

Our analysis indicates that transfer centers can be effective in increasing the transfer of students between the community colleges and four-year colleges. Such centers have been successful in the Santa Barbara and Los Rios districts, which currently have the resources to support them.

Nevertheless, our analysis of the Governor's transfer center proposal has identified two problems with it. First, the tripartite approach would require a good deal of coordination. Second, project ASSIST appears to be overfunded and resources are requested for it in the wrong budgets.

Coordination. Our review indicates that several elements of the transfer center proposal need to be reconciled. First, while the Governor's Budget calls for 20 centers, UC's BCP mentions 30 centers and CSU's BCP mentions 40. Second, while the CSU's BCP suggests that part of the funding would be used to provide \$300 transition grants to students, neither UC's BCP nor the budget mention such grants. Finally, and more important, the six site selection criteria mentioned in the BPCs do not give

special emphasis to those colleges with transfer rates that are low or declining or colleges with high proportions of low-income students. Instead, the BCPs indicate that sites would be selected based on (1) the previous efforts of districts to support the transfer function, (2) a district's willingness to participate, and (3) the number of low-income students within the district. These criteria would be weighted equally.

Given the inconsistencies in the proposal as reflected in the BCPs and the failure of the proposal to emphasize low transfer rates in selecting the pilot institutions, we believe that the Legislature should require the California Postsecondary Education Commission to review and approve a coordinated plan for the use of these funds before they are expended. To do this, we recommend that the Legislature adopt the following budget act language in the items for UC, CSU, and community college local assistance:

"provided further that no funds appropriated in this item for community college transfer centers may be expended until a coordinated plan for the selection and operation of such centers has been reviewed and approved by the California Postsecondary Education Commission. The plan shall specify the responsibilities and activities of UC, CSU, and the community colleges."

Project ASSIST. With support from a Ford Foundation grant, UC, Irvine and L.A. Harbor College have designed and are currently testing a computerized course articulation system called ASSIST. This project allows students and counselors at the community college to check on a student's progress towards various degrees and to evaluate the course equivalency of work already completed. Information for the system comes from both institutions, and the data is accessed by a microcomputer at the community college. To date, approximately \$125,000 has been spent on the project, split equally between the institutions.

The Governor's Budget proposes to expand the use of ASSIST to other colleges. To do this, it requests \$250,000 and 5 positions in both UC's and CSU's budget (a total of \$500,000 and 10 positions). No funding for ASSIST is provided in the community college budget.

Our analysis indicates that when fully tested and developed, project ASSIST may be of significant benefit to community college transfer students. Our review suggests, however, that the Governor's Budget proposal has not been fully thought out. Specifically we find that the proposal:

- provides no funding to the community colleges—which need to enter data and purchase the microcomputers,
- provides an equal, somewhat arbitrary, amount to both UC and CSU, even though 85 percent of all community college students transferring to public universities go to CSU, and
- assumes that ASSIST is fully operational and ready to be replicated at other colleges—which it is not.

Although the Irvine/Harbor ASSIST project is designed to be replicated throughout California's higher education system, the project has not been fully tested and developed. It is currently limited to only a few degree majors, and needs to be expanded to the full breadth of college majors before it will be useful to students. Once the needed funds are available, this task can be accomplished within six months.

Furthermore, it makes more sense for the community colleges, rather than UC and CSU, to administer the ASSIST program. ASSIST is designed for and operated by community college students and counselors and,

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consequently, should be administered by the community college Chancellor's Office using the \$73,000 requested in the budget for an administrative cost allowance.

For these reasons, we recommend that the Legislature appropriate \$150,000 to the community college Chancellor's Office for project ASSIST completion and replication, and delete the funding proposed in the budget for UC and CSU (-\$500,000), for a net savings of \$350,000 to the General Fund. Furthermore, we recommend that first priority for the use of these funds be assigned to the completion of the Irvine/Harbor pilot project. Once this project is ready for replication, the Chancellor's Office would award \$50,000 in funding for additional ASSIST projects to joint community college/four-year university applicants.

Finally, we recommend that priority for new ASSIST projects be given to CSU/CCC proposals, given the preponderance of transfer students that enroll on a CSU campus.

To implement our recommendation, the Legislature should:

- delete \$250,000 and 5 positions from Items 6440-001-001 and 6610-001-001,
- augment Item 6870-001-001 by \$150,000 and two positions, and
- adopt the following supplemental report language in Item 6870-001-001: "It is the intent of the Legislature that first priority for the expenditure of the \$150,000 provided for the ASSIST program shall be the completion of the Irvine/Harbor project and second priority shall be to fund a CSU/CCC replication project."

3. Board Financial Assistance Programs

Assembly Bill 1xx (Ch 1xx/84) requires California's 70 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. Authorization for the fee expires on January 1, 1988.

AB 1xx also appropriated a total of \$52.5 million to provide financial assistance through December 31, 1987 to low income students who cannot afford to pay the fee. This amount provides an annual financial aid program of \$15 million, which includes the administrative costs of the Chancellor's Office.

Three programs have been developed to allocate the financial aid.

Board of Governors Grant (BOGG). This program defrays the cost of the fee for students who (1) are California residents, (2) enroll in courses totaling six or more units per semester, and (3) demonstrate financial need according to the Uniform Methodology of Needs Analysis. The student must also apply for a federal Pell grant in order to be considered for a BOGG. The student however, need not be a Pell grant recipient in order to receive a BOGG.

Fee Waiver. This program eliminates the fee for those students who (1) are California residents and (2) document that at the time of enrollment, they are beneficiaries of Aid to Families with Dependent Children (AFDC), the Supplemental Security Income/State Supplemental Program (SSI), or the General Assistance (GA) program.

Fee Credit. This program provides a fee credit to students who (1) are California residents, (2) enroll in courses totaling fewer than six semester units, and (3) provide documentation that they are low income. The program defines a student as meeting the low income criterion if he or she (1) is a dependent in a family with an adjusted gross incomes of less than \$12,001 in the prior year, (2) is married or a single head of household in a family with an adjusted gross income of less than \$12,001 in the prior

year, or (3) is single, with no dependents, and has an adjusted gross income of less than \$5,501 in the prior year.

Table 8 displays for the three Board Financial Aid Programs the *actual* disbursements made as of November 1984, and the *estimated* disbursements to be made during the current fiscal year. The table shows that (1) as of November 1984, 55,720 financial aid awards having a total dollar value of almost \$2 million had been made and (2) an additional 91,807 awards will be granted for the second semester involving \$3.5 million. Thus, the community colleges expect to make 147,527 awards during 1984-85, totaling \$5.5 million.

From the information contained in Table 8, it would appear that the full \$15 million appropriated in Ch 1xx/84 for awards in 1985-86, will not be needed. We are not able, however, to derive an estimate of the appropriate funding level for the program in the budget year. The Governor's Budget anticipates a \$5 million estimated savings from the financial assistance programs in 1985-86.

Table 8
California Community Colleges
Board Financial Assistance Program
Awards and Expenditures
1984-85

	<i>Financial Aid Program</i>			<i>Totals</i>
	<i>Fee Waivers</i>	<i>Fee Credits</i>	<i>BOGGS</i>	
1. Actual Disbursements ^a				
Awards.....	26,310	3,026	26,384	55,720
Dollar Value.....	\$1,136,168	\$53,572	\$796,985	\$1,986,725
2. Estimated Additional Disbursements ^b				
Awards.....	35,748	6,349	49,710	91,807
Dollar Value.....	\$1,587,987	\$150,285	\$1,779,219	\$3,517,491
3. Totals				
Awards.....	62,058	9,375	76,094	147,527
Dollar Value.....	\$2,724,155	\$203,857	\$2,576,204	\$5,504,216

^a Includes encumbrances as of November 15, 1984.

^b Estimated need through June 30, 1985.

4. Expansion of In-Service Training Program is Premature

We recommend that \$765,000 of the \$1,500,000 requested for maintenance and expansion of the in-service training program for vocational education instructors and counselors be deleted, because expansion of the program prior to completion of the legislatively-required evaluation would be premature. (Reduce Item 6870-101-001 by \$765,000.)

Assembly Bill 3938 (Chapter 1662, Statutes of 1984) appropriated \$500,000 from the General Fund to fund the first year of a two-year pilot program intended to support local in-service training programs for vocational education instructors and counselors. These locally-based programs are expected to provide in-service training opportunities that emphasize:

- curriculum areas that are affected by changing technology and workplace skills;
- training not available under the current funding arrangements; and
- instruction provided at the work site.

The funding provided in AB 3938 is for the second semester of the

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1984-85 academic year and the following summer session, ending on August 15, 1985.

In October 1984, the Chancellor's Office sent each community college district a request for proposals that would warrant funding under the training program. At the time this analysis was written, 60 proposals had been received and 25 had been funded.

The Governor's Budget requests \$1.5 million for this program in 1985-86. This is double the current-year amount, when that amount is adjusted to reflect full-year, rather than eight-month funding. The Budget also proposes control language requiring that an evaluation of the pilot programs be submitted to the Department of Finance by October 15, 1986.

Our review indicates that expansion of this program in 1985-86 would be premature. Current law requires the Chancellor of the community colleges to submit a report to the Legislature by November 30, 1986, which evaluates the pilot program. Specifically, the report is to provide "recommendations concerning future funding sources for in-service training of vocational education instructors and counselors, (and) analyses of the cost-effectiveness of in-service training compared with that of other methods of providing training to vocational education instructors and counselors."

Until the statutorily-required evaluation has been completed, the Legislature will have no way of confirming that additional funding for the program is warranted. Accordingly, we recommend that \$735,000 be provided for in-service training programs in 1985-86. This amount would provide funding for the program at the current-year level from August 15, 1985 through June 30, 1986, plus sufficient funds to provide a 4 percent cost-of-living adjustment (COLA).

Fund for Instructional Improvement (Item 6870-101-909)

We recommend approval.

Chapter 714, Statutes of 1977 (AB 1173), created the Fund for Instructional Improvement, which provides loans and grants to districts for support of alternative educational programs and services. Both the grant and loan funds are allocated to districts on a competitive basis. In recent years, funds have been allocated for staff development programs for part-time instructors, educational programs for older adults, programs addressing the special learning needs of educationally disadvantaged students, and instructional programs which involve internships in the State Legislature, nonprofit private agencies, and public agencies.

The budget requests \$467,000 from the General Fund for this program in 1985-86. Of this amount, \$283,000 would be allocated for grants and \$184,000 would be used for loans. Under the provisions of AB 1173, funding for grants is derived from the General Fund, while funding for loans comes from a revolving loan account.

The level of support proposed for the program in 1985-86 is \$500,000, or 52 percent, below the current-year funding level. Thus, while the amount available for loans would remain unchanged at \$184,000, the amount available for grants would fall from \$783,000 to \$283,000. The budget contains no rationale for the proposed reduction.

To our knowledge, no evaluation of the costs and benefits associated

with the grant program has been conducted. Accordingly, we have no analytical basis on which to recommend a change in the level of funding proposed for the program.

II. COMMUNITY COLLEGE STATE OPERATIONS

A. Proposed Support for Administration (Item 6870-001-001)

The state operations component of the community colleges budget includes funding for the administrative functions carried out by the Chancellor's Office.

The office is divided into the following three units:

- *The Fiscal Services unit*, which administers community college apportionment and categorical funding to districts.
- *The Special Services and Operations unit*, which develops and administers regulations and program guidelines for the major categorical programs—Extended Opportunity Programs and Services, Handicapped Student Program and Services, vocational education, deferred maintenance, and capital outlay.
- *The Administrative unit*, which administers the day-to-day operation of the Chancellor's Office and provides direct staff support for the Board of Governors.

Table 9
California Community Colleges
State Operations Budget
1983-84 through 1985-86
(dollars in thousands)

Element	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change from 1984-85 to 1985-86	
				Amount	Percent
A. Fiscal Services.....	\$958	\$1,552	\$1,238	-\$314	-20.2%
B. Special Services and Operations:					
1. EOPS	898	1,102	1,278	176	16.0
2. HSPS.....	223	259	269	10	3.9
3. Other student services.....	201	179	169	-10	-5.6
4. Transfer centers	—	—	73	73	N/A
5. Credentials	699	877	778	-99	-11.3
6. District affirmative action.....	149	161	165	4	2.5
7. Program evaluation	667	975	886	-89	-9.1
8. Vocational Education.....	2,595	3,321	3,636	315	9.5
9. Facilities	401	614	679	65	10.6
C. Administration: ^a					
1. Board of Governors	(141)	(173)	(217)	(44)	(25.5)
2. Chancellor's Office.....	(2,335)	(2,636)	(2,792)	(156)	(5.9)
D. Unallocated Reduction.....	—	—	-117	-117	NA
Totals, State Operations.....	\$6,791	\$9,040	\$9,054	\$14	0.2%
Funding Sources					
General Fund	\$3,816	\$6,072	\$6,089	\$17	0.3%
Credentials Fund.....	459	557	544	-13	-2.3
Special Deposit Fund.....	613	613	613	—	—
Reimbursements	1,903	1,798	1,808	10	0.6
Personnel-years	125.5	145.3	143.4	-1.9	-1.3%

^a Amounts charged to fiscal services and special services and operations.

CALIFORNIA COMMUNITY COLLEGES—Continued

As shown in Table 9, the budget for state operations requests \$9,054,000 for the Chancellor's office in 1985-86. This is an increase of \$14,000, or .2 percent, above the current-year level. Most of these funds would be used to support the 143.4 personnel-years requested for the Chancellor's Office in 1985-86.

1. Chancellor's Discretionary Funds Should Be Incorporated Into 1986-87 Budget

We recommend that the Legislature adopt supplemental report language which specifies that, subject to the approval of the Director of Finance, the unallocated \$50,000 provided to the Chancellor of the California Community Colleges for 1985-86, shall be integrated into the base budget for support of the Chancellor's Office in 1986-87 and beyond and not be considered an ongoing, undesignated support item.

The current Chancellor will resign, effective July 1, 1985. The Governor's Budget proposes to provide \$50,000 to allow the new Chancellor some flexibility to initiate new projects or proposals based on his or her priorities.

The Legislature provided funds for a similar purpose in the 1982 Budget Act. Those funds were made available for use at the discretion of the newly-hired Chancellor of the California State University to reorganize the CSU Chancellor's Office. Given past legislative policy to provide discretionary funds of this type, we recommend that the proposed funding be approved.

We recommend, however, that the specific expenditures of these funds be incorporated into the base budget of the Chancellor's Office for 1986-87, in order to ensure that the Legislature will have a specific expenditure plan to review before appropriating funds in the 1986 Budget Act.

To implement this recommendation, the Legislature should adopt the following supplemental report language:

"The Chancellor of the California Community Colleges shall, subject to the approval of the Director of Finance, incorporate the unallocated \$50,000 provided in the 1985 Budget Act into the base budget for support of Chancellor's Office in 1986-87 and shall not use these funds as an ongoing, undesignated support item."

Control Section 24.00—Mineral Resource Revenues

We recommend approval.

Control Section 24.00 allocates certain federal government royalty payments among the community colleges and K-12 schools. These payments are derived from mineral resource revenues paid to the state by the federal government, and are distributed through Sections A and B of the State School Fund.

Total mineral resource revenues for education are proposed at \$31.6 million in 1985-86. This is the same amount provided in the current year. The budget proposes to allocate \$4.8 million, or 15 percent, of the revenues for community college apportionments and the remaining \$26.9 million, or 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 state aid required for K-12

and community college apportionments. We recommend that this control section be approved.

Community Colleges Credentials Fund (Item 6870-001-165)

We recommend approval.

Community college administrators, counselors, and instructors are required to maintain a state credential as a condition of their employment. The Credentials Office is responsible for the review, approval, and revocation of credentials. The office is fully supported through a fee assessed on each application. Chapter 943, Statutes of 1981 (AB 1061), allows the Chancellor's Office to increase the credentials fee up to \$30, on a temporary basis, until July 1, 1985, when the maximum fee will revert to \$25.

The budget requests an appropriation of \$544,000 from the Credentials Fund, which is \$13,000 (2.3 percent) below estimated current-year expenditures. This reduction is due primarily to the elimination of two positions and a reduction in central administrative service ("pro rata") charges imposed by certain state agencies, offset by increases for merit salary adjustments and inflation adjustments.

Our analysis indicates that the budget proposal is reasonable, and we recommend that it be approved.

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY

Item 6870-301 From the Capital Outlay Fund for Public Higher Education

Budget p. E 150

Requested 1985-86	\$26,797,000
Recommended approval	17,875,000
Recommended reduction	5,032,000
Recommendation pending	3,890,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Community College Capital Outlay Funding Study. Recommend that the California Postsecondary Education Commission study the method used to fund community college capital outlay projects and report its findings and recommendations to the Legislature by November 1, 1985. 1408
2. Withhold recommendation on the following eight projects, pending receipt of additional information: 1411
 - Item 6870-301-146(7), Grossmont CCD, Cuyamaca College—Multipurpose Office and Library Building (\$211,000).
 - Item 6870-301-146(8), Kern CCD, Cerro Coso College—Remodel Library, Counseling Center and Student Services (\$36,000).
 - Item 6870-301-146(19), Peralta CCD, College of Alameda—Energy Conservation Conversion, Phase II (\$26,000).
 - Item 6870-301-146(21), Peralta CCD, Feather River College—Energy Conservation Conversion (\$147,000).

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—
CAPITAL OUTLAY—Continued**

- Item 6870-301-146(22), Peralta CCD, Feather River College—Library and Audiovisual Addition (\$592,000).
 - Item 6870-301-146(23), Peralta CCD, Merritt College—Energy Conservation Conversion, Phase II (\$384,000).
 - Item 6870-301-146(25), Redwoods CCD, Mendocino Coast Education Center—Permanent Building, Phase I (\$1,218,000).
 - Item 6870-301-146(31), Santa Barbara CCD, Santa Barbara City College—Learning Resource Center (\$158,000).
3. **Saddleback Community College District, South Campus—Fire Access and Loop Road Extension. Reduce Item 6870-301-146(29) by \$1,456,000.** Recommend deletion because a road for fire access to the new general classroom building has already been provided. 1414
 4. **Palo Verde Community College District—Library and Learning Resource Center Addition. Reduce Item 6870-301-146(17) by \$280,000.** Recommend deletion because the district should remodel existing space to meet its needs for library/learning resources. 1414
 5. **Palomar Community College District—Library Secondary Effects, Phase II. Reduce Item 6870-301-146(18) by \$1,162,000.** Recommend deletion because the project is not justified, given the district's current space capacities. 1415
 6. **Coachella Valley CCD, Copper Mountain Center—Vocational Education Building.** Recommend that the size of the new building be reduced by 1,500 asf to eliminate computer space because the campus already has space for this purpose, and also shares additional computer facilities at the local Marine Base. 1415
 7. **Coast Community College District—Childhood Education Center. Reduce Item 6870-301-146(3) by \$359,000.** Recommend deletion because the district should remodel existing space instead of constructing a new building. 1416
 8. **Mira Costa Community College District, San Diequito Center, On-Site Development, Phase I. Reduce Item 6870-301-146(15) by \$256,000.** Recommend reduction to eliminate funds for Phase II on-site development because academic facilities beyond Phase I are neither requested by the district in the budget, nor justified by enrollments and state space standards. 1416
 9. **Mira Costa CCD, San Diequito Center—Permanent Buildings, Phase I.** Recommend that the Phase I buildings be reduced by 6,100 assignable square feet in accordance with the state's historical policy of constructing facilities to meet projected space needs two years after initial occupancy. 1417
 10. **Peralta CCD, College of Alameda—Diesel Mechanics Building.** Withhold recommendation on Item 6870-301-146(20) pending receipt of a revised project description excluding work which has been completed or is no longer required. Further recommend that the district remove eight portable classroom buildings at its own expense—not 1418

as part of this project.

11. **Saddleback Community College District, North Campus—Building A, Cluster II.** Reduce Item 6870-301-146(26) by **\$40,000.** Recommend reduction to eliminate an elevator because space within the building can be configured to provide all programs on the first floor. 1418
12. **Technical Reductions.** Reduce six items by a total of **\$1,479,000.** Recommend reduction of the amounts requested for the following projects to correct for overbudgeting and to eliminate unjustified construction and/or equipment items: 1419
 - Item 6870-301-146(9), Lake Tahoe CCD, Lake Tahoe College—Permanent Buildings, Phase I (\$5,971,000). **Reduce by \$1,216,000.**
 - Item 6870-301-146(10), Los Angeles CCD, Los Angeles Pierce College—Alterations and Additions to Auto Shop (\$977,000). **Reduce by \$85,000.**
 - Item 6870-301-146(12), Mendocino-Lake CCD, Mendocino College—Classroom/Administration Building (\$337,000). **Reduce by \$6,000.**
 - Item 6870-301-146(13), Mendocino-Lake CCD, Medocino College—Vocational/Technical Building (\$2,489,000). **Reduce by \$45,000.**
 - Item 6870-301-146(28), Saddleback CCD, Saddleback College, South Campus—General Classroom Building (\$1,102,000). **Reduce by \$22,000.**
 - Item 6870-301-146(35), Ventura CCD, Oxnard College—Occupational Education Building (\$463,000). **Reduce by \$105,000.**
13. **Minor Capital Outlay.** Withhold recommendation on Item 6870-301-146(37) for asbestos removal, pending receipt of (1) information on the extent of asbestos materials in the community colleges, (2) priority criteria and standards for asbestos removal, and (3) a list of projects to be funded under this item. Further recommend that Budget Bill language requiring a 50 percent district matching share for these funds be deleted. 1420
14. **Construction Costs.** Recommend that the amounts approved for construction under this item be reduced by 3 percent to eliminate overbudgeting of construction costs. 1421

ANALYSIS AND RECOMMENDATIONS

The budget proposes a total appropriation of \$26,797,000 to fund the state's share of the California Community Colleges capital outlay program in 1985-86. The budget document indicates that the various community colleges will provide a total of \$3,749,000 to support these projects, bringing total proposed expenditures for community college capital outlay to \$30,546,000. Our analysis indicates, however, that the total district contribution is \$3,657,000 and that total expenditures for community college capital outlay will be \$30,454,000. Thus, the state would fund 88 percent of the community colleges' 1985-86 capital outlay program, while the various districts would contribute a total of 12 percent.

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—
CAPITAL OUTLAY—Continued****Method of Determining State's/District's Share of Capital Outlay Project Costs
Should Be Reevaluated**

We recommend that the California Postsecondary Education Commission study the method used to fund community college capital outlay projects, and submit its findings and recommendations to the Legislature by November 1, 1985.

Background. The state has helped finance approved community college capital outlay projects since the enactment of Chapter 1550, Statutes of 1967. This measure established a formula for state assistance, based upon the ratio of weekly student contact hours and assessed valuation districtwide and statewide. The community college district financed its share of a capital outlay project either through a permissive tax, local bond issue or tax override approved by the voters. Until 1975, the state's project share was funded from the proceeds of voter-approved bond issues. Since then, state support has come from the Capital Outlay Fund for Public Higher Education (COFPE).

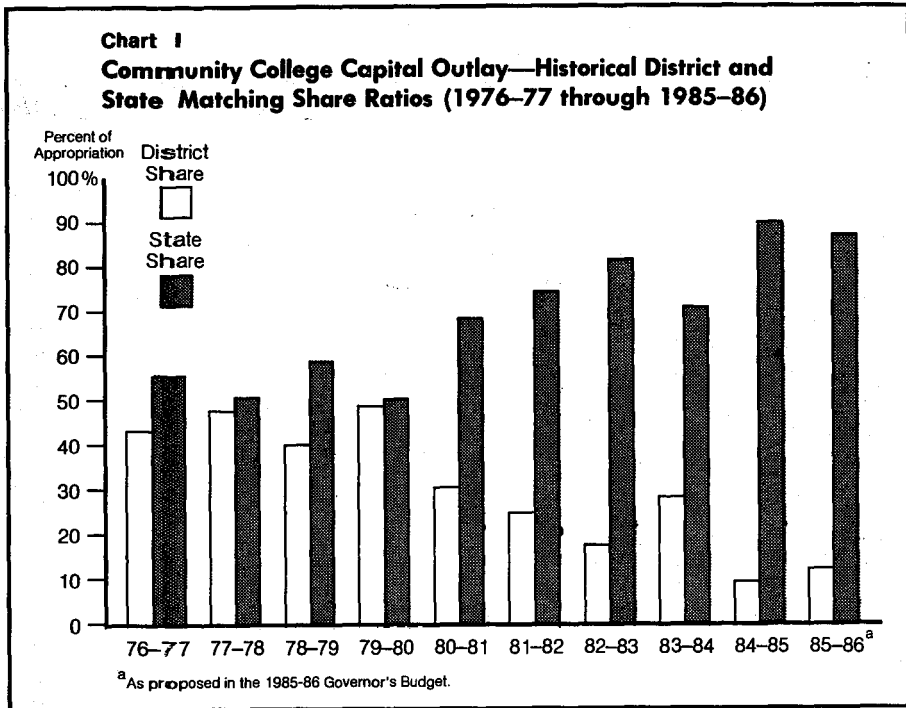
With the passage of Proposition 13 in 1978, many local districts no longer were able to provide their share of capital outlay project costs. Consequently, the Legislature enacted the Community College Construction Act of 1980 (Chapter 910, Statutes of 1980) which in part changed the formula for determining state/district participation in approved projects. As a result, the participation ratios are now based on district weekly student contact hours and each district's ending budget balances relative to the statewide average. The Construction Act also provides for state funding up to 100 percent of approved project costs for those districts that are unable to contribute their full district matching share. Specifically, Section 81831 of the Education Code states, "If the district funds available are insufficient to provide the district matching share for the cost of the project or one or more of its phases computed pursuant to Section 81838, the district shall provide the moneys available, as defined by the board of governors, and state funds may be requested to provide the balance of funds required."

State Support for Projects Is Increasing. Since enactment of the Community College Construction Act of 1980, the state's share of community college capital outlay projects has increased significantly. Chart 1 shows the change in state/district participation rates for approved projects during the past ten fiscal years.

As Chart I indicates, use of the current participation formula, which puts a lot of weight on a budget balance, has led to a dramatic reduction in the district's share of costs. In addition, much of the increase in the state's share is due to the inability of many districts to provide their matching share as determined by Section 81838 of the Education Code. For example, in fiscal year 1981-82, six districts requested additional state funding for their projects citing an inability to provide their required matching share. This number increased to 12 districts in 1984-85, and nine districts have requested additional state support for the budget year.

If this trend continues, district participation in the community college capital outlay program will become proforma and the state, for the most part, will have assumed full financial responsibility for the program. This will reduce the number of community college capital outlay projects that can be funded, leaving some districts with no state help at all. In addition, it will virtually eliminate local autonomy and local responsibility for community college capital improvements.

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—
CAPITAL OUTLAY—Continued**



Funding Study Is Needed. We believe the Legislature needs to reevaluate the method used to determine the state's and district's share of community college capital outlay costs. To facilitate this reevaluation, we recommend that the California Postsecondary Education Commission conduct a study of the current method used to fund community college capital outlay projects, and report its findings and recommendations to the legislature by November 1, 1985.

This study should include (1) a discussion of the major problems with the existing funding method, (2) an analysis of various alternatives for improving this method, and (3) recommendations for legislative consideration. Among the alternatives to the current funding system that should be considered are:

- Adoption of a constitutional amendment to permit local property tax increases for investment in capital improvements.
- Fixed state and district matching shares.
- District loan program.
- Full state funding.

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—
CAPITAL OUTLAY—Continued**
A. PROJECTS RECOMMENDED FOR APPROVAL

We recommend approval of funding for 13 capital outlay projects for the California Community Colleges in 1985-86. The state's share of costs for these projects totals \$1,938,000 and the district's share totals \$1,165,000. These projects are listed in Table 1 below.

Table 1
Board of Governors of the California Community Colleges
1985-86 Major Capital Outlay
Projects Recommended for Approval
(dollars in thousands)

Category/ Sub Item	District/Project	Phase ^a	State Share	District Share
a. Projects to Remove Barriers to the Physically Handicapped				
(30)	San Francisco CCD, John Adams Center—Removal of Architectural Barriers to the Physically Handicapped.....	wc	\$218	\$97
(32)	Sierra CCD—Removal of Architectural Barriers to the Physically Handicapped Phase III.....	wc	<u>6</u>	<u>11</u>
	Subtotals.....		<u>\$224</u>	<u>\$108</u>
b. Projects to Equip New Educational Facilities				
(4)	Contra Costa CCD, Diablo Valley College—Food Service Laboratory Addition	e	\$19	\$17
(11)	Los Angeles CCD, Airport Campus—Equip permanent facilities, Phase 1-B.....	e	61	2
(34)	Southwestern CCD, Southwestern College—Equip Automotive Building Addition	e	<u>92</u>	<u>133</u>
	Subtotals.....		<u>\$172</u>	<u>\$152</u>
c. Projects to Remodel or Add to Existing Educational Facilities				
(5)	Contra Costa CCD, Diablo Valley College—Computer and Math Laboratories Addition	wc	<u>\$471</u>	<u>\$431</u>
	Subtotals.....		<u>\$471</u>	<u>\$431</u>
d. Projects to Construct New Educational Facilities				
(1)	Allan Hancock CCD, Allan Hancock College—Humanities Building	w	\$62	\$71
(6)	Glendale CCD, Glendale College—Faculty Offices, Student Services and Classroom Building.....	w	93	74
(14)	Mira Costa CCD, San Dieguito Center—Off-site Development	c	281	38
(24)	Redwoods CCD, Mendocino Coast Education Center—Off-site development	wc	242	80
(27)	Saddleback CCD, Saddleback College, North Campus—Building B, Cluster II	w	<u>118</u>	<u>15</u>
	Subtotals.....		<u>\$796</u>	<u>\$278</u>
e. Miscellaneous				
(33)	Sierra CCD, Sierra College—Upgrade Master Utility System	c	75	146
(36)	Community Colleges, Systemwide—Preliminary planning ..	p	<u>200</u>	<u>50</u>
	Subtotals.....		<u>\$275</u>	<u>\$196</u>
	Totals		<u>\$1,938</u>	<u>\$1,165</u>

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

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—
CAPITAL OUTLAY—Continued**

The proposed work and the requested funds for these projects are reasonable. Consequently, we recommend that funding for them be approved.

The Budget Bill also indicates that the funds provided in category (36) for preliminary planning shall be available only for those major capital outlay projects for which working drawing funds or working drawings and construction funds are reasonably expected to be included in the Governor's Budget for 1986-87. This language is similar to requirements placed on other planning funds in the Budget Bill and in prior Budget Acts. We therefore recommend that it be approved.

B. PROJECTS FOR WHICH RECOMMENDATION IS WITHHELD

We are withholding recommendation \$2,179,000 for the state's share of eight major capital outlay projects for the California Community Colleges. These projects, together with our reasons for withholding recommendation, are summarized in Table 2 below.

Table 2
Board of Governors of the California Community Colleges
1985-86 Major Capital Outlay
Projects for Which the Legislative Analyst Is Withholding Recommendation
Item 6870-301-146
(dollars in thousands)

Category/ Sub Item	District/Project	Phase ^a	State Share	District Share	Reason for With- holding Recommendation
<i>a. Projects to Remodel or Add to Existing Educational Facilities</i>					
(8)	Kern CCD, Cerro Coso College—Remodel Library, Counseling Center, and Student Services.....	w	\$36	\$4	Pending receipt of (1) a study of the community colleges' library system, and (2) a specific description of the work which has been completed on this project and the work that remains to be done.
	Subtotals.....		\$36	\$4	
<i>b. Projects to Construct New Educational Facilities</i>					
(7)	Grossmont CCD, Cuyamaca College—Multipurpose Office and Library Building	w	\$211	\$11	Pending receipt of a study of the community colleges' library system and justification of the need for 3,620 asf of office space. ^b
(22)	Peralta CCD, Feather River College—Library and Audio-Visual Addition.....	wc	592	—	Pending receipt of a study of the community colleges' library system. ^b
(25)	Redwoods CCD, Mendocino Coast Education Center Permanent Building, Phase I	wc	1,218	407	Pending (1) a reduction of 1,900 asf of lecture and laboratory space to bring the building into conformance with projected space needs, and (2) receipt of preliminary plans.

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—
CAPITAL OUTLAY—Continued**

(31) Santa Barbara CCD, Santa Barbara City College—Learning Resource Center	w	158	171	Pending receipt of a study of the community colleges' library system, and a plan to reduce office and laboratory space.
Subtotals.....		<u>\$2,179</u>	<u>\$589</u>	
<i>c. Energy Conservation Projects</i>				
(19) Peralta CCD, College of Alameda—Energy Conservation Conversion, Phase II	wce	\$26	—	Pending receipt of (1) information from the Chancellor's office on the availability of funding for this project from the Energy Grants Federal Schools and Hospital Grants Program, and (2) a technical audit for the project.
(21) Peralta CCD, Feather River College—Energy Conservation Conversion	wce	147	—	Pending receipt of (1) information from the Chancellor's office on the availability of funding for this project from the Energy Grants Federal Schools and Hospital Grants Program, and (2) a technical audit for the project.
(23) Peralta CCD, Merritt College—Energy Conservation Conversion, Phase II.....	wce	384	—	Pending receipt of (1) information from the Chancellor's office on the availability of funding for this project from the Energy Grants Federal Schools and Hospital Grants Program, and (2) a technical audit for the project.
Subtotals.....		<u>\$557</u>	<u>—</u>	
Totals		<u>\$2,772</u>	<u>\$593</u>	

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

^b Proposed budget language restricts expenditure of funds unless the library study substantiates the need for the project.

C. RECOMMENDED REDUCTIONS/DELETIONS

The budget requests \$21,087,000 to fund the state share (\$1,899,000 district share) for 15 capital outlay projects which we recommend be either reduced or deleted, resulting in a total reduction of \$5,032,000. We have also withheld recommendation on one project (\$118,000), pending receipt of the districts re-evaluation of the project scope. These projects, together with our recommendations, are summarized in Table 3, and discussed individually below.

Table 3

**Board of Governors of the California Community Colleges
1985-86 Major Capital Outlay
Legislative Analyst's Recommended Changes
Item 6870-301-146
(dollars in thousands)**

Category/ Sub Item	District/Project	Phase ^a	Budget Bill		Analyst's Recommendation	
			State Share	District Share	State Share	District Share
a. Projects to Correct Code Deficiencies						
(2)	Saddleback CCD, Saddleback College— Fire Access and Loop Road Extension	wc	\$1,456	\$180	—	—
	Subtotals		\$1,456	\$180	—	—
b. Projects to Remodel or Add to Existing Educational Space						
(10)	Los Angeles CCD, Los Angeles Pierce College—Alterations and Additions to Auto Shop	ce	\$977	\$25	\$892	\$23
(17)	Palo Verde CCD, Palo Verde College—Library and Learning Resource Center Addition	wc	280	15	—	—
(18)	Palomar CCD, Palomar College—Library Secondary Effects, Phase II	wce	1,162	61	—	—
	Subtotals		\$2,419	\$101	\$892	\$23
c. Projects to Construct New Educational Facilities						
(2)	Coachella Valley CCD, Copper Mountain Center—Vocational Educational Building	w	\$48	\$14	\$48	\$14
(3)	Coast CCD, Orange Coast College—Childhood Education Center	wc	359	372	—	—
(9)	Lake Tahoe CCD, Lake Tahoe College— Permanent building, Phase I	c	5,971	60	4,755	48
(13)	Mendocino-Lake CCD, Mendocino College —Vocational Technical Building	wc	2,489	—	2,444	—
(15)	Mira Costa CCD, San Dieguito Center— On-Site Development, Phase I	c	1,870	255	1,614	220
(16)	Mira Costa CCD, San Dieguito Center— Permanent Buildings Phase I	w	244	33	244	33
(20)	Peralta CCD, College of Alameda—Diesel Mechanics Building	w	118	0	pending	pending
(26)	Saddleback CCD, Saddleback College, North Campus Building A, Cluster II ..	wc	4,211	520	4,171	515
	Subtotals		\$15,310	\$1,254	pending	pending
d. Projects to Equip New Facilities						
(12)	Mendocino-Lake CCD, Mendocino College —Classroom and Administration Building	e	\$337	—	\$331	—
(28)	Saddleback CCD, Saddleback College, South Campus—General Classroom Building	e	1,102	\$136	1,080	\$133
(35)	Ventura CCD, Oxnard College—Occupational Education Building	e	463	228	358	177
	Subtotals		\$1,902	\$364	\$1,769	\$310
	Totals		\$21,087	\$1,899	pending	pending

^a Phase symbols indicate: p = preliminary; w = working drawing; c = construction; e = equipment.

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—
CAPITAL OUTLAY—Continued**

**Saddleback Community College District—Fire Access and
Loop Road Extension**

We recommend deletion of Item 6870-301-146 (29) because a loop road for fire access has already been provided for the new General Classroom Building.

The budget includes \$1,456,000 to finance the state's share (89 percent) of working drawings/construction for site development work at Saddleback Community College south campus. The district will contribute a total of \$180,000 (11 percent) towards this project, bringing total expenditures to \$1,636,000.

The district proposes to fill a 60-foot deep canyon between the new general classroom building (currently under construction) and Marguerite Parkway which borders the north and west sides of the campus. After the canyon is filled, the district proposes to construct a roadway to connect Marguerite Parkway with the new general classroom building and with the campus drive. The new roadway would serve as the first phase of the district's *future plan* to extend the Saddleback College south campus perimeter loop road.

The district's justification for this project rests principally on its contention that without this new road, adequate fire protection to the general classroom building will be jeopardized. The Orange County fire department has indicated to the district that such a roadway should be provided to allow fire trucks/equipment to gain more rapid access to the new building.

Our analysis indicates that this additional roadway is not needed for emergency access. The general classroom building funded in the 1983 Budget Act included, as part of the project, a road for fire access to accommodate fire fighting equipment. This road extends around the perimeter of the building, provides access for fire fighting equipment and meets all existing fire safety code requirements.

Because sufficient fire protection has already been provided for the general classroom building, there is no need for this project, and we recommend that it be deleted, for a savings of \$1,456,000.

**Palo Verde Community College District—Library and
Learning Resource Center Addition**

We recommend deletion of Item 6870-301-146 (17) because the district should remodel existing space to meet its library/learning resource needs.

The budget proposes \$280,000 to finance the state's share (95 percent) of constructing a 2,362 assignable-square-foot addition to the Library-Learning Resources Center at Palo Verde College. The district would contribute \$15,000 (5 percent) toward the project. The project will provide 1,372 assignable square feet (asf) for library resources (tutorial), 495 asf for AV storage and media production, and 495 asf for a learning diagnostic clinic. Secondary effects of the project include *returning* one room to general classroom use. This room currently is used as a learning center. The estimated future cost for equipment is \$37,000.

New academic space for AV storage and media production and additional space to expand the learning resources center may be justified. Our analysis indicates, however, that the district should consider less costly

alternatives to satisfying its needs. Based on state space standards and district enrollment, the district currently has *excess* lecture (2,700 asf) and laboratory (3,400 asf) space. Consideration should be given to using this excess space for the various activities before *additional* space is constructed on this campus. This would meet the district's space needs at less cost and make more effective use of existing space.

On this basis, we recommend deletion of Item 6870-301-146(17), for a savings of \$280,000.

Palomar Community College District—Library Secondary Effects, Phase II

We recommend that Item 6870-301-146(18) be deleted because this project is not justified according to the district's current space capacities.

The budget proposes \$1,162,000 for the state's share (95 percent) of a project to complete Phase II of the secondary effects of constructing a new library at Palomar College. Phase I, funded in the 1984 Budget Act, remodeled space vacated by personnel moving directly into the new library (which was completed in the Spring of 1983). Phase II would remodel space vacated by personnel or functions moving as a result of Phase I. The budget includes funds for working drawings, construction and equipment.

The Phase II project would remodel eight separate areas on campus to provide additional classrooms, laboratories, and offices for faculty/staff. According to the district's 1985-86 five-year plan, however, the district is presently over-capacity in classrooms and laboratory space by 5,000 asf, and 7,500 asf, respectively. The Phase II project, however, would increase the district's classroom space by 3,125 asf and its laboratory space by 2,541 asf. In addition, the project would reduce district office space from 106 percent to 103 percent of projected need.

Given the adequacy of the district's existing space, there is no apparent need to create additional space as proposed under the Phase II project. Consequently, we recommend that the project be deleted, for a savings of \$1,162,000. If the district has certain specialized laboratory functions which require additional or altered space, a proposal to meet these needs would, of course, warrant legislative consideration.

Coachella Valley Community College District—Vocational Education Building

We recommend that the new Vocational Education Building be reduced by 1,500 assignable square feet to eliminate space for computer science education, because the campus already has space that is used for this purpose and, in addition, shares computer facilities at the local Marine Corp base.

The budget proposes \$48,000 for the state's share (77 percent) of a project to complete working drawings for a new vocational education building at the Copper Mountain Center in Joshua Tree. This would be the second permanent facility at the center, and would provide a total of 14,580 of academic space. Future costs for construction and equipment are estimated at \$1,386,000 and \$148,000 respectively.

The proposed building includes 1,500 asf for computer science classes. Currently, the district offers computer science classes at the Copper Mountain Center and at the nearby Twentynine Palms Marine Corps Air/Ground Combat Center. The combination of these two sites serve adequately the district's computer science instructional needs. In fact, according to campus officials, the arrangement with the Twentynine Palms base has been very successful. Such an arrangement is a good example of sharing resources among various governmental agencies and should be encouraged.

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—
CAPITAL OUTLAY—Continued**

Under the circumstances, it is not clear that there is a need to construct additional computer science space at the Copper Mountain Center. Consequently, we recommend that the district reduce the size of the new vocational education building to eliminate the 1,500 asf included for computer science education. This will result in a future construction cost savings of approximately \$135,000.

Coast Community College District—Childhood Education Center

We recommend deletion of Item 6870-301-146(3) because the district should remodel existing space to meet its needs, rather than construct a new building.

The budget proposes \$359,000 for the state's share (49 percent) of a project to construct a new 4,750 assignable square foot (asf) childhood education training facility at Orange Coast College. The district will contribute a total of \$372,000 (51 percent) towards this project, bringing total expenditures to \$731,000. The funds included in the budget are for working drawings and construction.

The district indicates that a new childhood education training facility is needed because the existing facility does not have separate observation rooms for students to observe properly childhood behavior. The college also indicates that it does not have adequate space to handle the number of classes offered in the childhood education program. The proposed facility would provide separate areas for parent-child classes, infant/toddler laboratories, preschool laboratory, skills laboratory, separate observation area, a conference room and offices for program staff.

Our analysis indicates that construction of a new building for the childhood education program is not justified. Based on enrollments and state space standards, district lecture space is presently 133 percent of need—an excess of approximately 47,000 asf. Therefore, the district should consider remodeling some of its excess lecture space to provide the additional space needed for the childhood education program. We understand that campus officials are reviewing all campus programs to determine which programs should be retained, modified or eliminated. This review should provide the district with a clear indication of what lecture space can be used for expansion of the childhood education program.

Consequently, we recommend that this project be deleted, for a savings of \$359,000.

Mira Costa Community College District, San Dieguito Center—On-Site Development, Phase I

We recommend that Item 6870-301-146(15) be reduced by \$256,000 to eliminate site development for future Phase II construction work.

The budget proposes \$1,870,000 for the state's share (88 percent of a project) to provide initial on-site development for the new San Dieguito Center in Cardiff. The district will contribute \$255,000 (12 percent) towards the cost of the project, bringing total expenditures for construction to \$2,125,000. The project will provide initial grading, drainage, and filtration control and construction of access roads, curbs, lighting and provision of utility services.

In 1980, the Mira Costa Community College district and the Board of

Governors of the California Community Colleges requested the California Postsecondary Education Commission (CPEC) to approve the purchase of a site for a permanent off-campus center. The CPEC approved the district's decision to purchase the property and indicated that when the district decided to proceed with construction of the center, the proposal should be submitted to the CPEC. The district purchased a site in the City of Cardiff during April 1981. In January 1985, the CPEC approved construction of the new center.

The proposed project will provide basic site work for the Phase I permanent buildings (for which funding is requested under Item 6870-301-146(16) and for additional facilities to be constructed in the future. Facilities beyond Phase I however are neither requested by the district in the budget, nor justified by enrollments and state space standards. Thus, the on-site development project should provide only for the Phase I buildings. If future enrollments result in the need for additional buildings at the center, the site for the proposed buildings can be prepared at that time. This follows the normal course of developing a new campus.

Consequently, we recommend that this item be reduced by \$256,000 (\$35,000 district share) to eliminate the Phase II site work.

Mira Costa Community College District, San Dieguito Center—Permanent Buildings, Phase I

We recommend that the district reduce the size of Phase I permanent buildings by approximately 6,100 assignable square feet in accordance with the state's historical policy of constructing facilities only for projected space needs two years after initial occupancy.

The budget proposes \$244,000 to finance the state's share (88 percent) of working drawings for the first permanent buildings at the new San Dieguito Center in the Mira Costa Community College District. The district will contribute \$33,000 (12 percent) towards the project, bringing total expenditures to \$277,000. The estimated future cost of construction is approximately \$4.6 million.

Under Phase I, the district proposes to construct eight separate buildings to provide space for administration and student services, learning resources, communications, humanities, business and office skills, physical science, food service, and maintenance. These facilities would provide for a total of approximately 32,000 asf of academic space, and would open in the fall of 1987.

During the rapid expansion of the state's higher education system in the late 1960's and early 1970's, the state established a policy of constructing facilities to meet projected space needs two years after initial occupancy. This policy was established for two reasons; future projections of enrollment are always uncertain, and (2) the types of educational programs and offerings that would be needed in the future are difficult to predict.

Based on enrollment projections in the district's five-year plan, the Phase I buildings will provide an excess of 6,100 asf in classroom/laboratory space needs based on enrollments in 1989, two years after initial occupancy. Consequently, we recommend that the district reduce the size of the Phase I permanent buildings by approximately 6,100 asf in order to provide sufficient capacity to meet projected space needs in 1989. This will result in a future construction cost savings of approximately \$714,000.

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—
CAPITAL OUTLAY—Continued****Peralta Community College District—Diesel Mechanics Building**

We withhold recommendation on Item 6870-301-146(20), pending a reevaluation by the district of the scope and cost of converting the existing diesel lab. Further, we recommend that the district remove eight portable classroom buildings at its own expense—not as part of this project.

The budget proposes \$118,000 under Item 6870-301-146(20) to finance the state's share (100 percent) of working drawings for a new diesel mechanics building at the College of Alameda. The future costs for construction and equipment are estimated at approximately \$2.2 million.

According to the district, existing diesel mechanics training facilities are inadequate and overcrowded. The present lab does not permit students to work on large trucks and trailers because there is not enough space in the building. The district also indicates that the College of Alameda has the only heavy duty truck class in the immediate five counties, with the closest programs located at San Jose City College and at Santa Rosa Junior College. To provide additional space for the diesel mechanics program, the college proposes to (1) construct a new 8,529 asf diesel and heavy duty truck mechanics building, and (2) convert the present 5,444 asf diesel mechanics lab to an extension of the present auto body and auto mechanic shops.

Although the district and the college presently are over capacity in laboratory space, our analysis indicates that the specialized nature of the diesel mechanics program precludes the potential for remodeling excess space to meet this need. Therefore, the project appears to be justified. A recent on-site visit to the college, however, revealed that many components of the proposed work related to converting the existing diesel mechanics lab either have already been completed or are no longer needed. Consequently, we withhold recommendation on this item, pending receipt of a revised project that excludes the work which has been completed or is no longer required.

Project Should Not Pay For Portables. The budget also includes funds for the removal of eight portable buildings on the college campus, and remodeling work to accommodate these programs in other facilities. The future construction cost of this work is estimated at \$84,000. This component of the project has nothing to do with the diesel mechanics component and should not be a part of the project. Moreover, while we acknowledge that the portables are in various stages of disrepair and should be removed (regardless of the construction of this diesel laboratory) they should not be looked upon as a state responsibility. Consequently, the district should remove the eight portable buildings at its own expense, and not as part of this project.

Saddleback Community College District, North Campus—Building A, Cluster II

We recommend that Item 6870-301-146(26) be reduced by \$40,000 to eliminate an elevator because space within the building can be configured to locate all programs on the first floor.

The budget proposes \$4,211,000 to finance the state's share (89 percent) of constructing a new 20,290 assignable square foot (asf) academic facility at the North Campus of the Saddleback Community College. The district will contribute a total of \$520,000 (11 percent) toward the cost of the

project, bringing total expenditures to \$4,731,000. The funds included in the budget are for working drawings and construction.

The project provides for a building to serve physical sciences and related technological requirements of the campus. The facility will contain space for a printed circuit laboratory (1,761 asf), a physical sciences laboratory and administration (9,952 asf), general academic classrooms (6,828 asf), and faculty offices (1,749 asf). In the year of occupancy (1987), the project will increase district lecture space to 97 percent of projected need, laboratory space to 90 percent of projected need, office space to 89 percent of projected need and library space to 58 percent of projected need.

As part of the construction request for this two-story building, the department is proposing to install an elevator, at a total cost of approximately \$45,000. Preliminary plans for this project submitted by the district, however, indicate that all laboratories and several classrooms will be located on the first floor, with only classrooms and offices on the second floor. Because the department can schedule all programs on the first floor of the building, it is not necessary to include an elevator. Consequently, we recommend that Item 6870-301-146(26) be reduced by \$40,000 to eliminate state funding for the proposed elevator.

Technical Recommendations

We recommend that Items 6870-301-146(9), (10), (12), (13), (28) and (35) be reduced by a total of \$1,479,000 to correct for overbudgeting and to eliminate unjustified construction and/or equipment items.

Six of the projects listed in Table 3—having a combined state share of \$11,339,000 (\$449,000 district share)—include a total of \$1,479,000 (state share) for items that either (1) are overbudgeted, based on prior approvals/project scope, or (2) have not been adequately justified. These projects, together with our recommended reductions, are summarized below.

- *Los Angeles Pierce College, Alterations and Additions to Auto Shop*—We recommend that the state's share be reduced by \$85,000 (district's share \$2,000) to eliminate various construction items, such as video security monitors, and site fencing which were not included within the scope of this project as previously approved by the Legislature and have not been justified.
- *Lake Tahoe College, Permanent Buildings, Phase I*—We recommend that the state's share be reduced by \$1,216,000 (district's share \$12,000) to correct for unjustified budget increases and to bring the costs of the project into line with the previously authorized levels.
- *Mendocino College, Vocational/Technical Building*—We recommend that the state's share be reduced by \$45,000 (no funds from district) to correct for overbudgeting of an electrical transformer and fuel tanks, and to eliminate funds for a new automobile diagnostic analyzer because the college already has this equipment.
- *Mendocino College, Classroom/Administration Building*—We recommend that the state's share be reduced by \$6,000 (no funds from district) to eliminate funds for an electric cart to deliver mail.
- *Saddleback College, South Campus, General Classroom Building*—We recommend that the state's share be reduced by \$22,000 (district's share \$3,000) to eliminate funding for 37 wardrobe/storage units in faculty/staff offices, and to eliminate equipment such as refrigerators, lamps and sofas, for staff area rooms.
- *Oxnard College, Occupational Education Building*—We recommend

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—
CAPITAL OUTLAY—Continued**

that the state's share be reduced by \$105,000 (district's share \$51,000) to eliminate funding for a photocopier and word processing key-boards because the college already has these items.

D. MINOR CAPITAL OUTLAY PROGRAM

The budget proposes \$1,000,000 under Item 6870-301-146 (37) for minor capital outlay (\$200,000 or less per project) for the California Community Colleges. The requested amount represents a lump sum appropriation to be allocated by the Chancellor's Office for the sole purpose of removing asbestos hazards.

Minor Capital Outlay—Removal of Hazardous Asbestos

We withhold recommendation on Item 6870-301-146(37) for asbestos removal, pending receipt of (1) information on the extent of asbestos materials on the community college campuses, (2) priority criteria and standards for addressing asbestos hazards, and (3) a priority list of projects to be funded under this item. Further, we recommend deletion of Budget Bill language requiring a 50 percent district matching share for the funds under this item.

The budget proposes \$1,000,000 under Item 6870-301-146(37) for removal of asbestos materials. The Budget Bill indicates that these funds are to be allocated by the Chancellor's Office to districts that (1) can provide 50 percent matching funds and (2) have developed proposals for removal of asbestos which poses a high risk to students and faculty.

Asbestos Survey. The *Supplemental Report of the 1981 Budget Bill* directed the Office of the Chancellor of the California Community Colleges to conduct a survey of each community college campus to determine the extent to which asbestos is present on the campus and constitutes a health hazard. The survey was to indicate the percentage of asbestos in building materials as well as the amount of asbestos contained in the air surrounding the affected area.

The asbestos survey was submitted to the Legislature in December 1981. The Chancellor's Office indicates, however, that it is not clear how many districts have since removed asbestos from those buildings identified in the survey as containing asbestos. The Chancellor's Office states that while a number of asbestos removal projects have been funded over the past several years from special repair funds, it is not clear whether these projects addressed the asbestos hazards identified in the 1981 study.

Consequently, neither the amount nor condition of asbestos on the various campuses is known at this time. So that the Legislature will have an adequate basis on which to consider this request, we recommend that the Chancellor's Office provide the Legislature with (1) information showing the amount, location and condition of asbestos on each campus, (2) priority criteria and standards for addressing asbestos hazards, and (3) a priority listing of the projects to be funded under this item. We withhold recommendation on this item, pending receipt of this information.

50 Percent Matching Share Is Unjustified. Budget Bill language specifies that funds for asbestos removal shall be allocated only to those districts that can provide 50 percent matching funds. Section 81838 of the Education Code establishes a formula for determining the relative state and district shares of capital outlay projects. It is unclear, therefore, why

the Budget Bill specifies a fixed 50 percent share for these minor capital outlay projects. Accordingly, we recommend that the proposed language be deleted, and that any project funded under this item be supported in accordance with the computed 1985-86 district and state matching shares.

Overbudgeted Construction Funds

We recommend that the amounts approved for construction in Item 6870-301-146 be reduced by 3 percent to eliminate overbudgeting of construction costs.

The Governor's Budget requests \$21,424,000 for the construction phase of capital outlay projects in 1985-86. These amounts are based on the level of the construction cost index projected for July 1, 1985. At the time the level was projected, it appeared to be reasonable. The rate of inflation, however, has not been as high as anticipated. Using the most recent indices, adjusted by the current expected inflation rate of about ½ percent per month, construction costs in the budget are overstated by approximately 3 percent. We therefore recommend that any funds approved for construction under this item be reduced by 3 percent to eliminate overbudgeting.

Supplemental Report Language

For purposes 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.

CALIFORNIA COMMUNITY COLLEGES—REAPPROPRIATION

Item 6870-490 from the General
Fund

Budget p. E 140

ANALYSIS AND RECOMMENDATIONS

We recommend the reappropriation of the unencumbered or undisbursed balances appropriated in Schedule (f) of Item 6870-101-001, Budget Act of 1984.

The budget proposes to reappropriate as of June 30, 1985 any unencumbered balances remaining from the amount provided in the 1984 Budget Act for deferred maintenance. The reappropriated funds would be available for deferred maintenance and special repair projects until June 30, 1986. This proposal is similar to proposals in the budgets for both the University of California and the California State University. We recommend that this appropriation be approved.

CALIFORNIA COMMUNITY COLLEGES—REAPPROPRIATION

Item 6870-491 from the General Fund

Budget p. E 140

ANALYSIS AND RECOMMENDATIONS

We recommend that the unencumbered or undisbursed balances appropriated in Schedule (a) of Item 6870-101-001, Budget Act of 1985, not be reappropriated.

The budget proposes to reappropriate as of June 30, 1986, any unencumbered balances remaining from the amount provided for community college apportionments in the 1985 Budget Act. These funds would be available until June 30, 1987 for (1) deferred maintenance, (2) special repair projects, and (3) the purchase of instructional equipment on a matching fund basis. A related proposal would require the Chancellor of the Community Colleges to report to the Department of Finance and the Joint Legislative Budget Committee by September 30, 1986 on the amount of the unencumbered balance for community colleges apportionments as of June 30, 1986.

While our review confirms the need for funding for deferred maintenance and the replacement of instructional equipment, this is accomplished in Item 6870-490. We recommend that the amount of the unencumbered balances from the 1985 Budget Act not be made available for these purposes because (1) we have no data that indicates the exact amount needed to fund deferred maintenance and special repair projects and instructional equipment purchases and (2) we cannot project the amount that will be unencumbered on June 30, 1986.

STUDENT AID COMMISSION

Item 7980 from the General Fund and various funds

Budget p. E 154

Requested 1985-86	\$225,862,000
Estimated 1984-85.....	188,825,000
Actual 1983-84	112,311,000
Requested increase (excluding amount for salary increases) \$37,037,000 (19.6 percent)	
Total recommended reduction	821,500

1985-86 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
7980-001-001—SAC, Commission Support	General	\$5,498,000
7980-001-951—SAC, Guaranteed Loan program	State Guaranteed Loan Reserve	15,628,000
7980-101-001—SAC, Awards	General	104,837,000
7980-101-890—SAC, Awards	Federal Trust	(11,670,000)
7980-011-890—SAC, Purchase of Defaulted Loans	Federal Trust	(97,137,000)
7980-011-951—SAC, Purchase of Defaulted Loans	State Guaranteed Loan Reserve	99,879,000
Total		\$225,862,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page

1. **Bilingual Teacher Grant Program.** Recommend adoption of Budget Bill language requiring the SAC to grant at least the number of new Bilingual Teacher Grant awards provided for in the budget because the commission has failed to grant the number budgeted in the current year. 1433
2. **Bilingual Teacher Grant Program. Reduce Item 7980-001-001 by \$17,500.** Recommend reduction in the amount budgeted for administrative cost allowances to correct for overbudgeting. 1434
3. **Loan Processing Contract.** Recommend that the SAC explain during budget hearings (1) the reasons for the two-fold increase in the cost of its loan processing contract and (2) what steps it is taking to ensure that future contracts will avoid cost overruns of this magnitude. 1435
4. **Guaranteed Student Loans.** Recommend adoption of supplemental report language requiring the SAC to report on the appropriate insurance premium that students with guaranteed loans should pay. 1436
5. **California Loan Initiation Project.** Recommend that the SAC submit a funding plan for the continued operation of the project. 1438
6. **Guaranteed Student Loan Administration. Reduce Item 7980-001-951 by \$353,000.** Recommend that three professional and five new clerical positions requested for the loan program be deleted because the positions have not been justified. 1439
7. **Guaranteed Student Loan Administration. Reduce Item 7980-001-951 by \$40,000.** Recommend deletion because the amount requested for general operating expenses is based on the prior-year level which included funds for one-time only equipment costs which will not be incurred in 1985-86. 1440
8. **Loan Processor Contract. Reduce Item 7980-001-951 by \$286,000.** Recommend that this augmentation be deleted because the additional services would not become fully operational before the current contract expires. 1440
9. **Assumption Program of Loans for Education.** Recommend adoption of supplemental report language prohibiting the SAC from granting additional awards until a program that allows applicants who are not yet teachers to participate in the loan assumption program because the current program does not increase the supply of teachers statewide. 1441
10. **Cal Grant A Program. Reduce Item 7980-001-001 by \$125,000.** Recommend deletion of funds requested for a feasibility study report because the project is premature. 1444

STUDENT AID COMMISSION—Continued**GENERAL PROGRAM STATEMENT**

The Student Aid Commission (SAC) is composed of 11 members appointed by the Governor for four-year terms. In addition, two student members serve on the commission for two-year terms. The commission:

- administers six state financial aid grant programs;
- administers a program which guarantees federally insured loans to undergraduate and graduate students;
- distributes information on student aid;
- administers an outreach program (known as Cal-SOAP) designed to increase access to postsecondary educational opportunities for financially disadvantaged students; and
- administers a loan assumption program for teachers of mathematics, science, and bilingual education in designated K-12 school districts.

The six grant programs include (1) Cal Grant A—a program that provides tuition grants for students to attend the California public or private college of their choice, (2) Cal Grant B—a program that provides tuition and subsistence grants to disadvantaged students primarily to help them attend one of California's public colleges, (3) Cal Grant C—a program that enables needy students to train in skilled occupations, (4) a fellowship program for needy graduate and professional students, (5) a program that prepares K-12 bilingual teachers, and (6) a program for financially needy children of law enforcement officers killed or disabled in the line of duty.

The commission is supported by a staff of 173.3 full-time equivalent positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures by the Student Aid Commission (SAC) of \$237,532,000 in 1985-86. This is an increase of 21 percent over the current-year level. Table 1 shows that this amount includes:

- \$110,355,000 from the General Fund, a proposed increase of \$19,357,000, or 21 percent;
- \$18,370,000 from the Guaranteed Loan Reserve Fund, a proposed increase of \$2,115,000, or 13 percent; and
- \$108,807,000 from the Federal Trust Fund, a proposed increase of \$19,897,000, or 22 percent.

Table 1 also shows funding levels for the commission's activities in the prior, current, and budget years. The table indicates that for 1985-86, the budget proposes:

- \$116,527,000 for the financial aid grant programs—a 20 percent increase;
- \$650,000,000 for new federally-insured student loans—the same level as in the current year;
- \$99,879,000 to purchase defaulted loans—a 26 percent increase; and
- \$21,321,000 to support the SAC's administrative operations—an increase of 7.7 percent.

Table 1
Student Aid Commission
Budget Summary
1983-84 through 1985-86
(dollars in thousands)

Program or Activity:	Actual	Estimated	Proposed	Change	
	1983-84	1984-85	1985-86	Amount	Percent
Awards	\$85,756	\$96,940	\$116,527	\$19,587	20.2%
Student Loans Guaranteed	(665,000)	(650,000)	(650,000)	—	—
Purchase of Defaulted Loans	26,789	79,421	99,879	20,458	25.8%
Administrative Operations	11,208	19,802 ¹	21,321	1,519	7.7%
Subtotals, Expenditures	\$123,753	\$196,163	\$237,727	\$41,564	21.2%
Less Reimbursements	—	—	-195	-195	N/A
Totals, Expenditures (net)	\$123,753	\$196,163	\$237,532	\$41,369	21.1%
Funding Source:					
General Fund	\$81,057	\$90,998	\$110,355	\$19,357	21.3%
Guaranteed Loan Reserve Fund	-59,737	16,255	18,370	2,115	13.0
Federal Trust Fund	102,418	88,910	108,807	19,897	22.4
Special Deposit Fund	15	—	—	—	—
Total Authorized Positions	161	173.3	182.3	9.0	5.2%

¹ Includes current-year adjustments of \$8,156,000 for (1) employee compensation, (2) contract deficiencies in the guaranteed student loan program, and (3) Ch 498/83, assumption program of loans for education.

Table 2
Student Aid Commission
Summary of Proposed Budget Changes,
By Funding Source
(dollars in thousands)

	General	Guaranteed	Federal Trust	Totals
	Fund	Loan Reserve Fund	Fund	
1984-85 Expenditures (Revised):.....	\$90,998	\$16,255	\$88,910	\$196,163
A. Baseline Adjustments	5,404	-6,614	—	-1,210
1. Merit Salary Adjustments	—	(20)	—	
2. Employee Compensation	(47)	(31)	—	
3. Pro Rata Adjustment	—	(417)	—	
4. Deficiency Appropriation	—	(-7,451)	—	
5. Awards	(5,896)	—	—	
6. Payable From Ch 498/83	(-100)	—	—	
7. Other	(-439)	(369)	—	
B. Budget Change Proposals	\$13,953	\$8,729	\$19,897	\$42,579
1. Cost-of-Living Adjustment—Awards	(8,851)	—	—	
2. New Awards	(3,852)	—	—	
3. Eight Positions for Loan Program	—	(425)	—	
4. New Loan Processor Services	—	(286)	—	
5. On-Going Loan Processor Services	—	(7,053)	—	
6. Feasibility Study	(125)	—	—	
7. Automation of Accounting/Budgeting	(79)	(70)	—	
8. CLIP	—	(195)	—	
9. Purchase of Defaulted Loans	—	(561)	(19,897)	
10. Accountant and Contract Audits	—	(72)	—	
11. Interagency Agreements with FTB	(20)	(14)	—	
12. Other	(1,026)	(53)	—	
1985-86 Expenditures (Proposed)	\$110,355	\$18,370	\$108,807	\$237,532
Change from 1984-85:				
Amount	\$19,357	\$2,115	\$19,897	\$41,369
Percent	21.3%	13.0%	22.4%	21.1%

STUDENT AID COMMISSION—Continued**Significant Program Changes**

Table 2 shows the factors accounting for the \$41,369,000 net increase in total support proposed for the SAC in 1985–86.

The budget proposal does not include any funds for the estimated cost of merit salary increase (\$50,000 in 1985–86) or inflation adjustments for operating expenses and equipment (\$75,000). Presumably, these costs will be financed by diverting funds budgeted for other purposes.

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following program changes which are not discussed elsewhere in this analysis:

- An increase of \$72,000 requested for a new account position and contract audit services;
- An increase of \$34,000 requested for various services to be obtained through an interagency agreement with the Franchise Tax Board; and
- An increase of \$149,000 requested to automate the accounting, budgeting, and research units of the commission.

The Commission's Management Has Been Inept

A common thread runs through the analysis that follows. Time and again, we have found that the Student Aid Commission and its staff have demonstrated inept management and poor judgment in administering its programs and complying with legislative intent. Examples of this sorry record include:

- *Massive cost overruns on the commission's guaranteed student loan processing contract with the Electronic Data Systems Corporation (EDS).* In just two years, the cost of this three-year contract has increased from \$6.9 million to \$20.8 million. This nearly 200 percent increase reflects, in part, a failure by the commission to properly specify the services to be provided under the contract.

- *Implementation of the Assumption Program of Loans for Education (APLE) in a way that is contrary to legislative intent and does little to increase the supply of teachers statewide.* In fact, as implemented by the commission, the primary target group identified by the Legislature—individuals who have not yet decided upon teaching as a profession—cannot participate in the loan assumption program.

- *The commission's failure to comply with the Legislature's directive regarding the study of GSL default rates.* In arranging for this study, the commission staff disregarded language contained in the *Supplemental Report of the 1984 Budget Act* regarding (a) prior consultation with other parties in the development of the study, (b) the scope of the study, and (c) the timing of the final product.

- *The commission's failure to award the number of bilingual teacher grants called for by the Legislature in the 1984 Budget Act.* A portion of the funding provided by the Legislature to increase the number of new awards was instead used to increase the average size of existing awards.

Each of these examples of inept management are discussed below. Together with other deficiencies in the commission's performance, these examples clearly point to the need for major improvements in the management and operation of this important state agency.

In order to lay the foundation for making the needed improvements, the Legislature appropriated \$100,000 in the 1984 Budget Act for a study of the commission's management. In addition, the Legislature adopted supplemental report language specifying that the study to be financed with these funds:

“. . . shall include, but not be limited to, an analysis of and recommendations regarding the efficiency of the following aspects of the commission's administration:

- (a) Management
 - (i) The structure;
 - (ii) The role of the commission, advisory committees, and staff;
 - (iii) The procedures for making and implementing decisions;
 - (iv) The means of information dissemination;
- (b) Staffing
 - (i) The total number of personnel-years;
 - (ii) The position levels;
- (c) Data Processing
 - (i) The data systems available;
 - (ii) The applications of available systems;
 - (iii) The administration of data processing; and
- (d) Budgeting
 - (i) The planning and construction of the commission budget;
 - (ii) The expenditure controls employed.

The contractor shall submit a preliminary report to the Chairman of the JLBC and the chairpersons of the committees which consider appropriations by March 1, 1985, and a final report to the Chairman of the JLBC, chairpersons of the committees which consider appropriations, the Governor, and the Director of the Department of Finance by September 1, 1985.”

In compliance with this directive, we convened an advisory committee consisting of legislative policy and fiscal committee staff and CPEC staff to develop a Request for Proposals (RFP), rate the bidders, and select the final contractor. The advisory group decided to expand the scope of the study to include additional topics of interest to the Legislature.

The RFP was issued on August 28, 1984. We received seven responses to the RFP and on October 29 a contract was awarded to the firm of Price Waterhouse.

A preliminary report will be issued by the contractor on March 1, 1985, and a final report will be issued by June 30, 1985. We will be prepared to discuss the preliminary report during the budget hearings. We are optimistic that the final report will provide the Legislature with a basis for identifying and maintaining the implementation of the changes needed to bring the commission's performance up to par.

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, often called “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

STUDENT AID COMMISSION—Continued

financial aid "package" may consist of all three types of aid.

Table 3 shows that in 1984-85, financial aid funds totaling \$1,362 million will be provided to students attending postsecondary institutions in California. This amount is approximately \$134 million, or 11 percent, above the 1983-84 level.

Table 3 also shows that:

- the *state* provides roughly 10 percent of the financial aid received by students attending California institutions of higher education;
- the *postsecondary institutions* themselves provide approximately 19 percent of the total; and
- *private lending institutions* associated with the Guaranteed Student Loan program and other funding sources account for almost one-half of all student financial assistance.

Table 3
Student Aid Commission
Total Higher Education Student Assistance in California
By Program and Segment
1984-85
(dollars in thousands)

Segment/Program	Source of Funds				Totals
	State	Federal	Institutional	Other	
University of California					
Cal Grants:					
a. Scholarships	\$13,447 ¹	—	—	—	\$13,447
b. College Opportunity Grants	6,326 ¹	—	—	—	6,326
Graduate Fellowships	377	\$10,400	\$17,700	\$4,000	32,477
Bilingual Teacher Grant Program.....	225 ¹	—	—	—	225
Pell Grant	—	26,900	—	—	26,900
Supplemental Educational Opportunity Grants (SEOG) ..	—	5,500	—	—	5,500
Other Grants.....	—	125	35,200	3,900	39,225
Fee Waivers	—	—	6,700	—	6,700
National Direct Student Loans.....	—	3,100	12,000	—	15,100
GSL	—	—	—	77,840 ²	77,840
Other Loans	—	33	8,000	2,800	10,833
College Work Study	—	9,600	2,400	—	12,000
Totals, UC	\$20,375	\$55,658	\$82,000	\$88,540	\$246,573
California State University					
Cal Grants:					
a. Scholarships	\$3,378 ¹	—	—	—	\$3,378
b. College Opportunity Grants	8,893 ¹	—	—	—	8,893
c. Occupational Education and Training Grants	2 ¹	—	—	—	2
Graduate Fellowships	23 ¹	—	—	—	23
Bilingual Teacher Grant Program.....	2,183 ¹	—	—	—	2,183
Educational Opportunity Grants (EOP)	7,113	—	—	—	7,113
Pell Grants.....	—	\$49,158	—	—	49,158
Supplemental Educational Opportunity Grants (SEOG) ..	—	7,056	—	—	7,056
State University Grant Program	12,353	—	—	—	12,353
Other Grants.....	—	360	\$2,460	\$8,020	10,840
Fee Waivers	—	—	2,410	—	2,410
National Direct Student Loans.....	—	10,897	1,362	—	12,241
GSL	—	—	—	110,090 ²	110,090
Other Loans	—	79	10	—	89
College Work Study	—	8,550	1,826	682	11,058
Part-Time—On-Campus Employment.....	—	—	9,943	—	9,943
Totals, CSU	\$33,945	\$76,082	\$18,011	\$118,792	\$246,830

California Community Colleges

Cal Grants:					
a. College Opportunity Grants	\$9,240 ¹	—	—	—	\$9,240
b. Occupational Education and Training Grants	618 ¹	—	—	—	618
Bilingual Teacher Grant Program	390 ¹	—	—	—	390
Educational Opportunity Grants (EOPS)	7,684	—	—	—	7,684
Pell Grants	—	\$54,720	—	—	54,720
Supplemental Educational Opportunity Grants (SEOG) ..	—	9,531	—	—	9,531
Other Grants	—	445	\$363	\$283	1,091
Other Scholarships	—	22	1,744	1,774	3,540
National Direct Student Loans	—	2,854	317	—	3,171
CSL	—	—	—	64,660 ²	64,660
Other Loans	45	352	766	223	1,386
College Work Study (EOPS Included)	868	12,678	3,169	—	16,715
Part-Time—On-Campus Employment	—	—	11,962	308	12,270
Job Location/Development (Private) Off-Campus	—	—	—	3,429	3,429
Totals, CCC	\$18,845	\$80,602	\$18,321	\$70,677	\$188,445

California Independent Colleges

Cal Grants:					
a. Scholarships	\$48,031 ¹	—	—	—	\$48,031
b. College Opportunity Grants	4,661 ¹	—	—	—	4,661
c. Occupational Education and Training Grants	393 ¹	—	—	—	393
Graduate Fellowships	2,190 ¹	—	—	—	2,190
Bilingual Teacher Grant Program	378 ¹	—	—	—	378
Pell Grants	—	\$21,930	—	—	21,930
Supplemental Educational Opportunity Grants (SEOG) ..	—	7,360	—	—	7,360
Other Grants	—	—	\$107,220	—	107,220
Fee Waivers	—	—	1,049	—	1,049
National Direct Student Loans	—	17,757	1,973	—	19,730
CSL	—	—	—	\$187,130 ²	187,130
Other Loans	—	—	8,888	—	8,888
College Work Study	—	12,400	—	—	12,400
Total Institutional Work Fund for Students	—	—	15,340	—	15,340
Totals, Ind. Colleges	\$55,653	\$59,447	\$134,470	\$187,130	\$436,700

Proprietary and Specialty Schools

Cal Grants:					
a. Scholarships	\$4,484 ¹	—	—	—	\$4,484
b. College Opportunity Grants	731 ¹	—	—	—	731
c. Occupational Education and Training Grants	2,178 ¹	—	—	—	2,178
Pell Grants	—	\$63,462 ⁴	—	—	63,462
Supplemental Educational Opportunity Grants (SEOG) ..	—	5,716 ⁴	—	—	5,716
National Direct Student Loans	—	3,665 ⁴	\$407	—	4,072
CSL	—	—	—	\$160,730 ²	160,730
College Work Study	—	1,338 ⁴	335	—	1,673
Totals, Prop and Spec. Schools	\$7,393	\$74,181	\$742	\$160,730	\$243,046

Student Aid Commission

Cal Grants:					
a. Scholarships	(\$69,340)	—	—	—	—
b. College Opportunity Grants	(29,851)	—	—	—	—
c. Occupational Education and Training Grants	(3,191)	—	—	—	—
Graduate Fellowships	(2,590)	—	—	—	—
Bilingual Teacher Grant Program	(3,176)	—	—	—	—
Totals, SAC	(108,148)	—	—	—	—
Grant Totals, All Programs and Segments	\$136,211	\$345,970	\$253,544	\$625,869	\$1,361,594 ³

¹ Source: Student Aid Commission, Grant Programs. Cal Grant amounts are awards offered as of October 1984; actual amounts received are about 10.5 percent less because of attrition.

² Source: CSAC, California Educational Loan Programs; Forecasted from data as of December 1984.

³ Does not reflect Social Security Educational Benefits and Veterans Benefits.

⁴ 1983-84 amounts from the U.S. Office of Education; data on 1984-85 amounts are not available.

STUDENT AID COMMISSION—Continued

Finally, the table shows that students in private colleges receive the largest share of financial aid (32 percent), followed by students at the California State University (18 percent), the University of California (18 percent), proprietary and specialty schools (18 percent), and the California Community Colleges (14 percent).

B. FINANCIAL AID PROVIDED BY THE STATE (Item 7980-101-001)

Table 4 displays the funding levels for SAC's six grant programs for the past, current, and budget years. The table shows that the budget proposes *total* funding for these grant programs of \$115,030,000 in 1985-86. This is 19 percent, or \$18.2 million, more than the current-year level. *General Fund* support for these six programs in the budget year is proposed at \$103,360,000, an increase of 21 percent. *Federal* support, in contrast, is budgeted at \$11,670,000, the same level as in the current year.

Table 4
Student Aid Commission
Grants
(dollars in thousands)

	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change	
				Amount	Percent
1. Cal Grant A—Scholarships.....	\$55,339	\$62,520	\$75,271	\$12,751	20.4%
2. Cal Grant B—College Opportunity Grants.....	23,414	26,014	30,743	4,729	18.2
3. Cal Grant C—Occupational Education and Training Grants	2,207	2,746	3,139	393	14.3
4. Graduate Fellowships	2,300	2,721	2,819	98	3.6
5. Bilingual Teacher Development	2,487	2,786	3,044	258	9.3
6. Law Enforcement Personnel Dependents	9	8	14	6	75.0
Totals, Awards	\$85,756	\$96,795	\$115,030	\$18,235	18.8%
General Fund	\$76,419	\$85,125	\$103,360	\$18,235	21.4%
Federal Trust Fund	9,337	11,670	11,670	—	—

Table 5
Student Aid Commission
Number and Maximum Size of Grant Awards
1984-85 and 1985-86

	Maximum Award Amount				Total Number of Awards			
	1984-85	1985-86	Change		1984-85	1985-86	Change	
			Amount	Percent			Amount	Percent
Cal Grant A (Scholarship).....	\$3,740	\$4,110	\$370	10.0%	40,166	43,710	3,544	8.8%
Cal Grant B (Opportunity)	3,520	3,870	350	10.0	20,990	22,288	1,298	6.2
Cal Grant C (Occupational)	2,120	2,250	130	6.0	2,290	2,440	150	6.6
Graduate Fellowships	5,830	6,180	350	6.0	850	850	0	0
Bilingual Teacher	3,816	4,045	229	6.0	930	970	40	4.3
Law Enforcement Dependents.....	1,500	1,500	0	0.0	8	9	1	12.5
Totals.....	NA	NA	NA	NA	65,234	70,267	5,033	7.7%

Table 5 shows the maximum grant level and the total number of awards proposed by the budget for each program in 1985-86, as well as the corresponding information for the current year.

The proposals in the Governor's Budget represent the second year's installment of a three-year plan designed to increase access and educational opportunities for those California students seeking postsecondary degrees or training. The Legislature approved funding for the first year of this plan in the 1984 Budget Act. We recommend that the Legislature also approve the funding request for 1985-86.

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 so that they can complete 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 \$75,271,000 for the Cal Grant A program in 1985-86, an increase of 20 percent, or \$12.8 million over the amount budgeted in 1984-85. The additional funding would be used to provide: (1) 1,000 additional new awards, bringing the total to 17,400 (\$1.7 million), (2) a 10 percent increase in the maximum award, bringing it to \$4,110 (\$6.3 million), (3) a 5 percent increase in the income ceiling used to determine program eligibility (\$600,000), and (4) certain baseline adjustments (\$4.1 million).

Community College Transfer Initiative. The budget proposes to earmark 500 of the 1,000 additional Cal Grant A awards for community college students intending to transfer to a four-year college or university. Presumably, these students would compete among themselves for these awards; senior high school students and students enrolled in four-year institutions would not be eligible to receive them. (Community college students would be able to apply for un-earmarked Cal Grant A awards, as well.)

The Governor's proposal responds to the widespread concern that during the past several years there has been a significant decline in the number of students transferring from California's community colleges to its four year institutions.

Adjustments to the Income Ceiling. The budget also proposes to increase by 5 percent the income ceiling used to determine eligibility for Cal Grant A awards. This adjustment is intended to offset the effects of inflation on the family income applicant's, so as to keep the 1985-86 eligibility pool roughly comparable to the 1984-85 pool.

2. Cal Grant B—College Opportunity Grants

This program, which was established in 1968-69 as the California Opportunity Grant program, provides grants which cover (1) subsistence costs during the first year of the award and (2) tuition and fees as well as subsistence in the second and subsequent years. Unlike the Cal Grant A program, the selection of students for these grants is based not only on the

STUDENT AID COMMISSION—Continued

student's grade point average and family income, but also on the level of parental education, family size, and the student's career and life goals. Only students with less than 16 college credit units are eligible to receive assistance under this program.

The Governor's Budget proposes \$30,743,000 total funding for the Cal Grant B program in 1985-86. This is an increase of 18 percent, or \$4,729,000 over the current-year level. The additional funding would provide: (1) 750 additional new awards, bringing the total to 8,250 (\$900,000), (2) a 10 percent increase in the maximum award for tuition and fees, bringing it to \$3,870 (\$800,000), (3) a 6 percent increase—to \$1,283—in the maximum award for subsistence (\$1.4 million), and (4) certain baseline adjustments to the program (\$1.7 million).

The Proposal to Earmark Cal Grant B Awards in 1985-86 May Not Be Feasible

As part of his plan to increase the number of community college students transferring to four-year institutions, the Governor proposes to reserve 250 of the 750 new Cal Grant B awards for community college students who will attend a four-year institution in 1985-86. A related proposal would authorize students with more than 16 units to receive a Cal Grant B. (Current law restricts Cal Grant B eligibility to students having fewer than 16 units.) Presumably, this exemption would apply only to the applicants for the 250 earmarked awards. The Budget Bill contains language to implement this initiative.

Our review indicates, however, that it may not be possible to implement this program effectively within the limited time available. Students applying for awards covering the 1985-86 academic year are required to submit their applications to the SAC by February 10, 1985—nearly five months before the 1985-86 budget will be enacted, and long before any publicity regarding the availability of these awards has appeared. Consequently, many students will not be aware of the change in eligibility requirements for the Cal Grant B, and therefore will fail to submit an application for an award. Ideally, all eligible students should have an equal opportunity to apply for a state-funded grant.

The commission will have on file the applications of those students who sought financial aid under the eligibility requirements in effect prior to the enactment of this budget. Thus, the commission will have a pool of eligible applicants from which to select winners of the earmarked Cal Grant B awards. If the current deadline for submitting applications for financial aid is extended and if the community colleges and the SAC are successful in informing students of the earmarked awards, students who would otherwise be excluded from consideration may become award winner. The limited time available to the community colleges and the SAC, however, makes this unlikely.

3. 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 at least four months but no more than two years in 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 designated by the SAC as manpower-short are given priority for awards. The

awards may not be used to support undergraduate or graduate study.

The Governor's Budget proposes total funding for the Cal Grant C program of \$3,139,000 in 1985-86—14.3 percent more than the current-year level. This amount includes funding to (1) increase the number of new awards by 150 to 1,570 new awards (\$189,000), (2) increase the maximum award by 6 percent, or \$127, bringing it to \$2,250 (\$126,000), and (3) provide for certain baseline adjustments in the program (\$78,000).

4. Graduate Fellowships

The Graduate Fellowship program provides grants to qualified students in order to cover the tuition and fees they must pay pursuing post-baccalaureate degrees. Approximately 850 new and renewal awards of up to \$5,830 each will be provided in the current year.

Total support for the program is proposed at \$2,198,000, for 1985-86, a 3.6 percent increase over the current year level. This funding level provides for a 6 percent increase in the maximum award to \$6,180 and no increase in the number of new awards.

Bilingual Teacher Grant Program

The Bilingual Teacher Grant program provides financial assistance to students pursuing careers as bilingual teachers. The program is open to low-income state residents who (1) demonstrate oral proficiency in a non-English target language designated by the SAC and (2) enroll in a four-year institution's bilingual credential program that is approved by the Commission on Teacher Credentialing. In the current year, the program will provide grants to 1,068 students.

The Governor's Budget requests \$3,044,000 from the General Fund to support the Bilingual Teacher Grant program in 1985-86. This is a \$258,000, or 9.3 percent, above the current-year level. This increase provides for (1) an additional 40 new awards, bringing the total to 448 (\$107,000) and (2) a 6 percent increase in the maximum award, bringing it to \$4,045 (\$151,000).

1984-85 Budgeted Grants Not Provided

We recommend that the Legislature adopt Budget Bill language requiring the Student Aid Commission to grant at least the number of new Bilingual Teacher Grant awards specifically provided for in the 1985 Budget Act.

The 1984 Budget Act provided funding for a total of 408 new Bilingual Teacher Grant awards in 1984-85. This was an increase of 68 awards over the 1983-84 level.

The SAC, however, granted only 373 new awards. Instead, the SAC used a portion of the funding appropriated for the new awards to increase the average award level. It did so in response to a change in the methodology used to determine an applicant's financial need. Specifically, the College Scholarship Service, a program of the College Board which provides needs analysis services to academic institutions and state agencies nationwide, reduced the expected contribution of financial aid recipients toward their education. This change, in turn, resulted in a higher calculated need for financial assistance among those applying for aid.

In response to this change, the SAC increased the average award of existing recipients of Bilingual Teacher Grants, so that sufficient funds to make the 408 new awards budgeted by the Legislature was no longer available.

STUDENT AID COMMISSION—Continued

To ensure that all of the new awards budgeted by the Legislature in the Bilingual Teacher Grant Program for 1985-86 are actually made, we recommend the following Budget Bill language be adopted in Item 7980-101-001:

“The Student Aid Commission shall grant 448 new Bilingual Teacher Grant awards specifically provided for in Schedule f of this Item.”

Technical Budgeting Error

We recommend a General Fund reduction of \$17,500, because the amount requested for administrative cost allowances to higher education institutions administering the Bilingual Teacher Grant program is over-budgeted. (Reduce Item 7980-001-001 by \$17,500.)

Current law specifies that the amount provided to colleges and universities for costs incurred in administering the Bilingual Teacher Grant program shall be increased each year by the overall percentage increase provided for the Bilingual Teacher Grant program. The percentage increase proposed in the budget for 1985-86 is 9.3 percent. In order to increase the administrative cost allowance by 9.3 percent, an augmentation of \$20,500 is needed, rather than the \$38,000 provided in the Budget. We recommend that the difference be deleted to correct for overbudgeting.

6. Law Enforcement Dependents Program

The Law Enforcement Dependents program provides grants ranging from \$100 to \$1,500 to dependents of law enforcement officers killed or permanently disabled in the line of duty. The grants are made on the basis of financial need and may not exceed \$6,000 over six years.

The Governor's Budget requests \$14,000 for this program in 1985-86. This is \$6,000 above the current-year level, and is expected to finance 9 awards in the budget year.

C. STATE GUARANTEED STUDENT LOAN PROGRAM (Items 7980-001-951 and 7980-001-890)

The Guaranteed Student Loan (GSL) program provides low interest loans to college students. The maximum loan is \$2,500 per year for undergraduate students and \$5,000 per year for graduate students. Any student whose family income is less than \$30,000 per year automatically qualifies for a loan. Students from families with annual incomes exceeding \$30,000 must demonstrate financial need in order to qualify for a loan.

Assistance Provided. To secure a loan, a student must pay the lending institution an origination fee equal to 5 percent of the loan amount. In addition, the student must pay an insurance premium established by SAC. These payments extend from the date on which the loan is disbursed to 12 months beyond the date on which the student is expected to complete his or her education. The current premium is 1 percent of the loan balance, per annum.

The current interest rate on GSL loans is 8 percent. Students are required to begin making payments on their loans six months after completing their education, and they have up to ten years to repay. The minimum monthly payment is \$50. Table 6 shows the volume of loans guaranteed by the state during the current and previous three years.

Table 6
Student Aid Commission
Volume of Loans Guaranteed
(dollars in millions)

	Number	Dollar Volume	Dollar Change	
			Amount	Percent
1980-81	142,341	\$469.6	—	—
1981-82	237,825	654.4	\$184.8	39.4%
1982-83	193,683	567.3	-87.1	-13.3
1983-84	245,201	663.3	96.0	16.9
1984-85 (est.)	240,297	650.0	-13.3	-2.0
Totals.....	1,059,347	\$3,004.6	—	—

Loan Administration. The SAC is the state guarantee agency for the federal GSL program. The commission's responsibilities include monitoring lending institutions to assure that they comply with federal policies, and providing services necessary to collect outstanding loans. These activities, which are shared with a contractor, are financed by the State Guaranteed Loan Reserve Fund (commonly called the Loan Fund) which derives its revenue from (1) the insurance premiums paid by guaranteed loan recipients, (2) administrative cost allowances provided by the federal government, and (3) investment earnings. No General Fund support is provided for this program.

Increases in Contract Cost Require Explanation

We recommend that during budget hearings, the Student Aid Commission explain the reasons for the increases in the cost of its loan processing contract with Electronic Data Systems and describe the steps that it is taking to ensure that future contracts will avoid cost overruns of this magnitude.

In January 1983, the SAC signed a three-year, \$6.9 million contract with a private contractor, Electronic Data Systems (EDS), that provides for the processing of GSL student loans. The agreement required EDS to process student loan applications, maintain a data base which tracks the status of loans, collect defaulted loans, and purchase defaulted loans as the fiscal agent for the commission. The 1984 Budget Act provided \$3.5 million from the Loan Fund to cover the costs of the contract in 1984-85.

As it turns out, the original contract did not specify many of the tasks which the SAC *assumed* were called for by the general terms of the agreement. Because the vendor was unwilling to provide services not specifically detailed in the contract, the contract has had to be amended several times in order to secure the needed services from EDS. These amendments have increased the costs of the contract to the point where, in the current year alone, *there is a contract deficiency of \$6,820,000*—an amount that is almost equal to the original cost of the contract for all three years!

The Governor's Budget for 1985-86 requests almost \$10.6 million from the Loan Fund to fund the final year of the contract. This would bring the total cost of the three-year contract to \$20.8 million, compared with the \$6.9 million originally agreed to by the SAC and EDS in January 1983.

In light of this, we recommend that during budget hearings, the SAC report on the reasons why it was necessary to increase the cost of this contract by *200 percent* and describe the steps it is taking to ensure that future contracts are let in such a way as to avoid major cost overruns of this type.

STUDENT AID COMMISSION—Continued**1. State Guaranteed Loan Reserve Fund**

The State Guaranteed Loan Reserve Fund (the Loan Fund) established pursuant to Ch 1201/77 funds (1) the purchase of defaulted guaranteed student loans and (2) the administrative costs of two loan programs—the State Guaranteed Loan Program and the California Loans to Assist Students Program, as well as the residual activities of the Guaranteed Loan Program. The Loan Fund derives its revenues from investment earnings, a federal administrative cost allowance under the GSL program, and loan insurance premiums paid by students.

Insurance Premiums Paid by Students May Be Too High

We recommend that the Legislature adopt supplemental report language directing the Student Aid Commission to report on the appropriate level of the insurance premium that students with guaranteed student loans must pay.

In a recent report (“California Student Aid Commission State Guaranteed Loan Reserve Fund Financial Audit Report Year Ended June 30, 1984”), the Auditor General noted that the insurance premiums paid by student borrowers totaled \$13.9 million in 1983–84. (The premium is equal to one percent of the amount of the loan multiplied by the number of years between dispersal of the loan and one year following the date at which the student is expected to complete his or her education.) The Auditor General also noted that in the same year, the cost to the state of purchasing \$95 million in defaulted loans amounted to only \$2,350,774. This is because the U.S. Department of Education pays for the vast majority of defaulted loans, pursuant to its reinsurance contract with the SAC.

Our analysis indicates that a comprehensive review of the SAC’s policy in setting premiums is warranted, for two reasons. First, we find that the portion of student paid insurance premiums available for the purchase of defaulted loans in 1983–84—\$11.1 million—was considerably greater than the amount spent for this purpose. Second, at the start of the current fiscal year, the Loan fund had a net ending balance of \$72.3 million. This could mean that the current insurance premium rate set by the SAC is too high.

On the other hand, it is possible that the demands on the fund for the purchase of defaulted loans, together with the increase in administrative costs associated with the loan processing contract, could cause a deterioration of the loan fund’s condition in the future. For this reason, it is not possible to say definitively that the insurance premium is “too high.”

So that the Legislature will have the information it needs to determine the appropriateness of current insurance premium, we recommend that the SAC be directed to submit a report which examines the current and projected revenues and expenditures of the Guaranteed Loan Reserve Fund and makes recommendations on the appropriate level of the insurance premium charged on guaranteed student loans. The following supplemental report language would be consistent with this recommendation:

“The Student Aid Commission shall submit a report by September 1, 1985 to the legislative fiscal committees which (1) examines current and projected revenues and expenditures of the Guaranteed Loan Reserve Fund, (2) examines the projected state share of costs associated with the purchase of defaulted loans, given various assumptions about federal

reinsurance rates, and (3) specifies appropriate insurance premium rates to provide sufficient revenues to meet the state's obligation to purchase defaulted loans under various conditions and provide an adequate reserve for contingencies."

2. Loan Defaults

Table 7 displays the default rate on guaranteed student loans by various segments of higher education as of November 1983 and November 1984. The table shows that the average default rate for each educational segment increased between November 1983 and November 1984.

The table also shows that in 1984 the average default rates ranged from 5.5% at UC to 24.7% at private vocational institutions. The private vocational schools and the community colleges have greater default rates than do UC, private four-year institutions, and CSU. In fact, almost two-thirds of the 96 California Community Colleges, and 60 percent of the private vocational schools in the sample reported a default rate of 20 percent or greater.

Table 7
Default Rates for the Guaranteed Student Loan Program^a
November 30, 1983 and November 30, 1984

	University of California		California State University		California Community Colleges		Private Two-Year		Private Four-Year		Private Vocational	
	1983	1984	1983	1984	1983	1984	1983	1984	1983	1984	1983	1984
Default Rates												
0-5.0 percent	5	2	2	2	4	1	1	—	50	36	13	2
5.1-10.0.....	5	7	15	12	11	—	8	4	42	38	23	7
10.1-15.0.....	—	1	3	5	30	4	4	5	15	22	40	23
15.1-20.0.....	—	—	—	1	28	31	3	4	3	8	23	35
20.1-30.0.....	—	—	—	—	21	47	2	2	3	4	42	50
30.1-40.0.....	—	—	—	—	2	11	—	2	—	—	36	31
over 40.0	—	—	—	—	—	2	—	—	—	—	11	11
Total Institutions Reporting	10	10	20	20	96	96	18	17	113	108	178	159
Average Default Rate	4.8%	5.5%	7.1%	9.1%	16.5%	23.3%	10.5%	14.2%	6.7%	7.7%	22.1%	24.7%
Cumulative Loan Value (in millions of dollars)	\$337.8	\$422.2	\$442.4	\$558.0	\$249.7	\$314.1	\$41.1	\$54.8	\$662.5	\$845.2	\$311.9	\$488.9

^a Covers only those institutions with at least \$100,000 in repayment status.

Study of GSL Default Rates

The 1984 Budget Act appropriated \$75,076 to the Student Aid Commission (SAC) for a study of GSL default rates. The *Supplemental Report of the 1984 Budget Act* contained a statement of the Legislature's intent regarding this study, as follows:

"Of the amount appropriated in this item, \$75,076 is available for the purpose of conducting site reviews of California postsecondary institutions with Guaranteed Student Loan program default rates above 15 percent. The Student Aid Commission shall consult with the California Postsecondary Education Commission (CPEC), the Legislative Analyst, and the Department of Finance to develop (1) a uniform method for conducting the reviews and (2) criteria to determine which institutions

STUDENT AID COMMISSION—Continued

should be visited. The commission shall submit its findings to the Joint Legislative Budget Committee, the legislative fiscal committees, and CPEC no later than March 1, 1985."

The staff of the Commission in September 1984 developed a plan for the study. In doing so, however, it did not consult with the specified review agencies, as the state legislature required. Subsequently, on November 5, 1984, the review agencies were informed that:

- a contract would be awarded on a sole-source basis,
- the contractor would review only proprietary institutions, not public institutions,
- the study would run 10 months—well beyond the March 1, 1985 deadline specified by the Legislature, and
- the study would not focus on just institutions with GSL default rates above 15 percent, but would look at those selected using a random sample of all institutions.

In effect, these decisions were presented to the review agencies as a fait accompli.

We have since been advised that community colleges will be included within the scope of the study, and that a progress report should be available for review during the budget subcommittee hearings. We will provide additional comments as appropriate at that time.

3. GSL Administrative Costs

The budget requests \$15,823,000 from the State Guaranteed Loan Reserve Fund (the Loan Fund) to administer the Guaranteed Student Loan program in 1985–86. This is an increase of 12 percent, or \$1.7 million, over the revised current-year expenditure level. This increase includes:

- \$195,000 to fund the California Loan Initiation Project (CLIP) through February 28, 1986; (\$195,000 will also be provided through reimbursements);
- \$393,000 for eight positions and associated operating expenses and equipment for the Guaranteed Student Loan program;
- \$519,000 to secure additional services from Electronic Data Systems, the loan processing contractor;
- \$60,000 for contract services from the Attorney General's Office;
- \$70,000 to automate accounting, budgeting, and research functions; and
- \$400,000 in baseline adjustments, merit salary adjustments, and inflation adjustments.

a. The California Loan Initiation Project (CLIP)

We recommend that the Student Aid Commission submit to the legislative budget committee a funding plan for the continued operation of the California Loan Initiation Project (CLIP).

During 1984–85, the Student Aid Commission (SAC) initiated a demonstration project designed to expedite the provision of guaranteed student loans. This project, which commenced July 1, 1984, is known as the California Loan Initiation Project (CLIP).

Specifically, CLIP is intended to explore the feasibility of decentralized data entry for guaranteed student loan applications, using an electronic network. Fifteen postsecondary institutions and seven financial institutions are participating in the network, which is administered by Electronic

Data Systems (EDS)—the loan processor currently under contract to the SAC. The main objective of CLIP is to significantly reduce the time that students must wait in order to receive a loan, which normally is approximately 80 days.

Funding for the CLIP project was not requested in the budget for 1984-85 or provided in the 1984 Budget Act. Instead, it was provided by the Department of Finance using the authority contained in Section 28 of the Budget Act. Specifically, SAC has been authorized to spend from the State Guaranteed Loan Reserve Fund \$73,719 per month between December 1, 1984 and June 30, 1985, in order to (1) pay EDS for its development and operating costs (\$69,219) and (2) pay for a private consultant to evaluate the project and plan its full implementation (\$4,500). Funding for the costs incurred between July 1 and December 1, 1984 was provided by EDS. No funding is being provided by CLIP participants in 1984-85.

To date, CLIP appears to be successful in reducing loan processing time, improving accuracy, and reducing student uncertainty. The Governor's Budget for 1985-86 includes \$390,000—\$195,000 from the Loan Fund and \$195,000 from reimbursements paid by project participants—to fund CLIP until February 28, 1986, when the GSL processing contract expires. It is not clear what will happen to the project beyond this point.

If the project is to continue, it is important that the appropriate committees of the Legislature have the opportunity to review the expenditures for this program which they did not have last year. Accordingly, we recommend that the SAC submit to the legislative budget committees its plan for the continued operation of CLIP beyond July 1, 1985. This plan should discuss the current accomplishments of the project, its potential for being implemented statewide, and alternatives for funding it, including the collection of user fees.

b. Unfilled Positions in GSL Administration

The 1984 Budget Act provided funding for three new specialist positions to monitor the loan processing contractor and to increase the commission's efforts to collect on defaulted loans. The specialists were expected to work with the Franchise Tax Board, the State Attorney General, and other state agencies in seeking to collect on defaulted student loans.

The SAC, however, did not use two of these positions as intended. Instead, it reclassified them to a senior data processing (DP) manager and a manager for the loan program. According to the commission, it did so because (1) it felt a greater need for a DP manager than for the budgeted specialist position and (2) it had greater difficulty in filling the second specialist position than anticipated.

The Need for Staff Augmentations Has Not Been Documented

We recommend that three professional and five clerical positions requested for the Guaranteed Student Loan program be deleted because the commission has not established the need for these positions on a workload basis, for a savings of \$353,000 to the Guaranteed Loan Reserve Fund. (Reduce Item 7980-001-951 by \$353,000.)

The Governor's Budget proposes that in 1985-86 eight positions be added to the staff of 40 authorized for the GSL program in the current year. These additional positions include three professional staff and five clerical staff, of which three would have limited terms of one year.

We recognize that additional staff may be needed for the Guaranteed Student Loan program. In the 1984-85 *Analysis*, we recommended that

STUDENT AID COMMISSION—Continued

the three specialist positions requested by the SAC be approved, on the basis that both the number of loans being made and the number of loan defaults were rising. As noted above, these positions were approved (although the commission chose to use two of the positions for purposes other than those on which they had been justified.

The commission has not provided adequate data to support the need for an additional eight positions in 1985-86. Nor has our analysis confirmed the need for these positions. We note that the number of loans is expected to level off in 1985-86 at about 250,000—approximately four percent above the current-year level. Moreover, many of the duties that previously were the responsibility of commission staff have been transferred to the loan processing contractor (EDS). These duties include (1) reviewing student loan applications, (2) making inquiries to students who are behind in their loan payments, and (3) purchasing defaulted loans from lenders. This shift in responsibilities presumably frees up commission staff to undertake other duties relating to default prevention, preclaims assistance, and school and lender reviews.

Accordingly, we recommend that the positions and associated funding requested by the commission not be approved.

If the commission is able to provide data which supports the need for the additional eight positions, we will reconsider this recommendation. Any information submitted to the Legislature in support of these positions should detail (1) the activities currently performed by the Guaranteed Student Loan program unit, (2) the activities proposed to be performed by the additional staff, (3) the reasons why alternative assignment of existing staff could not perform the proposed duties, and (4) the responsibilities of the loan processing contractor and the duties of the additional staff, if the proposed tasks are related to or dependent upon activities currently undertaken by the contractor. This information would allow the Legislature to evaluate the request for eight additional positions for the Guaranteed Student Loan program unit.

Technical Budgeting Error

We recommend that \$40,000 requested for general operating expenses in connection with the loan program administration be deleted, because these funds were budgeted for one-time equipment costs and will not be needed in 1985-86. (Reduce Item 7980-001-951 by \$40,000.)

The Budget proposes \$77,000 for general operating expenses associated with the eight new positions in the Guaranteed Student Loan unit. This amount was calculated, based on past-year expenditures which included one-time only equipment costs. Of the amount proposed, \$40,000 is associated with these costs and therefore should be deleted.

c. Additional GSL Contract Services are Not Cost Effective

We recommend that \$286,000 requested to fund additional contract services from Electronic Data Systems (EDS) Corporation be deleted because the added services would not become fully operational before the current contract expires for an equivalent savings to the Guaranteed Loan Reserve Fund. (Reduce Item 7980-001-951 by \$286,000.)

The budget for 1985-86 requests \$519,000 from the Guaranteed Loan Reserve Fund to fund additional activities to be conducted by Electronic Data Systems, the loan processor under contract to the SAC. These activi-

ties would include (1) loan-related services associated with the increasing volume of defaults and collection efforts (\$233,000) and (2) additional administrative services that currently are not provided, such as (a) developing administrative requirements for schools and lenders with high default rates, (b) developing procedures to require lenders to perform credit analyses of student borrowers, (c) establishing an appeals process for borrowers who have been denied loans, and (d) developing special administrative requirements for schools with high default rates (\$286,000).

These activities ultimately might help improve program operations and reduce the default rate on guaranteed student loans. Nevertheless, our analysis indicates that these funds could not be used in a cost-effective manner in 1985-86, and therefore should be deleted.

As noted earlier, the contract with EDS will expire eight months into the new fiscal year. Eight months does not provide enough time to develop and implement all of the proposed new services. Consequently, the commission probably would receive fewer than eight months of actual services. More importantly, unless the new service procedures could be transferred easily to a new loan processor, the state's investment in the developmental activities undertaken by EDS would be lost if another vendor is awarded the contract after the current one expires on February 28, 1986.

For these reasons, we recommend that \$286,000 requested from the Loan Fund in order to purchase additional administrative services from EDS in 1985-86 be deleted. We further recommend that the commission consider including some elements of a default prevention program in the request for proposal that will be issued in connection with the contract procurement. If these services are specified in the initial contract, the commission can be assured of receiving the full value of the services over the course of the contract period.

D. ASSUMPTION PROGRAM OF LOANS FOR EDUCATION

Senate Bill 813 (Ch 498/83), as amended by AB 3757 (Ch 482/84), established the California Teacher Shortage Loan Assumption Program to help public schools attract and retain teachers of "high quality in the fields of mathematics, science, and other critical shortage areas." As specified in law, the purposes of the program are to:

- "(1) Increase the number and quality of these teachers in California's secondary schools.
- (2) Increase the number of graduates in these areas who select teaching as a profession.
- (3) Provide prospective secondary school teachers in these areas with an opportunity to continue their graduate education in a field in which there is a shortage of students entering the teaching profession."

This program, later titled the Assumption Program of Loans for Education (APLE), authorizes the SAC to assume up to 500 loans up to a maximum of \$8,000 each, by 1985-86.

The Governor's Budget proposes \$1 million from the General Fund to assume 500 loans averaging \$2,000 each under the APLE in 1985-86.

Program Implementation Will Not Achieve State Goals.

We recommend that (1) authorization to increase participation in the Assumption Program of Loans for Education (APLE) be repealed until the Student Aid Commission (SAC) adopts rules and regulations which allow applicants who do not yet hold a teaching credential to become

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eligible for participation in the program, (2) the funds appropriated for loan assumptions be used only to make payments for those loans where commitments have been made as of the date on which the budget becomes law, and that no additional commitments be made using funds that may become available because of attrition in the program, and (3) legislation be enacted which limits to 20 percent the number of awards granted to teachers already employed by a school district.

Eligibility. Chapter 498, Statutes of 1983, specifies that there shall be two groups of applicants eligible to participate in the loan assumption program. The first group consists of prospective teachers—individuals who (1) hold a baccalaureate degree and are academically qualified to teach math, science, or other subject areas designated by the Superintendent of Public Instruction, (2) have received a Guaranteed Student Loan, National Direct Student Loan, or other loan approved by the SAC, and (3) have agreed to teach in a California public school for at least three consecutive academic years after obtaining a teaching credential. The second group consists of currently employed teachers providing instruction in the designated fields.

Prospective Teachers Are Barred From The Program. Our review indicates that as implemented by the SAC, *only currently employed teachers* are able to participate in the APLE program. Specifically, the commission has adopted rules and regulations specifying that “the Student Aid Commission will accept into this loan assumption program only those teachers who meet all program eligibility criteria” (emphasis added). Moreover, program applications are available *only* from superintendents of districts with designated teacher shortages, and these superintendents may distribute applications *only* to teachers they employ. *As a result, the program’s primary target group—individuals who have not yet decided upon teaching as a profession—cannot qualify for participation in the loan assumption program.*

Thus, as implemented by the SAC, the APLE program serves only to reward *existing* teachers by, in effect, providing those selected with a salary bonus. Not only is this contrary to legislative intent; it serves no *statewide* interest whatever. While it may help some districts retain existing teachers, the districts themselves are in a position to address this problem more directly, by keeping their salary levels competitive. In contrast, individual districts can do little to influence *career* choices—which was the primary goal of the APLE program in the first place.

In summary, the SAC has disregarded legislative intent, as expressed in SB 813, and in so doing has converted a program that was intended primarily to influence career choices into one that accomplishes no statewide objective at all.

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

“The Student Aid Commission shall not grant any additional awards in the APLE program until the commission implements a program which allows individuals as defined in Education Code Section 69601 to secure a loan assumption award provided all the conditions governing the award are met. The Student Aid Commission shall not reallocate any of the 500 awards provided in Ch. 493/83 for 1984–85 which would occur if current recipients fail to fulfill their obligation under the APLE program. The Student Aid Commission shall certify to the Director of the Department of Finance that such a program has been implemented.”

In addition, we recommend that legislation be enacted limiting to 20 percent the number of awards granted to teachers already employed by school districts. Adoption of this recommendation would (1) target the majority of awards (400 awards) to the pool of *potential* teachers, thereby providing them with an incentive to enter the profession, and (2) provide up to 100 awards per year to existing teachers in recognition of the need to retain teachers in shortage fields.

E. FUNDING AND STAFF FOR ADMINISTRATION (Items 7980-001-001 and 7980-001-951)

The SAC administration unit provides the services necessary to support the commission's programs. The budget proposes total support for the administration unit of \$21,321,000 in 1985-86—an increase of 7.7 percent, or \$1,519,000, over current-year expenditures. The General Fund would provide \$5,498,000, or 26 percent of the total, and the Guaranteed Loan Reserve Fund would provide \$15,823,000, or 74 percent.

Table 8 shows that General Fund support proposed for the administration unit in 1985-86 is \$230,000 less than the current-year level. This net reduction is a result of a transfer of \$333,000 in funds for the Cal-SOAP program to local assistance and a \$130,000 unallocated reduction offset by increases totaling \$223,000 in other programs. Support from the Guaranteed Loan Reserve Fund is proposed to increase by \$1,749,000, or 12 percent, over the current year level.

Table 8
Student Aid Commission
Administration
1983-84 through 1985-86
(dollars in thousands)

	Actual 1983-84	Estimated 1984-85	Proposed 1985-86	Change	
				Amount	Percent
1. Grant Program Administration:					
a. Cal Grant A.....	\$1,839	\$2,251	\$2,380	\$129	5.7%
b. Cal Grant B.....	1,253	1,551	1,554	3	0.2
c. Cal Grant C.....	235	285	306	21	7.4
d. Graduate Fellowships.....	192	237	236	-1	-0.4
e. Bilingual Teacher Grant.....	427	535	586	51	9.5
f. Law Enforcement Personnel Dependent Grants.....	3	2	2	0	—
2. Loan and Program Administration:					
a. Guaranteed Student Loan.....	6,570	14,074	15,823	1,749	12.4
b. Consumer Program.....	132	175	181	6	3.4
c. Cal-SOAP.....	319	338	15 ^a	-323	-95.6
d. Research and Report.....	192	222	235	13	5.9
e. Teacher Shortage Loan Program.....	46	132	133	1	0.8
3. Administration and Support.....	(990)	(1,560)	(1,482)	(-78)	-5.0
4. Unallocated General Fund reduction for Merit Salary Adjustments and operating expenses.....	—	—	-130	-130	—
Totals.....	\$11,208	\$19,802	\$21,321	\$1,519	7.7%
General Fund.....	\$4,638	\$5,728	\$5,498	-\$230	-4.0%
State Guaranteed Loan Reserve Fund.....	6,570	14,074	15,823	1,749	12.4
Personnel Years.....	161.0	173.3	182.3	9.0	5.2

^a Reflects the transfer of \$333,000 to local assistance. The amount displayed is for administration only.

STUDENT AID COMMISSION—Continued

The commission is authorized 173.3 full-time equivalent positions in the current year. For 1985-86, the budget proposes to increase the number of authorized positions by nine. The increases include three professional and five clerical positions in the Guaranteed Student Loan program, and an additional accountant for general administration.

1. Funding For Feasibility Study Report Is Premature

We recommend that \$125,000 requested from the General Fund for preparation of a feasibility study report (FSR) be deleted because the commission does not have qualified staff to oversee the project, has not integrated this proposal into its overall master plan for data processing, and has provided no data to indicate that the funding level is appropriate. (Reduce Item 7980-001-001 by \$125,000).

The Governor's Budget requests \$125,000 from the General Fund to finance the preparation of a feasibility study report (FSR). The proposed FSR would explore ways of automating the Cal Grant A program. Currently, there are approximately 42,700 students receiving a total of \$6.3 million under the Cal Grant A program.

Our analysis confirms the need to find alternative ways to process grant applications received by the commission. Nevertheless, there are three reasons why we believe the Legislature should not provide funds for the FSR in 1985-86.

Preparation of an FSR in 1985-86 is Premature. At the present time, the commission does not have qualified staff it would need to oversee this project to ensure that the report meets the needs of the commission and its clients. Lacking an individual who is both familiar with the commission's grant programs and is proficient in data processing, the commission is most unlikely to produce a meaningful report.

Automation is Not in Master Plan. The budget does not indicate how the proposed FSR would be integrated into the SAC's Data Processing Master Plan, which was approved in 1982. It is important that any proposal for automating the Cal Grant A program be closely linked to the SAC's automation plans for other grant programs. There is, however, nothing in the commission's proposal to indicate that such a coordinated effort is contemplated.

Amount Needed Cannot Be Established. The Office of Information Technology (OIT) indicates that \$50,000 is usually the minimum amount needed to conduct an FSR with regard to automation of an existing program. Staff of the office indicate that one means of determining the appropriate funding level for an FSR is to release a Request For Information to potential bidders. This would require that the SAC first develop a general, though well-defined, outline of its current problems in administering the grant program and the expected goals that the FSR should achieve. In the absence of this information, there is no way to determine how much is needed to fund the FSR.

For these reasons we recommend that the \$125,000 requested to prepare the feasibility study report be deleted, for an equivalent General Fund savings.