

POSTSECONDARY EDUCATION

Item 6420

	<i>Page</i>
California Postsecondary Education Commission (Item 6420)	1302
University of California (Item 6440)	1310
Hastings College of the Law (Item 6600)	1391
California State University (Item 6610)	1396
California Maritime Academy (Item 6860)	1464
California Community Colleges (Item 6870)	1469
Student Aid Commission (Item 7980)	1505

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 1.6 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 1980–81. 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.

On an FTE/ADA basis, 1.0 million students are expected to enroll in California's public institutions of higher education during 1986–87. As Table 1 shows, this is 1.1 percent more than estimated enrollment in the current year. The increase is attributable almost entirely to the community colleges.

POSTSECONDARY EDUCATION—Continued

Table 1
California Enrollment in Public Higher Education
1980-81 through 1986-87

	UC		CSU		Community College		Totals	
	Headcount	FTE	Headcount	FTE	Headcount	ADA	Headcount	FTE/ADA
1980-81.....	131,591	126,119	317,503	238,646	1,383,236	725,514	1,832,330	1,090,279
1981-82.....	134,547	128,035	318,584	239,927	1,431,524	750,715	1,884,655	1,118,677
1982-83.....	134,946	129,643	317,946	241,407	1,354,982	728,856	1,807,874	1,099,906
1983-84.....	137,175	130,822	315,904	241,989	1,248,916	665,166	1,701,995	1,037,977
1984-85.....	140,643	133,705	318,528	242,752	1,176,221	644,419	1,635,392	1,020,876
1985-86 (Estimated).....	141,420	137,986	327,658	248,043	1,153,295	651,682	1,622,373	1,037,711
1986-87 (Proposed).....	145,248	138,606	321,340	247,855	(a)	662,267	(a)	1,048,728
Percent Change								
1985-86 to 1986-87.....	2.7%	0.4%	-1.9%	-0.1%	(a)	1.6%	(a)	1.1%

^a There is no available estimate of student headcount for the community colleges for 1986-87.

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 Term)

	CCC			CSU			UC		
	1982	1983	1984	1982	1983	1984	1982	1983	1984
Undergraduate:									
White.....	68.2%	67.6%	67.9%	70.5%	70.3%	69.4%	73.0%	71.4%	69.6%
Black.....	9.5	9.3	8.4	6.8	6.5	6.3	4.0	4.2	4.3
Hispanic.....	12.5	12.3	12.6	9.5	9.7	9.8	6.1	6.6	7.1
Asian.....	8.2	9.1	9.6	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

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 public postsecondary education institutions in the prior and current years, and the level of fees proposed for the budget year.

As the table indicates, the Governor proposes no change from the current fee levels in 1986-87. We discuss this issue in our analyses of the budgets for UC, CSU, and Hastings.

Table 3
Postsecondary Education
Student Fees in California
Public Institutions
1984-85 through 1986-87

	<i>Actual</i> 1984-85	<i>Actual</i> 1985-86	<i>Proposed</i> 1986-87
University of California:			
Undergraduate	\$1,326	\$1,326	\$1,326
Graduate	1,369	1,369	1,369
California State University:			
Undergraduate (Full-time)	658	658	658
Graduate (Full-time)	694	658	658
Hastings College of the Law	1,212	1,212	1,212
California Maritime Academy	1,003	1,008	1,008
Community Colleges	100	100	100

4. EXPENDITURES

Table 4 summarizes the expenditures proposed for postsecondary education in 1986-87. Total support for all public higher education is proposed at \$11.2 billion in the budget year. Of the total, the state General Fund would provide \$4.6 billion, or 41 percent. The budget also proposes \$79.1 million in expenditures for UC, CSU, Hastings College of the Law, the California Maritime Academy, and the community colleges from funds received through the State Lottery Fund in 1986-87.

Table 4
Postsecondary Education
Summary of Proposed 1986-87 Budget for Support
By Funding Source
(dollars in thousands)

	<i>General</i> <i>Fund</i>	<i>State</i> <i>Lottery</i>	<i>Other</i> <i>State</i>	<i>Federal</i> ^a	<i>Property</i> <i>Tax</i>	<i>Student</i> <i>Fees</i>	<i>Other</i> ^b	<i>Totals</i>
University of California	\$1,786,927	\$10,200	\$41,307	\$2,487,774	—	\$332,948	\$1,734,215	\$6,393,371
California State University	1,359,816 ^c	18,500	10,834	74,960	—	202,567	376,188	2,042,865
California Community Col- leges	1,271,712	50,300	46,941	123,500	\$551,100	72,400	272,847	2,388,800 ^d
Hastings College of the Law	11,365	113	—	625	—	2,082	658	14,843
California Maritime Acade- my	6,068	30	—	401	—	1,990	284	8,773
Student Aid Commission	120,428	—	28,453	146,407	—	—	—	295,288
California Postsecondary Ed- ucation Commission	3,871	—	—	2,594	—	—	1,284	7,749
Totals	\$4,560,187	\$79,143	\$127,535	\$2,836,261	\$551,100	\$611,987	\$2,385,476	\$11,151,689
Percent of Totals	40.9%	0.7%	1.1%	25.4%	4.9%	5.5%	21.4%	100.0%

^(a) Includes \$1.95 billion budgeted within UC for three Department of Energy laboratories.

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

^(c) Excludes \$251 million in fee revenues, which are shown in the Governor's Budget as a General Fund appropriation.

^(d) Includes expenditures not shown in the Governor's Budget.

The second largest source of support for higher education is the federal government, which is expected to provide \$2.8 billion in 1986-87. Of this amount, however, \$2.0 billion is allocated to the UC for support of the

POSTSECONDARY EDUCATION—Continued

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 \$551.1 million from local property tax revenues in 1986-87.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

Item 6420 from the General

Fund and Federal Trust Fund

Budget p. E 63

Requested 1986-87	\$7,749,000
Estimated 1985-86	7,144,000
Actual 1984-85	2,745,000
Requested increase \$605,000 (+8.5 percent)	
Total recommended increase	100,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6420-001-001—Main support	General	\$3,871,000
Reimbursements	—	1,284,000
6420-001-890—Program administration	Federal Trust	129,000
6420-101-890—Local assistance	Federal Trust	2,465,000
Total		\$7,749,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

- | | <i>Analysis
page</i> |
|---|--------------------------|
| 1. <i>Staff Development Study. Increase Item 6420-001-001 by \$100,000.</i> Recommend that CPEC provide the Legislature with a workplan for proposed staff development study. Further recommend that funding for this study be consolidated under CPEC's direction by transferring \$100,000 proposed in the community college budget to this item. | 1304 |
| 2. <i>Computer Plan Review.</i> Recommend that the Legislature direct CPEC to insure that differences between the methodologies and assumptions used by the UC and CSU in developing their computing funding plans are evaluated, and that these methodologies and assumptions are made consistent where appropriate. | 1305 |

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 \$7,749,000 for support of CPEC in 1986-87. This is 8.5 percent (\$605,000) more 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 \$3,871,000 from the General Fund for support of the commission in 1986-87. This is 20.1 percent (\$647,000) more than estimated current-year General Fund expenditures.

Table 1
California Postsecondary Education Commission
Expenditures and Funding
1984-85 through 1986-87
(dollars in thousands)

<i>Program</i>	<i>Actual 1984-85</i>	<i>Est. 1985-86</i>	<i>Prop. 1986-87</i>	<i>Percent Change From 1985-86</i>
Academic affairs.....	\$1,270	\$5,291	\$5,708	7.8%
Analytical studies.....	683	689	1,057	53.4
Administration.....	792	1,164	984	-18.3
Totals.....	\$2,745	\$7,144	\$7,749	8.5%
Funding Source				
<i>General Fund</i>	\$2,712	\$3,224	\$3,871	20.1%
<i>Federal funds</i>	22	2,574	2,594	0.7
<i>Reimbursements</i>	11	1,346	1,284	-4.6
<i>Personnel-years</i>	50.3	52.2	51.7	-1.0

Table 2 identifies the specific factors accounting for the net \$647,000 increase in General Fund support proposed for 1986-87.

Table 2
California Postsecondary Education Commission
General Fund 1986-87 Budget Changes
(dollars in thousands)

1985-86 Expenditures (Revised)	\$3,224
Proposed Changes:	
A. Workload Changes.....	-75
1. 1983 student eligibility study	-825
2. Student data feasibility study	-50
B. Cost Adjustments	112
1. Employee compensation increase	126
2. One-time cost for office automation equipment	-262
3. Increase in cost of lease for office space	190
4. Office automation equipment maintenance	55
5. Miscellaneous	3
C. Program Adjustments	610
1. 1986 student eligibility study	300
2. Staff development study	300
3. Computer equipment for feasibility study	10
1986-87 Expenditures (Proposed)	\$3,871
Change from 1985-86:	
Amount	\$647
Percent	20.1%

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION—Continued

The budget proposal for the commission does not include any funds for Merit Salary Adjustments (\$21,000) or inflation adjustments to Operating Expenses and Equipment (\$22,000). The commission will have to absorb these costs.

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

We recommend approval of the following proposed changes in the commission's budget which are not discussed elsewhere in this analysis:

- **Student Eligibility Study (\$300,000).** From time to time, eligibility studies are conducted in order to find out whether the University of California (UC) and the California State University (CSU) are in compliance with the 1960 *Master Plan* guidelines. These guidelines require UC to limit its freshman eligibility to the top 12.5 percent of the state's high school graduates. They require the CSU to limit its freshman eligibility to the top one-third of high school graduates.

Partly in response to CPEC's last eligibility study in 1983, both UC and CSU made changes in their admission standards. The high school graduating class of 1985-86 will be the first class required to qualify under the new admission standards. The proposed study will be useful to the Legislature in monitoring the effect of the new standards on the size and composition of the UC and CSU eligibility pools.

- **Lease for Office Space (\$190,000).** The CPEC's current five-year lease will expire in July 1986. The budgeted amount includes funds to cover the anticipated rent increase plus \$50,000 for moving expenses if it is necessary for the commission to relocate.

1. Study of Staff Development Proposed

We recommend that CPEC provide the fiscal subcommittees with (1) a detailed workplan for a comprehensive staff development study and (2) an assessment of whether the plan can be accomplished within the funds provided in the budget for this purpose.

We further recommend that the \$100,000 requested for the community college element of this study be transferred to this item so that CPEC can coordinate the study. (Increase Item 6420-001-001 by \$100,000 and reduce Item 6870-001-001 by \$100,000.)

The budget proposes a total of \$400,000—\$300,000 in CPEC's budget and \$100,000 in the community college budget—for a study of staff development programs in K-12 and higher education institutions.

Need for the Study. In the K-12 section of this *Analysis* (see Item 6100-191-001), we discuss the need for a study of staff development programs. Generally, we conclude that better data on staff development efforts at the K-12 level is needed. In this regard, we note that last year the Legislature passed AB 2101 which provided \$325,000 for a K-12 staff development study, but this bill was vetoed by the Governor.

On the other hand, the need to include UC and CSU within the scope of this study is unclear. Moreover, we are concerned that the scope of the proposal to include UC and CSU in the study may be too broad within the level of funding proposed.

Need for a Workplan. The budget does not contain any details on

the workplan for the proposed study. Accordingly, we believe that the Legislature should require CPEC to present the fiscal committees with a detailed workplan for the proposed study and its assessment of whether the plan can be accomplished within the funds requested.

Funding. As noted above, the budget for the community colleges contains \$100,000 for a study of their staff development needs. The budget states that "This study will be conducted in conjunction with a statewide educational staff development study coordinated by the California Postsecondary Education Commission."

We find this to be a fragmented approach to funding and managing a major study effort. Our experience indicates that the performance of a "coordinated" but separately funded and managed study is an inherently difficult task. Furthermore, we can find no compelling reason to divide the study into two pieces, as the budget proposed.

We believe that the staff development study would be more likely to produce something of value if the entire \$400,000 were appropriated directly to the CPEC. The community college needs assessment would be an important element of the overall workplan, but it would be under the control of a single agency having maximum flexibility to allocate resources as needed. For these reasons, we recommend that the Legislature appropriate the \$400,000 requested for this study to CPEC and delete the \$100,000 requested in the community college budget.

2. The UC and CSU Computing Support Funding Formulas Should Be Reconciled

We recommend that the Legislature adopt supplemental report language directing the California Postsecondary Education Commission (CPEC), in consultation with the University of California (UC) and the California State University (CSU), to insure that the methodologies and assumptions used by the UC and CSU in developing their computing funding plans are consistent wherever possible. We further recommend that CPEC submit a progress report on its efforts toward this goal.

In response to separate legislative directives, UC and CSU have submitted reports describing their instructional computing support funding methodologies. Based on these plans, annual funding requirements for student instructional computing are estimated to be \$43.6 million for UC, and \$55.6 million for CSU.

Conceptually, the two plans are similar. The need for computer instruction is based on a standard number of hours during which student access to the computer is needed. The number of hours varies by academic discipline, with a higher standard for graduate students than for undergraduates. These standards serve as the basis for determining the required number of computer workstations and the corresponding funding requirements. The costs of equipment, maintenance, and staffing are then estimated using various assumptions regarding costs.

The two plans, however, are very different in how they calculate hours of student access and the cost of equipment.

Table 3 compares the standards for student hours of computer instruction, or access, in the two plans.

The differences shown in the table result from two factors: (1) differences in the predisposition toward the use of computers (which partly reflects differences in the role or mission of the two university systems), and (2) differences in the methodologies used. Regarding the second of these factors, UC bases the hourly standards on the time required by

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION—Continued

students *majoring* in the various disciplines. In contrast, CSU bases its standards on the computer time required by *courses* in the various disciplines.

Table 3
Instructional Computing Funding Models
University of California and California State University
Weekly Hours of Computer Time Per Student

UC	Academic Discipline	CSU	Weekly Hours per Student	
			Undergraduate	Graduate
—		Area Studies, Interdisciplinary Studies, Public Affairs	1	2
Arts, Humanities, Nonbusiness Professional		Education, Arts, Foreign Languages, Health, Home Economics, Industrial Education, Letters, Physical Education	2	3
Social Sciences, Biological Sciences, Agriculture, Medical Sciences		Agriculture and Natural Resources, Biological Science, Communications, Library Science, Nursing, Psychology, Social Sciences	3	5
Physical Sciences, Math, Business		Architecture and Environmental Design, Math, Physical Sciences	5	9
—		Business	8	12
Computer Science, Engineering		—	12	20
—		Computer Science, Engineering	12	16

Table 4 compares the assumptions regarding cost used by the two segments. As the table shows, there are significant differences between the segments in terms of factors such as workstations per lab, hours of lab availability and utilization, and the costs of acquiring and maintaining the computer workstations. The UC, for example, assumes that computer labs will be open 60 hours per week, and utilized on a 100 percent basis, whereas CSU assumes that the labs will be open 80 hours per week, and utilized 67 percent of the time. Likewise, UC estimates that a micro type 2 (advanced microcomputer) costs \$20,000 while CSU estimates a cost of \$13,295 for the same device. These differences cause the number of workstations (microcomputers and minicomputer terminals) and the costs of equipment and support staff needed by each segment to differ considerably.

In light of these differences, we recommend that the Legislature adopt the following supplemental report language in Item 6420-001-001, directing CPEC to insure that differences between the two segments' plans are evaluated:

"The California Postsecondary Education Commission, in consultation with UC, CSU, the Department of Finance, and the Office of the Legislative Analyst, shall insure that the UC and CSU evaluations of their respective computing funding plans consider the differences between the methodologies and assumptions forming the basis for the plan, with the intent of making these methodologies and assumptions consistent wherever appropriate. The commission shall submit a report on the progress of its efforts toward this goal to the legislative fiscal committees and the Joint Legislative Budget Committee, by December 1, 1986."

Table 4
Comparison of the UC and CSU Computer Plan Assumptions

	UC	CSU
1. Workstations per lab	40	—
Micro Type 1	unspecified	32
Micro Type 2	unspecified	16
2. Hours of lab availability	60	80
3. Hours of lab utilization	60	53
4. Staff support per workstation		
Micro Type 1	\$575	\$502
Micro Type 2	575	1,003
Mini	375	502
5. Hardware acquisition		
Micro Type 1	\$5,000	\$4,176
Micro Type 2	20,000	13,295
Mini	7,813	unspecified
6. Hardware maintenance (per workstation)		
Micro Type 1	\$600 ^a	\$670 ^a
Micro Type 2	2,400	2,133
Mini	940	unspecified
7. Communication support		
Micro	\$200 per year	In #5
Mini	100 per year	In #5
8. Software		
Micro Type 1	\$250	\$150
Micro Type 2	500	450
Mini	1,649	unspecified
9. Supplies		
Micro Type 1	unspecified	\$250
Micro Type 2	unspecified	500
Mini	unspecified	unspecified
10. Administrative support (per workstation)		
Micro	\$92	unspecified
Mini	153	unspecified

^a The CSU costs would be lower than this in the first year because of a warranty. The UC appears to not include provision for a warranty.

B. Federal Trust Fund (Items 6420-001-890 and 6420-101-890)

We recommend approval.

The budget proposes the expenditure of \$8.6 million from the Federal Trust Fund for continued support of a grant program to improve the skills of teachers and the quality of instruction in mathematics, science, critical foreign languages, and computer learning in elementary and secondary schools. This is the same amount approved by the Director of Finance for the current year using the authority contained in Section 28 of the 1985 Budget Act. The Department of Education will receive \$4.7 million of the \$8.6 million, and CPEC will receive \$3.9 million.

The budget indicates that the commission will use the \$3.9 million (\$2.6 million appropriated to the commission in the Budget Bill and \$1.3 million transferred to the commission from the Department of Education) for local projects. These funds will be awarded on a competitive basis. The commission will spend approximately \$193,000 of the \$3.9 million to administer this program.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION—Continued

We have requested that the commission include this program in its consideration of the scope of the proposed staff development study discussed earlier in this analysis of the commission's budget.



COMMISSION FOR THE REVIEW OF THE MASTER PLAN FOR HIGHER EDUCATION

Item 6425 from the General Fund

Budget p. E 67

Requested 1986-87	\$588,000
Estimated 1985-86.....	533,000
Actual 1984-85	57,000
Requested increase \$55,000 (+10.3 percent)	
Total recommended reduction	100,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. *Support for the Commission. Reduce Item 6425-001-001 by \$100,000.* Recommend reduction because the commission's support should be phased out effective with the submission of its final report. 1309

GENERAL PROGRAM STATEMENT

The 16-member Commission for the Review of the Master Plan for Higher Education was established pursuant to Chapter 1507, Statutes of 1984. Its mission is to report on the state's postsecondary educational needs through the year 2000. In addition, the commission was directed to report on basic and lower division instruction, strategies for increasing access to and success of students in the state's colleges and universities, the appropriateness of existing educational delivery systems, and the amount of direct and indirect expenditures for students. Chapter 1507 appropriated \$500,000 from the General Fund "for all expenses deemed necessary by the commission without regard to fiscal years."

The commission must report its findings and recommendations to the Legislature and Governor "not later than January 1, 1987."

A companion measure—Ch 1506/84 (as amended)—directs the commission to conduct a reassessment of the California Community Colleges by February 18, 1986. In addition, ACR 54/85 requests that the commission study (a) the loss of community college enrollments and (b) interdistrict attendance and include its finding in the 1987 report.

OVERVIEW OF THE BUDGET REQUEST

The Governor's Budget requests an additional \$678,000 for the commission in order to supplement the \$500,000 appropriated by Ch 1507. Of this amount, \$90,000 is proposed as a deficiency appropriation in 1985-86 and \$588,000 is requested in this item of the 1986 Budget Bill. Table 1 displays the commission's proposed expenditures for the three-year period 1984-85 through 1986-87.

Table 1
Commission for the Review
of the Master Plan for Higher Education
Budget Summary
1984-85 through 1986-87
(dollars in thousands)

<i>Element</i>	<i>Actual</i> <i>1984-85</i>	<i>Est.</i> <i>1985-86</i>	<i>Prop.</i> <i>1986-87</i>	<i>Percent Change</i> <i>from 1985-86</i>
Personal services	—	\$241	\$285	18.3%
Operating expenses and equipment	\$57	292	303	3.8
Totals.....	\$57	\$533	\$588	10.3%
Personnel-years.....	—	5	5	—

The budget proposes that the commission operate with four professional positions and one clerical position in 1986-87. In addition, the budget includes funds to support 1.5 professional positions that would be retained on a contract basis. In total, the budget requests funding for 6.5 positions—5.5 professional and one clerical.

ANALYSIS AND RECOMMENDATIONS

Completion of the Commission's Work Is Not Reflected in the Budget Request

We recommend that the Legislature reduce General Fund support for the Commission for the Review of the Master Plan for Higher Education by \$100,000 since the commission is required to complete its final report by January 1, 1987, and can be phased out during the second half of 1986-87. (Reduce Item 6425-001-001 by \$100,000.)

The budget proposes a full 12 months of operation for the commission during 1986-87, including 12 two-day monthly commission meetings. It does so despite the fact that the commission's final report is due "not later than January 1, 1987."

Our analysis indicates that the commission is likely to complete its work by January 1, 1987. While some staff may be needed to perform follow-up activities, such as discussing the report with legislative, public, and academic groups, there is no reason to believe that all current positions will be needed for this purpose. Clearly, follow-up activities should not require as much staff as was needed for preparation of the report itself.

Accordingly, we recommend that the budget for the commission be reduced by \$100,000, to \$488,000. This amount would be sufficient to provide for full staffing through February 1, 1987, and follow-up activities through June 30, 1987. Specifically, it would provide full-year funding for the director, an assistant and necessary expenses such as rent, communication, and travel. Seven months' funding would be provided for the remaining staff and the cost of commission meetings.

THE UNIVERSITY OF CALIFORNIA

Item 6440 from the General
Fund and various funds

Budget p. E 68

Requested 1986-87	\$1,815,128,000
Estimated 1985-86.....	1,667,652,000
Actual 1984-85	1,458,184,000
Requested increase \$147,476,000 (+8.8 percent)	
Total recommended reduction	44,617,000
Recommendation pending	24,022,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6440-001-001—Main support	General	\$1,698,453,000
6440-001-046—Transportation institute	Transportation	956,000
6440-001-144—Mosquito research	Water	100,000
6440-001-146—Deferred maintenance	Capital Outlay Fund for Public Higher Education	16,945,000
6440-001-814—Lottery revenue	California State Lottery Ed- ucation Fund	10,200,000
6440-006-001—Financial aid	General	35,644,000
6440-011-001—Faculty salaries	General	37,830,000
6440-016-001—Teaching hospital subsidy	General	15,000,000
6440-490—Reappropriation	General	—
Total		\$1,815,128,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. Foreign Graduate Enrollment in Engineering. Recommend the Legislature adopt supplemental report language directing UC to reduce the number of foreign students in graduate engineering and computer science programs. 1323
2. Graduate Enrollment. Reduce Item 6440-001-001 by \$876,000. Recommend deletion of the proposed augmentation because (a) UC's graduate enrollment plan needs to be reevaluated and (b) current enrollments should be reallocated. 1325
3. Education Abroad Program. Reduce Item 6440-001-001 by \$258,000. Recommend deletion of the proposed augmentation because the funds are not needed to accomplish the intended objective. 1326
4. Graduate Academics. Reduce Item 6440-001-001 by \$845,000. Recommend deletion of the proposed augmentation because UC has not adequately justified the request. 1330
5. Superconducting Super Collider. Reduce Item 6440-001-001 by \$1 million. Recommend deletion of the proposed augmentation request because the possibility that this facility will be constructed is remote at best. 1334
6. Individual Faculty Research. Reduce Item 6440-001-001 by \$300,000. Recommend deletion of the proposed augmentation because the augmentation will merely supplant Regents' Opportunity funds and will not increase total 1335

- funding for this activity.
7. ***Pacific Rim Research.*** *Reduce Item 6440-001-001 by \$250,000.* Recommend deletion of the proposed augmentation because UC has the ability to realign its research priorities within the base research program. 1336
 8. **Hardwood Range Management.** Withhold recommendation on \$650,000 requested for increased support for this research effort, pending further review of the proposal. 1337
 9. **Teaching Hospitals.** Withhold recommendation on \$15 million requested for operating subsidies to the Davis, Irvine, and San Diego teaching hospitals, pending review of (a) the forthcoming management study of the hospitals and (b) updated estimates of the hospitals' current and budget year operating gains and losses. 1341
 10. **Affirmative Action—Early Outreach.** Withhold recommendation on \$500,000 requested for expansion of UC's Early Outreach Program, pending review of information on coordination and long-range plans for the program. 1345
 11. ***Affirmative Action—Graduate Outreach.*** *Reduce Item 6440-001-001 by \$100,000.* Recommend deletion of the proposed augmentation because the program fails to provide direct incentives needed to influence the decisions made by minorities and women to choose graduate study. 1346
 12. ***President's Fellowship Program.*** *Reduce Item 6440-001-001 by \$100,000.* Recommend deletion of the proposed augmentation because the program would only *redistribute* minority and women faculty among universities, rather than *increase* the total number of such faculty members. 1348
 13. ***Pre-Tenure Development Awards Program.*** *Reduce Item 6440-001-001 by \$125,000.* Recommend deletion of the proposed augmentation because the objectives of the program can be achieved with existing resources. 1349
 14. ***Resident Student Fee Levels.*** *Reduce Item 6440-001-001 by \$14 million and Increase Item 6440-006-001 by \$2 million.* Recommend that resident fee levels be set in accordance with statutory fee policy, and that additional financial aid be provided to offset the effects of the increases on students with demonstrated financial need, for a net General Fund savings of \$12 million. 1352
 15. ***Nonresident Student Fee Levels.*** *Reduce Item 6440-001-001 by \$1,525,000.* Recommend that the tuition charged for nonresident students be set at a level equal to the tuition charged by UC's four public comparison institutions. Further recommend that this policy be phased-in over a four-year period starting in 1986-87, in order to allow time for students and families to adjust to this change. 1353
 16. ***Faculty Salaries.*** *Reduce Item 6440-011-001 by \$27,238,000.* Recommend that the salary increase for faculty be budgeted at 1.4 percent in order to achieve parity with comparable universities and that the amount requested in excess of parity requirements be deleted. 1358
 17. **Insurance Inflation Adjustment.** Withhold recommendation on \$7,872,000 for insurance inflation adjustment, pending further review of the request. 1363

THE UNIVERSITY OF CALIFORNIA—Continued
Overview of the Legislative Analyst's Recommendations

We recommend reductions to the UC's budget totaling \$46.6 million and augmentations amounting to \$2 million, for a net savings of \$44.6 million to the General Fund. In addition, we withhold recommendations on General Fund budget requests totaling \$24.0 million. 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—\$27 million—would eliminate funds requested for faculty salaries in excess of the amount needed to achieve parity with comparable universities. We believe that the policy of salary parity has not prevented the UC from competing successfully for faculty with other preeminent universities. Furthermore, the considerations advanced by the Regents in support of super-parity do not stand up under analysis.

The second largest reduction that we recommend—\$14 million—would implement the statutory policy toward student fees adopted by the Legislature and signed into law by the Governor in October 1985. This reduction would be offset by a \$2 million augmentation that we recommend for financial aid grants to needy students.

We recommend deletion of requested funds for increased enrollments of general campus graduate students and health science graduate students (graduate academics) because our analysis indicates that UC has not adequately justified the requests. In the area of research, we recommend deletion of the request for additional studies on the Superconducting Super Collider because we believe the chances that the federal government will fund the construction of this facility in the near future is remote at best. Our recommended reductions regarding proposed augmentations

Table 1
Summary of Changes to the UC's 1986-87 Budget
Recommended by the Legislative Analyst

Activity	Program Change	Funding Impact		Recommendation Withheld
		General Fund	Other Funds	
Graduate enrollments.....	-876,000	-876,000	—	—
Education abroad program.....	-258,000	-258,000	—	—
Graduate academics.....	-845,000	-845,000	—	—
Superconducting super collider..	-1,000,000	-1,000,000	—	—
Individual faculty research.....	-300,000	-300,000	—	—
Pacific rim research.....	-250,000	-250,000	—	—
Hardwood range management research.....	—	—	—	\$650,000
Teaching hospitals subsidy.....	—	—	—	15,000,000
Affirmative action—Early outreach.....	—	—	—	500,000
Affirmative action—Graduate outreach.....	-100,000	-100,000	—	—
Affirmative action—President's fellowships.....	-100,000	-100,000	—	—
Affirmative action—Pre-tenure development program.....	-125,000	-125,000	—	—
Resident student fees.....	—	-14,000,000	\$14,000,000	—
Student financial aid.....	2,000,000	2,000,000	—	—
Nonresident student fees.....	—	-1,525,000	1,525,000	—
Faculty salaries.....	-27,238,000	-27,238,000	—	—
Insurance inflation adjustment....	—	—	—	7,872,000
Totals.....	-829,092,000	-844,617,000	\$15,525,000	\$24,022,000

in the affirmative action area reflect our conclusion that the proposed use of these funds will not increase the pool of minorities and women students and faculty but merely *alter the distribution* of these students and faculty among universities.

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

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 university is the primary state-supported academic agency for research in California, and has sole authority among public institutions to award doctoral degrees in all disciplines, although it may award joint doctoral degrees with the California State University (CSU). In addition, the university has exclusive jurisdiction within the public higher education system over instruction in the professions of law, medicine, dentistry, and veterinary medicine. The university has three law schools, five medical schools, two dental schools, and one school of veterinary medicine.

Administrative Structure. Overall responsibility for policy development, planning, and resource allocation within the university rests with the president, who is directly responsible to the Regents. Primary responsibility for the management of individual campuses 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 57,652 full-time equivalent (FTE) academic and nonacademic employees, and is providing instruction to 137,986 students.

OVERVIEW OF THE BUDGET REQUEST

Total Expenditures. The Budget proposes total expenditures of \$6,393,371,000 for support of the UC system in 1986-87. This is an increase of \$389,585,000, or 6.5 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.

THE UNIVERSITY OF CALIFORNIA—Continued

Table 2
The University of California
Budget Summary
1984-85 through 1986-87
(dollars in thousands)

	Actual 1984-85	Est. 1985-86	Prop. 1986-87	Change from 1985-86	
				Amount	Percent
A. Budgeted Programs					
1. Instruction	\$951,665	\$1,124,464	\$1,153,070	\$28,606	2.5%
2. Research	154,459	173,151	174,341	1,190	0.7
3. Public Service	69,312	72,125	72,806	681	0.9
4. Academic Support	245,375	265,940	274,354	8,414	3.2
5. Teaching Hospitals	706,824	792,622	838,582	45,960	5.8
6. Student Services	131,277	136,342	138,192	1,850	1.4
7. Institutional Support	199,530	210,319	211,896	1,577	0.7
8. Operation and Maintenance	177,900	213,950	227,571	13,621	6.4
9. Student Financial Aid	63,527	65,391	65,391	—	—
10. Auxiliary Enterprises	195,883	195,058	206,711	11,653	6.0
11. Special Regents' Program	36,641	49,962	48,300	-1,662	-3.3
12. Unallocated Adjustments	5,321	-7,736	108,858	116,594	NA
Subtotals, Budgeted Programs..	\$2,937,714	\$3,291,588	\$3,520,072	\$228,484	6.9%
B. Extramural Programs					
1. Sponsored Research and Other Activity	\$831,350	\$880,198	\$918,299	\$38,101	4.3%
2. Department of Energy Labs.....	1,761,972	1,832,000	1,955,000	123,000	6.7
Subtotals, Extramural Programs	\$2,593,322	\$2,712,198	\$2,873,299	\$161,101	5.9%
Grand Totals	\$5,531,036	\$6,003,786	\$6,393,371	\$389,585	6.5%
Funding Source					
A. Budgeted Programs:					
General Fund	\$1,457,144	\$1,646,441	\$1,786,927	\$140,486	8.5%
University funds—general	89,100	125,269	127,635	2,366	1.9
Special Account for Capital Outlay	—	12,445	—	-12,445	NA
State Transportation Fund	940	956	956	—	—
Environmental License Plate Fund	—	210	—	-210	NA
California State Lottery Education Fund	—	7,500	10,200	2,700	36.0
California Water Fund	100	100	100	—	—
Capital Outlay Fund for Public Higher Education	—	—	16,945	16,945	NA
Federal Funds	12,757	12,739	12,739	—	—
University funds—restricted	1,377,673	1,485,928	1,564,570	78,642	5.3
B. Extramural Programs:					
State of California (State Agency Agreements)	\$21,111	\$22,197	\$23,306	\$1,109	5.0%
Federal Funds	504,746	520,035	520,035	—	—
Private Gifts, Contracts and Grants	143,512	159,789	178,964	19,175	12.0
Other University funds	161,981	178,177	195,994	17,817	10.0
Department of Energy (federal) ...	1,761,972	1,832,000	1,955,000	123,000	6.7
Personnel-years	58,284	57,652	57,920	268	0.5%

State Support. Table 2 shows that the budget proposes General fund expenditures of \$1,786,927,000 for support of the UC system in 1986-87. This is an increase of \$140,486,000, or 8.5 percent, over estimated current-year General Fund expenditures. This increase includes \$74,152,000 associated with the cost of salary and benefit increases in 1986-87.

The 8.5 percent increase in General Fund support shown in Table 2 somewhat understates the magnitude of the increase in state support for UC in 1986-87. In addition to support from the General Fund, the UC will receive funds from four other state sources: the Capital Outlay Fund for Public Higher Education, the California State Lottery Education Fund, the State Transportation Fund, and the California Water Fund. The increase in state support from all of these funding sources in 1986-87 is \$147.5 million, or 8.8 percent, over the current-year level.

Table 2 shows that UC's budgeted programs are divided into 12 classifications. In the analysis that follows, we discuss the budget request for the following six programs that, in our judgment, raise issues warranting the Legislature's attention—Instruction, Research, Teaching Hospitals, Student Services, Student Financial Aid, 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 UC "general funds" will total \$127.6 million in 1986-87—a small amount in comparison to the \$1.8 billion requested 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.

1986-87 Expenditures by Source of Funding

Table 3 shows the source of funding for individual programs. For example, the table shows that general funds provide \$734 million (nearly 98 percent) of the general campus instruction budget. In contrast, general funds account for only \$69 million (8 percent) of the \$839 million budgeted for teaching hospitals. Patient charges for services will provide the balance—\$760 million—of the hospitals' budgets.

THE UNIVERSITY OF CALIFORNIA—Continued

Table 3
The University of California
Source of Funds by Program
1986-87 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	\$733,698	\$50	\$1,149	—	\$1,079	—	—	\$2,859	\$12,739	\$751,574
Health Sciences	231,845	679	—	—	67,135	—	—	2,106	3,784	305,549
Summer Sessions	—	—	13,100	—	—	—	—	—	—	13,100
University Extension	—	—	82,745	—	—	\$102	—	—	—	82,847
Total Instruction	\$965,543	\$729	\$96,994	—	\$68,214	\$102	—	\$4,965	\$16,523	\$1,153,070
Research	\$152,476	\$3,342	\$31	—	\$3,166	—	—	\$9,078	\$6,248	\$174,341
Public Service:										
Community Services	\$6,052	—	\$3,113	—	\$11,456	—	—	\$896	\$2,796	\$24,313
Cooperative Extension	35,512	\$8,668	—	—	—	\$525	—	7	—	44,712
Drew Postgraduate Medical School	2,932	—	—	—	—	—	—	—	—	2,932
Calif. College of Podiatric Medi- cine	849	—	—	—	—	—	—	—	—	849
Total Public Service	\$45,345	\$8,668	\$3,113	—	\$11,456	\$525	—	\$903	\$2,796	\$72,806
Academic Support:										
Libraries	\$118,854	—	—	—	—	\$327	—	\$1,330	\$377	\$120,888
Museums and Galleries	3,096	—	—	—	\$70	40	—	227	—	3,433
Intercollegiate Athletics	—	—	\$1,571	—	—	201	—	—	158	1,930
Ancillary Support—General Campuses	3,271	—	1,093	—	1,265	4,282	—	64	4,143	14,118
Ancillary Support—Health Sciences	58,880	—	—	—	33,908	22,385	—	26	18,786	133,985
Total Academic Support	\$184,101	—	\$2,664	—	\$35,243	\$27,235	—	\$1,647	\$23,464	\$274,354
Teaching Hospitals	\$69,301	—	—	\$760,394	—	—	—	\$144	\$8,742	\$838,582

Student Services:										
Social and Cultural Activities	\$1,278	—	\$27,003	—	\$400	—	—	\$19	\$5,233	\$33,933
Supplemental Educational Services	307	—	5,755	—	—	—	—	—	123	6,185
Counseling and Career Guidance	2,687	—	21,839	—	3	\$1	—	—	954	25,484
Financial Aid Administration	—	—	14,799	—	—	—	—	—	1,174	15,973
Student Admissions and Records	84	—	19,749	—	—	—	—	—	660	20,493
Student Health Services	—	—	22,001	—	—	—	—	21	5,946	27,968
Student Affirmative Action	4,738	—	1,288	—	—	—	—	—	—	6,026
Disabled Students	1,180	—	—	—	—	—	—	—	—	1,180
Provision for Cost Increase	950	—	—	—	—	—	—	—	—	950
Total Student Services	\$11,224	—	\$112,434	—	\$403	\$1	—	\$40	\$14,090	\$138,192
Institutional Support:										
Executive Management	\$49,020	—	\$505	—	—	—	—	\$582	\$3,904	\$54,011
Fiscal Operation	28,279	—	786	—	—	—	—	—	6,667	35,732
General Administrative Services	44,648	—	6,793	—	—	—	—	135	7,617	59,193
Logistical Services	33,890	—	718	—	\$40	—	—	—	12,158	46,806
Community Relations	14,358	—	150	—	—	—	—	1,361	285	16,154
Total Institutional Support	\$170,195	—	\$8,952	—	\$40	—	—	\$2,078	\$30,631	\$211,896
Operation and Maintenance of Plant										
Student Financial Aid	\$203,034	—	\$6,639	—	—	—	—	\$673	\$17,225	\$227,571
Auxiliary Enterprises	\$36,224	—	\$21,886	—	—	—	\$2	\$6,900	\$379	\$65,391
Special Regents' Programs	—	—	\$832	—	—	—	\$205,865	\$14	—	\$206,711
Unallocated Adjustments:									\$48,300	\$48,300
Provisions for Allocation	-\$38,947	—	\$21,774	—	-\$29	—	—	\$4,896	\$5,098	-\$7,208
Program Maintenance:										
Fixed Costs and Economic Factors	116,066	—	—	—	—	—	—	—	—	116,066
Total Unallocated Adjustments	\$77,119	—	\$21,774	—	-\$29	—	—	\$4,896	\$5,098	\$108,858
Total Budgeted Programs	\$1,914,562	\$12,739	\$275,319	\$760,394	\$118,493	\$27,863	\$205,867	\$31,338	\$173,496	\$3,520,072
Sponsored Research and Other Activities										
Department of Energy Laboratories	—	\$520,035	—	—	—	—	—	—	\$398,264	\$918,299
Totals (Budgeted and Extramural Programs)	—	\$1,955,000	—	—	—	—	—	—	—	\$1,955,000
Totals (Budgeted and Extramural Programs)	\$1,914,562	\$2,487,774	\$275,319	\$760,394	\$118,493	\$27,863	\$205,867	\$31,338	\$571,760	\$6,393,371

General Fund Budget Changes Proposed for 1986-87

Table 4 identifies the specific factors accounting for the net \$140.5 million increase in General Fund support proposed for 1986-87. Later in this analysis, we discuss in detail the changes shown in the table. Table 4 shows that:

Table 4
The University of California
Proposed 1986-87 General Fund Budget Changes
(dollars in thousands)

1985-86 Expenditures (Revised).....		\$1,646,441
Proposed Changes:		
A. Workload Adjustments		18,122
1. Undergraduate enrollment	\$12,238	
2. Library staffing (undergraduate related)	763	
3. Operation and maintenance of plant	5,121	
B. Cost Adjustments		9,188
1. Faculty merit and promotion	15,148	
2. Employee compensation annualization	10,494	
3. Insurance inflation adjustment	7,872	
4. Instructional equipment replacement	1,313	
5. Teaching hospital subsidy	-15,000	
6. Student fee related adjustment	950	
7. Other miscellaneous adjustments	-389	
8. UC income adjustment	-11,200	
C. Program Adjustments		27,024
1. Graduate enrollments.....	876	
2. Graduate academics	845	
3. Education abroad.....	258	
4. Computer equipment.....	3,000	
5. Superconducting super collider research	1,000	
6. Individual faculty research	300	
7. Pacific rim research	250	
8. Hardwood range management research	650	
9. Lawrence hall of science.....	500	
10. Teaching hospital subsidy	15,000	
11. Library telecommunications.....	500	
12. Library collections preservation	200	
13. Affirmative action—early outreach.....	500	
14. Affirmative action—MESA	181	
15. Affirmative action—graduate outreach	100	
16. Affirmative action—dissertation awards	100	
17. Affirmative action—President's awards.....	100	
18. Affirmative action—pre-tenure awards	125	
19. Building maintenance	4,000	
20. Budgetary savings adjustment	7,539	
21. Retirement (UCRS) adjustment	-9,000	
D. Funding to Maintain Current-year Fee Levels		12,000
E. Employee Compensation Increase for 1986-87		74,152
1986-87 Expenditures (Proposed)		\$1,786,927
Change from 1985-86:		
Amount		\$140,486
Percent		8.5%

- **Workload and cost adjustments** result in net increases of \$18.1 million and \$9.1 million, respectively.
- **Program adjustments and funding to maintain current student fee levels** result in increases of \$27.0 million and \$12.0 million, respectively.
- **Employee compensation** increases for 1986-87 total \$74.1 million.

The budget does not include additional funding for Merit Salary Adjustments for staff (\$8.6 million) or inflation adjustments to Operating Expenses and Equipment (\$20.3 million). The university will have to absorb these costs.

ANALYSIS AND RECOMMENDATIONS

We recommend approval of all proposed workload and cost adjustments other than the insurance inflation adjustment, as well as the following program adjustments totaling \$8.2 million which are not discussed elsewhere in this analysis:

- **Computer Equipment**—\$3 million for the purchase of computer equipment. The need for this funding is justified in the university's instructional computer use plan.
- **Lawrence Hall of Science**—\$500,000 to expand science outreach programs. The Legislature appropriated \$750,000 in the 1985 Budget Act for a similar purpose, but the money was vetoed by the Governor.
- **Library Telecommunications**—\$500,000 to expand access to the on-line computerized library catalog which is designed to make the holdings of all university libraries accessible throughout the university. The Legislature provided an initial augmentation of \$500,000 for this purpose in the 1985 Budget Act.
- **Library Collections Preservation**—\$200,000 for deacidification of the university's older books. Recent research has come up with techniques for removing acid from large numbers of books at a time, thereby substantially increasing their useful life.
- **Building Maintenance**—\$4 million for maintenance workload standards improvements, justified in the university's ongoing joint study (with the California State University) of maintenance workload standards.

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

- **Capital Outlay Fund for Public Higher Education (Item 6440-001-146)**—\$16.9 million for deferred maintenance, which is justified in the university's annual report to the Legislature on deferred maintenance backlogs. This is an increase of \$4.5 million (36 percent) above the amount provided from the Special Account for Capital Outlay for this purpose in the 1985 Budget Act.
- **California State Lottery Education Fund (Item 6440-001-814)**—\$10.2 million for instructional use of computers (\$8.8 million) and instructional equipment replacement (\$1.4 million). This is \$2.7 million, or 36 percent, more than estimated current-year expenditures. The proposed expenditures are instructionally related and supplement the university's budget.
- **State Transportation Fund (Item 6440-001-046)**—\$956,000 for support of the Institute of Transportation Studies. This is the same as the current-year amount.
- **California Water Fund (Item 6440-001-144)**—\$100,000 to continue a special appropriation for research in mosquito control. This special

THE UNIVERSITY OF CALIFORNIA—Continued

appropriation was initiated in 1966–67 to supplement funding from other sources. State General Fund support for this program is proposed at a level of \$814,300 in 1986–87.

- **Reappropriation (Item 6440-490)**—The 1986 Budget Bill contains language reappropriating unexpended balances from the university's 1985 Budget Act appropriation for instructional equipment replacement, deferred maintenance, and special repair projects. In support of this practice, the Legislature included a similar provision in the 1985 Budget Act. The 1985 provision resulted in the reappropriation of \$8.8 million that otherwise would have reverted to the General Fund.

I. INSTRUCTION

The Instruction program includes (1) general campus instruction, (2) health science instruction, (3) summer session, and (4) university extension.

Table 5 displays the instruction budget for the university in the prior, current, and budget years. A total of \$1,153.1 million is proposed for instruction in 1986–87, prior to the allocation of salary increase funds. Of this amount, \$965.5 million would come from general funds. The proposed budget for Instruction is \$28.6 million, or 2.5 percent, higher than the budget for the current year. The percentage increase will grow, of course, once funds are allocated for salary increases.

Table 5
The University of California
Instruction Budget
Summary of Expenditures and Funding
1984–85 through 1986–87
(dollars in thousands)

Elements	Actual 1984–85	Est. 1985–86	Prop. 1986–87	Change from 1985–86	
				Amount	Percent
General campus.....	\$615,366	\$731,245	\$751,574	\$20,329	2.8%
Health sciences	260,007	303,311	305,549	2,238	0.7
Summer session	11,588	12,474	13,100	626	5.0
University extension.....	64,704	77,434	82,847	5,413	7.0
Totals	\$951,665	\$1,124,464	\$1,153,070	\$28,606	2.5%
Funding Source					
General funds.....	\$805,840	\$947,069	\$965,543	\$18,474	2.0%
California State Lottery Education Fund.....	—	7,500	10,200	2,700	36.0
Other restricted funds.....	145,825	169,895	177,327	7,432	4.4
Personnel-years	20,143	20,724	21,096	372	1.8%

A. Enrollment

Table 6 shows the recent trends in UC enrollment, expressed in full-time equivalent (FTE) students. A full-time undergraduate student at UC takes an average of 15 units during each of the three quarters. Thus, one FTE equals one student attending full-time, two students each attending one-half time, etc. Ninety-three percent of UC students attend full-time.

1986–87 Budgeted Enrollment. Table 6 also shows that budgeted enrollment for 1986–87 is above budgeted enrollment for 1985–86 by 2,919 FTE (2.2 percent). When compared to actual enrollment in the current year, however, the proposed level represents an increase of only 620 FTE.

Table 6
The University of California
Full-Time Equivalent Students (FTE)
(Three-Quarter/Two-Semester Average)
1984-85 through 1986-87

Campus	1984-85 Actual	1985-86		1986-87 Proposed	Change from Budgeted 1985-86	
		Budgeted	Revised		Number	Percent
Berkeley						
General Campus						
Undergraduate	19,420	19,935	20,220	19,935	—	—
Graduate.....	7,852	7,655	7,934	7,655	—	—
Health Sciences	765	762	762	758	-4	-0.5%
Subtotals.....	28,037	28,352	28,916	28,348	-4	—
Davis						
General Campus						
Undergraduate	13,687	13,813	14,100	14,179	366	2.6%
Graduate.....	3,130	2,934	3,062	2,954	20	0.7
Health Sciences	1,872	1,797	1,797	1,819	22	1.2
Subtotals	18,689	18,544	18,959	18,952	408	2.2%
Irvine						
General Campus						
Undergraduate	9,707	9,989	10,555	10,846	857	8.6%
Graduate.....	1,307	1,388	1,409	1,438	50	3.6
Health Sciences	1,072	1,024	1,024	1,030	6	0.6
Subtotals	12,086	12,401	12,988	13,314	913	7.4%
Los Angeles						
General Campus						
Undergraduate	19,501	19,549	19,547	19,796	247	1.3%
Graduate.....	7,498	7,652	7,468	7,652	—	—
Health Sciences	3,723	3,850	3,850	3,820	-30	-0.8
Subtotals	30,722	31,051	30,865	31,268	217	0.7%
Riverside						
General Campus						
Undergraduate	3,213	3,443	3,520	3,779	336	9.8%
Graduate.....	1,234	1,270	1,275	1,270	—	—
Health Sciences	50	48	48	48	—	—
Subtotals	4,497	4,761	4,843	5,097	336	7.1%
San Diego						
General Campus						
Undergraduate	10,874	11,434	11,434	11,764	330	2.9%
Graduate.....	1,419	1,387	1,582	1,437	50	3.6
Health Sciences	1,052	1,036	1,036	1,041	5	0.5
Subtotals.....	13,345	13,857	14,052	14,242	385	2.8%
San Francisco						
Health Sciences	3,562	3,624	3,624	3,618	-6	-0.2%
Subtotals	3,562	3,624	3,624	3,618	-6	-0.2%
Santa Barbara						
General Campus						
Undergraduate	13,830	14,213	14,345	14,345	132	0.9%
Graduate.....	1,992	1,925	2,012	1,965	40	2.1
Subtotals.....	15,822	16,138	16,357	16,310	172	1.1%
Santa Cruz						
General Campus						
Undergraduate	6,381	6,463	6,769	6,921	458	7.1%
Graduate.....	564	496	613	536	40	8.1
Subtotals	6,945	6,959	7,382	7,457	498	7.2%
Total University						
Undergraduate	96,613	98,839	100,490	101,565	2,726	2.8%
Graduate.....	24,996	24,707	25,355	24,907	200	0.8
Health Sciences	12,096	12,141	12,141	12,134	-7	-0.1
Totals	133,705	135,687	137,986	138,606	2,919	2.2%

THE UNIVERSITY OF CALIFORNIA—Continued

Budgeted enrollment changes, by category, are as follows:

- **Undergraduate**—up 2,726 FTE (2.8 percent) over the current-year budgeted level, and up 1,075 FTE (1.1 percent) from the current-year revised level.
- **Graduate**—up 200 FTE (0.8 percent) over the current-year budgeted level, and down 448 (1.8 percent) from the current-year revised level.
- **Health sciences**—down 7 FTE (0.1 percent) from both the current-year budgeted and revised levels.

B. GENERAL CAMPUS INSTRUCTION

General campus instruction includes the cost of faculty, teaching assistants, and related instructional support for the eight general campus programs.

Table 7 summarizes expenditures and funding sources for general campus instruction in the prior, current, and budget years. As the table shows, the budget proposes a total of \$752 million for general campus instruction in 1986-87, which is \$20 million, or 2.8 percent, more than estimated current-year expenditures. Of this amount, the budget proposes expenditures of \$734 million from general funds—\$17.6 million, or 2.5 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.)

Table 7
The University of California
Instruction—General Campus
Summary of Expenditures and Funding
1984-85 through 1986-87
(dollars in thousands)

Elements	Actual 1984-85	Est. 1985-86	Prop. 1986-87	Change from 1985-86	
				Amount	Percent
Faculty	8353,174	8417,220	8423,792	86,572	1.6%
Teaching assistants	33,397	42,260	43,442	1,182	2.8
Instructional support	194,168	216,397	221,959	5,562	2.6
Equipment replacement	22,058	25,230	26,543	1,313	5.2
Equipment: reduction of back- log	—	10,000	10,000	—	—
Instructional computing	9,384	15,459	18,159	2,700	17.5
Computer equipment	—	—	3,000	NA	NA
Technical education	1,110	1,156	1,156	—	—
Other	2,075	3,523	3,523	—	—
Totals	8615,366	8731,245	8751,574	820,329	2.8%
Funding Source					
General funds	8601,356	8716,069	8733,698	817,629	2.5%
California State Lottery Edu- cation Fund	—	7,500	10,200	2,700	36.0
Other restricted funds	14,010	7,676	7,676	—	—
Personnel-years					
Faculty	7,147	7,014	7,180	166	2.4%
Teaching assistants	1,833	2,236	2,298	62	2.8
Other	5,027	5,159	5,281	122	2.4
Totals	14,007	14,409	14,759	350	2.4%

The \$17.6 million general funds increase consists of the following elements:

- **Undergraduate enrollment**—\$12.2 million to fully fund UC's estimated 1986-87 undergraduate enrollment.
- **Graduate enrollment**—\$820,000 to provide support for an additional 200 graduate students in 1986-87.
- **Instructional equipment replacement**—\$1.3 million for replacement of instructional equipment, bringing total support for this activity to \$36.5 million.
- **Computer equipment**—\$3.0 million for purchase of computer equipment to supplement expenditures for this purpose made from the instructional equipment replacement budget.
- **Education abroad program**—\$258,000 to be used for (1) incentive grants to increase student participation in studying in Pacific Rim countries and (2) to assist UC faculty to change places for six months to a year with foreign faculty in Pacific Rim countries.

1. Replace Foreign Graduate Students in Engineering and Computer Science With California Residents

We recommend that the Legislature adopt supplemental report language which directs the University of California to reduce the number of foreign graduate students in engineering and computer science by enrolling more resident California students in these programs.

Language in the Supplemental Report of the 1985 Budget Act directed CPEC 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." CPEC's report was issued in December 1985. Our review of the report indicates that:

- At least 1,058 California residents applied for admission to UC's graduate engineering programs in 1985; of these, 431 (40 percent) were not admitted by UC;
- Less than 50 percent of the 928 new graduate engineering students enrolled by UC in 1985 were California residents; at Berkeley, only 33 percent were California residents (116 out of 350);
- In fall 1984, total foreign graduate student enrollments in engineering ranged from 27 percent at Irvine to 39 percent at Berkeley—the system-wide average was 34 percent (1,227 out of 3,614 students); and
- In 1983-84, UC granted foreign students 34 percent of the engineering masters degrees awarded (321 out of 959 degrees) and 43 percent of the engineering doctorate degrees awarded (109 out of 255).
- In 1985, at least 448 California residents applied to be graduate students in UC computer science programs; of these, only 91 (20 percent) were admitted;
- Of the 361 new graduate computer science students enrolled in 1985, 127 (35 percent) were foreign students and less than half were California residents; at Berkeley, only 32 percent of the enrollees were residents (36 out of 114);
- In fall 1984, foreign graduate student enrollments in UC computer science programs ranged from 10 percent at Irvine to 61 percent at Riverside; the system-wide average was 24 percent (174 out of 724); and

THE UNIVERSITY OF CALIFORNIA—Continued

- In 1983–84, UC granted foreign students 22 percent of the masters degrees (35 out of 160) and 23 percent of the doctorate degrees (7 out of 30).
- Taiwan supplies far more foreign graduate students in engineering and computer science than any other country;
- Hong Kong, India, Korea, Iran, and China are the other countries which are most frequently represented in UC engineering and computer science graduate programs; and
- The university does not have accurate data on how many foreign students stay in this country after leaving the UC. Based on anecdotal evidence, however, CPEC speculates that perhaps half to three-fourths of these graduates are employed in this country; the fiscal implications related to the abundance of foreign students is still unresolved. It is commonly assumed, however, that the per-student cost in these programs exceeds the average cost used in setting nonresident tuition and fee levels (\$5,185 in 1985-86).

Graduate Enrollment for Whom? Based on the information provided by CPEC, we believe a case can be made that California students are being denied admission to graduate engineering and computer science programs because of the large numbers of foreign students enrolled in these programs. We note, for example, that in 1985, 1,058 Californians applied for approximately 835 engineering student "slots" at five campuses. Of these applicants, 431 were rejected while 286 foreign students were enrolled. Deans of engineering have advised us that most California applicants are technically qualified for admission, but are not admitted because other foreign and out-of-state applicants are "better" qualified. While UC is concerned about the number of foreign students, campus policies are focused more on preventing further *growth* in the number than they are in actively reducing the numbers of these students.

UC argues that diversity in the student body is academically enriching; we agree. This argument is more compelling, however, if the students represented a wide diversity of nationalities. This is not the case—at Berkeley, 137 foreign engineering students are from one country, while at Davis 55 percent of the foreign student applicants for computer science came from the same country.

We cannot identify how California derives a large public benefit from supporting 1,227 graduate engineering slots for foreign students and awarding to foreign students one-half of all doctorate degrees in engineering.

Accordingly, we recommend that the Legislature direct UC to reduce the number of foreign graduate students in engineering and computer science by enrolling more resident California students. As discussed next, UC has requested an increase in graduate enrollments, in particular graduate enrollments in engineering, based on student and societal demand. We believe that the demand by qualified California residents for engineering degrees can be achieved by reducing the slots currently filled by foreign students. Further, the societal demand for engineers will be better met by California resident students because these students are much more likely to work in California upon graduation. Accordingly, we recommend that the following language be adopted in Item 6440-001-001:

"It is the intent of the Legislature that University of California take immediate action to increase the number and percentage of resident graduate students in the engineering and computer science programs by reducing the number of foreign students enrolled in these programs."

2. Graduate Enrollment Increase Not Justified

We recommend that the Legislature delete \$876,000 requested for additional faculty to support a graduate enrollment increase of 200 students because (a) the current enrollment plan needs to be reevaluated and (b) current enrollments should be reallocated. (Reduce Item 6440-001-001 by \$876,000.)

The budget requests \$876,000 (\$820,000 in the instruction program and \$56,000 in related library support) from the General Fund to support an additional 200 graduate students in 1986-87. The budget does not specify which fields of study will be authorized to receive the additional slots. It does state, however, that "the graduate increase will enable the university to expand in areas of student and societal demand, primarily in the sciences, such as engineering, computer sciences, and related fields".

Background. The UC's request is based, in part, on a 1983 graduate enrollment plan developed by the university for the years 1984-85 through 1986-87. The plan seeks budget authorization for a total increase of 800 graduate students.

If the Legislature had adopted the UC plan, enrollment would have increased by 575 students (to a level of 24,982) in 1985-86 and by 800 students (to a level of 25,207) in 1986-87. The Legislature however has approved only part of the plan authorizing enrollment increases totaling 300 students by 1985-86—275 students *less* than what the UC plan called for.

Authorized enrollments represent the level of graduate students for which the state provides budget support. *Actual* graduate student enrollments is quite another matter.

Table 8 shows that actual enrollments in 1985-86 are 648 students above the authorized level. That is, not only do current enrollments on the campuses greatly exceed the authorized level; they even exceed UC's planned level. Table 8 also shows the distribution, by campus, of the authorized, actual, and proposed level of graduate students.

Table 8
The University of California
Graduate FTE Enrollment
1985-86 and 1986-87

Campus	1985-86			Proposed 1986-87	
	Authorized	Actual	Difference	Increase	Total Authorized
Berkeley	7,655	7,934	279	—	7,655
Davis	2,934	3,062	128	20	2,954
Irvine	1,388	1,409	21	50	1,438
Los Angeles	7,652	7,468	-184	—	7,652
Riverside	1,270	1,275	5	—	1,270
San Diego	1,387	1,582	195	50	1,437
Santa Barbara	1,925	2,012	87	40	1,965
Santa Cruz	496	613	117	40	536
Totals	24,707	25,355	648	200	24,907

THE UNIVERSITY OF CALIFORNIA—Continued

Viewed in this perspective, the 1986–87 budget does not seek to add more graduate students; it merely seeks to “legitimize” enrollments which UC has bootlegged from resources elsewhere in its budget.

We believe that there are several reasons why the Legislature should deny the UC’s request for this augmentation.

UC’s Plan Is Under Review. In the *Supplemental Report of the 1985 Budget Act* the Legislature directed UC to:

“review the current graduate enrollment plan to reevaluate the state and national need for students in areas of expansion as well as for maintaining the current level of students in other disciplines”

This report was due to be completed by February 15, 1986. Instead of freezing graduate enrollment growth pending submission of the required report, UC merely varied its old plan somewhat and requested an additional 500 authorized slots in 1986–87. (The Governor’s Budget provides funding for only 200 of these slots.)

UC Should Reallocate Current Enrollment. Our analysis indicates that the university *can* meet state and national needs for those trained in fields such as engineering and computer science by *reallocating*, by discipline and type of students, graduate slots within the base.

- *Discipline—Law and Business Administration Students Should be Reduced.* In our review of UC’s initial request for more graduate students in 1984–85, we cited two fields where societal need appears to be declining, allowing reductions to be made in graduate enrollment. These fields are Law and Business Administration. The UC’s graduate plan, however, proposes to *increase* business enrollments by 53 students and reduce law school enrollment by *only* 15 students.
- *Type of Student—Foreign Student Enrollment Should be Reduced.* As noted earlier in this analysis, we believe that the demand by qualified California residents for engineering degrees can be achieved by reducing some of the slots currently filled by foreign students. Fall 1985 data shows that 33 percent of the university’s graduate engineering slots are filled by foreign students (1,237 foreign engineering graduate students out of a total graduate engineering enrollment of 3,770). Further, the societal demand for engineers will be better met by California resident students because these students are much more likely to work in California upon graduation.

In sum, because (1) the UC’s graduate plan needs to be reevaluated and (2) current enrollments should be reallocated, we recommend that the Legislature deny the request to increase graduate enrollments by 200 students, for a General Fund savings of \$876,000.

3. Education Abroad Program

We recommend that the Legislature delete \$258,000 requested for the Education Abroad Program because it is not needed to accomplish the intended objective. (Reduce Item 6440-001-001 by \$258,000.)

The budget requests \$258,000 for support of Education Abroad Programs (EAP) in Pacific Rim countries. The UC’s request is based on the growing importance of the Pacific Rim countries to the United States and California and the need for a better understanding by Americans of the language, cultures and customs of these countries.

The proposed augmentation consists of two parts: (1) \$92,000 for student scholarships and (2) \$166,000 to help UC faculty change places with foreign faculty for six months to a year. (The UC Regents' budget request for this program designated 1986-87 as the first phase of a three-year implementation period that seeks a total increase of \$912,000.)

Area Scholarships. The "area scholarships" are to be used for "incentive grants" to increase the number of students studying in Pacific Rim countries. The dollar amount of the grant will vary, depending on the particular country involved. Specifically, UC states that:

"The 'area scholarships' requested for 1986-87 are meant to be an incentive grant rather than need-based aid. As noted in the 1986-87 Regents' Budget, students nationally have exhibited a relatively low interest in studying in countries outside of Europe. . . . To increase student participation in a part of the world they may not have considered previously, area scholarships will be developed for these locations. . . . The area scholarships will have a dollar value, depending on the particular country involved, that will be awarded to the recipients based on scholarship and interest criteria."

Faculty Exchange. According to UC, the funds requested for the faculty exchange will be used to finance transportation costs, the extra costs associated with relocation for the stay abroad, and to offset unfavorable currency exchange rates in cases where the difference is enough to cause economic hardship for the faculty involved. In addition, UC states that it may also use these funds "to assist with the travel expenses, or subsidize the salary paid to the visiting faculty member to enable the foreign faculty member to meet the higher cost of living that he or she will face in California".

The Current Program. The UC reports that currently the Education Abroad Program (EAP) has exchange programs in the following Pacific Rim countries: Australia, China, Hong Kong, Japan, Mexico and Peru. In 1985-86, approximately 125 UC students will study in these locations, or about 16 percent of the 775 UC students studying abroad. All EAP students with financial need are awarded a financial aid package according to the same campus policies followed in awarding aid to other students.

Although individual campuses of the university have faculty exchange programs, UC has no systemwide data on these exchanges. The EAP does not have a regular faculty exchange program.

Financial Incentives Should Not Be Necessary. While we recognize the importance of the Pacific Rim countries to California and the United States, we do not see why it should be necessary to provide students and faculty with special financial inducements to study in Pacific Rim countries. Already, 125 UC students are studying in Pacific Rim countries. With the growing importance of the Pacific Rim countries, it is logical to expect that the number of UC students studying in these countries will increase without special financial inducements of the type proposed here.

Similarly, UC has offered no data to indicate that the existing campus-based programs are not adequate to facilitate faculty exchanges.

There is a broader issue, however, that the Legislature should consider in acting on the proposed augmentation. The university's proposal is based on the premise that students and scholars will not make the right choices regarding where they conduct their studies and research without financial inducements from the state. If this premise is correct (we don't think it is), it brings into question other choices made by the UC's students and faculty—what to major in, what areas of a discipline to specialize in, what

THE UNIVERSITY OF CALIFORNIA—Continued

research hypothesis to pursue, etc. How far should the state go to encourage the "right" choices in these areas?

In summary, our analysis indicates that the UC does not warrant special funding to accomplish the intended objective of increasing the number of students and faculty studying in Pacific Rim countries. On this basis, we recommend that the Legislature delete the funds requested for the Education Abroad Program, for a General Fund savings of \$258,000.

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 9 shows the health science instruction budget, by program element, for the prior, current, and budget years. As the table shows, the budget proposes a total of \$305.5 million in 1986-87—\$2.2 million (0.7 percent) more than estimated current-year expenditures. Of this amount, the budget proposes expenditures of \$231.8 million from general funds—\$845,000, or 0.4 percent, more than 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 \$845,000 increase from general funds would be used to support 75 additional graduate academic students in 1986-87.

Table 9
The University of California
Instruction—Health Sciences
Summary of Expenditures and Funding
1984-85 through 1986-87
(dollars in thousands)

Program	Actual 1984-85	Est. 1985-86	Prop. 1986-87	Change from 1985-86	
				Amount	Percent
Medicine	\$199,059	\$224,787	\$225,365	\$578	0.3%
Dentistry	17,072	18,121	18,121	—	—
Nursing	7,608	7,647	7,647	—	—
Optometry	1,945	1,770	1,770	—	—
Pharmacy	5,203	5,821	5,862	41	0.7
Public health	9,030	10,210	10,210	—	—
Veterinary medicine	13,646	14,771	14,997	226	1.5
Other	6,444	20,184	21,577	1,373	6.8
Totals	\$260,007	\$303,311	\$305,549	\$2,238	0.7%
Funding Source					
General funds.....	\$204,484	\$231,000	\$231,845	\$845	0.4%
Restricted funds.....	55,523	72,311	73,704	1,393	1.9
Personnel-years					
Faculty	2,056	2,029	2,038	9	0.4%
Other	2,295	2,427	2,440	13	0.5
Totals	4,351	4,456	4,478	22	0.5%

1. Graduate Academic Students

Health science graduate academic students are enrolled in master degree or Ph.D. programs. They obtain degrees in a wide variety of disciplines—from Scientific Nutrition to Biochemistry—but the largest percentage of students are enrolled in basic physical and biological sciences programs. The budget proposes a total of 1,290 graduate academic students in 1986-87.

Table 10 shows the budgeted number of graduate academic students for the period 1981-82 through 1987-88.

In 1981-82, the budgeted number of graduate academic students was 1,218. In response to unspecified reductions which the Legislature made in the university's budget for 1982-83, UC chose to reduce the number of graduate academics to 1,178 in 1982-83, 40 less than in the previous year.

In 1983-84, UC planned internal reallocations from elsewhere in the health science budget which would result in an increase of 59 graduate academic students—31 in public health and 28 in nursing. These increases were to be phased-in, beginning in 1985-86 (17 in 1985-86, 20 in 1986-87, and 22 in 1987-88).

The budget requests an augmentation of \$845,000 from the General Fund for support for 75 additional graduate academic students. The additional students would be on top of the 20-student increase made possible by internal redirection. The average state cost per additional graduate academic student is \$11,267.

Table 10
The University of California
Health Science Graduate Academics
1981-82 through 1986-87

	Budgeted 1981-82	Budgeted 1982-83	Budgeted 1983-84	Budgeted 1984-85	Budgeted 1985-86	Proposed 1986-87		Total
						Redi- rection	Augmen- tation	
Medicine	789	749	749	749	733	—	55	788
Optometry	21	21	21	21	21	—	—	21
Public Health	193	193	193	193	214	12	—	226
Veterinary Medicine	111	111	111	111	111	—	16	127
Nursing	23	23	23	23	35	8	—	43
Dentistry	16	16	16	16	16	—	—	16
Pharmacy	65	65	65	65	65	—	4	69
Totals	1,218	1,178	1,178	1,178	1,195 ^a	20	75	1,290

^a Increase of 17 made possible by reallocation from elsewhere in health science budget.

THE UNIVERSITY OF CALIFORNIA—Continued**Unjustified Augmentation**

We recommend that the Legislature delete state support for 75 additional graduate academic students because the university has not adequately justified the request. (Reduce Item 6440-001-001 by \$845,000.)

The university's budget request cites a March 1985 UC report, *Planning for the Health Sciences, 1985-1990*, as the justification for the additional graduate academic students in the health sciences. Specifically, the budget request states:

"The university's needs for additional graduate academic students in health science programs are justified in *Planning for the Health Sciences, 1985-90*. This university-wide plan, completed in March 1985, included the following recommendation: "Because academic programs in the schools of the health professions are essential for the training of future faculty and scholars and for the development of health-related research and technology, there should be moderate expansion of some of these programs."

No Justification Provided in the 1985 Plan. In analyzing the university's justification for the proposed increase, we reviewed *Planning for the Health Sciences, 1985-90*. The report, however, contains no specific details to support the requested increase. In fact, the report stated that the university has not had enough time to do an in-depth study of the quantitative implications of the general statements made on proposed increases. Specifically, on page 10, the report states:

"Accordingly, although the recommendations of this Five-Year Plan were carefully developed and are viewed as important indicators of the direction in which the University's activities in the health sciences are expected to evolve, it has not been possible in the time available for the completion of this document to do an in-depth study of the quantitative implications of each of the recommendations involving program increases. The collection and analyses of the data needed to develop specific quantitative responses to such recommendations will continue to occupy University administrators and faculty in the near future, both in the Office of the President and on the campuses."

Further the report states that increases in enrollment above the 1985-86 levels need to be fully explored and will not be implemented *until 1987-88 at the earliest*. Specifically, on pages 10 and 11, the report states:

"In spite of the work yet to be done to complete the present Five-Year Plan, the enrollment projections shown in the tables that comprise Chapter IV accurately reflect the University's current expectations with respect to enrollments in its health sciences programs. Certainly this is the case for the next two years (1985-86 and 1986-87). Such program modifications as may be proposed as a result of the ongoing study of those recommendations not yet fully explored will not be implemented until 1987-88 at the earliest."

The budget "justification" provided by the university leads to only one conclusion. Accordingly, we recommend that the Legislature not approve the request for additional graduate academic students, for a General Fund savings of \$845,000.

2. Tulare Veterinary Clinic

The Veterinary Medicine Teaching and Research Center at Tulare was completed and occupied in 1983. It serves as the main clinical teaching resource for the food animal health program of the School of Veterinary Medicine at Davis. It was needed because of the scarcity of larger commercial food animal operations in the Davis area.

The *Supplemental Report of the 1985 Budget Act* required the university to submit a report on the Tulare Veterinary Clinic and directed the Legislative Analyst to comment on the report in the *Analysis of the 1986-87 Budget*. Specifically, the Supplemental Report states:

“It is the intent of the Legislature that the Tulare Veterinary Clinic of the UC diversify its program to include individual animals and all food animals in accordance with the funding plan approved by the Legislature in 1977. The UC shall report to the Legislative Analyst’s Office (LAO) on such progress by December 1, 1985, and the Legislative Analyst shall report on UC’s efforts in this regard in the 1986-87 *Analysis*.”

Comment on UC Report. The university submitted the report as required by the Supplemental Report. We have reviewed the university’s report and, in addition, we have made on-site reviews of the Tulare facility and the Veterinary Medicine School at Davis.

During our review, we found that there were three project planning guides (PPG) approved by the Legislature for the Tulare facility—the first in 1977, the second in May 1980, and the final one in November 1980. Table 11, taken from the UC report, compares the estimates of the necessary training time at Tulare for students in emergency field service, programmed herd health service, in-house service, field problem-solving, and diagnostic laboratory service. As the table shows, the 1977 and May 1980 planning guides call for the same distribution of time. Both of these PPGs also contain the following statement of intent regarding the clinical training:

“The intent will be to provide an experience that gives equal emphasis to preventive medicine and individual-animal medicine.”

Table 11
The University of California
Veterinary Medicine Teaching and Research Center at Tulare
Distribution of Clinical Training Time

Category of Experience	Program Planning Guides (PPGs)			Current 1985-86
	1977	May 1980	Nov. 1980	
Emergency field service	20%	20%	10%	10%
Programmed herd health service	40	40	60	60
In-house service	15	15	10	5
Field problem-solving	10	10	10	10
Diagnostic laboratory service	15	15	10	15
Total	100%	100%	100%	100%

Table 11 also shows, however, that the November 1980 PPG reduced the time for emergency field service from 20 percent to 10 percent and increased the programmed herd health service from 40 percent to 60 percent. The November 1980 PPG also changed the clinical intent statement by deleting “individual animal medicine” and adding “herd health man-

THE UNIVERSITY OF CALIFORNIA—Continued

agement". Specifically, the November 1980 PPG states:

"The intent will be to provide an experience that gives emphasis to preventive medicine and herd health management."

While the UC report does not directly address why the changes were made in the November 1980 PPG, the report states that the mix of activities at Tulare evolved as a result of experience with teaching at both Tulare and Davis. We also noted that students at Tulare do care for individual animals in the services rendered to herds.

Table 11 shows that current practice at Tulare is very close to the November 1980 PPG. Our analysis indicates that the Tulare facility is in compliance with the most recently approved PPG for the facility.

II. RESEARCH

The UC is California's primary state-supported agency for research. "Organized research" is the term UC uses in referring to those research activities which, unlike departmental research, are budgeted and accounted for separately. Expenditures for departmental research are funded 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 \$171 million for research in 1986-87. In addition, the university will receive an estimated \$555 million from extramural sources (primarily the federal government) for research activities in 1986-87. 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
1984-85 through 1986-87
(dollars in thousands)

Elements	Actual 1984-85	Est. 1985-86	Prop. 1986-87	Change from 1985-86	
				Amount	Percent
General campus	\$42,787	\$47,439	\$47,889	\$450	0.9%
Health sciences	19,013	20,548	20,548	—	—
Agriculture	83,169	87,707	88,147	440	0.5
Marine sciences	9,490	11,826	11,826	—	—
Individual faculty grants and travel	—	5,631	5,931	300	5.3
Totals	\$154,459	\$173,151	\$174,341	\$1,190	0.7%
Funding Source					
General funds	\$127,284	\$151,076	\$152,476	\$1,400	0.9%
Restricted funds:					
State	1,040	1,266	1,056	-210	-16.6
Other	26,135	20,809	20,809	—	—
Personnel-years	2,869	2,983	2,983	—	—

The budget requests \$174 million for organized research in 1986-87, prior to the allocation of salary and inflation adjustments. This is \$1.2 million, or 0.7 percent, above estimated current-year expenditures. The proposed \$1.2 million increase reflects two partially offsetting changes:

- An increase of \$1.4 million (0.9 percent) from the state General Fund, and
- A decrease of \$210,000 from the state Environmental License Plate Fund to reflect one-time support for two projects in 1985-86—white oak regeneration and conifer germplasm conservation.

The \$1.4 million increase in state General Fund support also reflects offsetting changes. The budget deletes \$300,000 provided on a one-time basis in 1985-86 for equipment purchases for the Earthquake Engineering Research Center and allocates a \$1.7 million increase as follows:

- **Superconducting Super Collider**—\$500,000 to support additional studies leading to the possible choice of California as the site for the federal government's proposed Superconducting Super Collider (bringing state support to \$1 million).
- **Individual faculty research**—\$300,000 for grants to faculty for research in order to augment the \$5.3 million provided by the state General Fund for this purpose in 1985-86.
- **Pacific Rim Research**—\$250,000 to establish a new, comprehensive University-wide research program focusing on the Pacific Rim region.
- **Hardwood Range Management**—\$650,000 for a University-wide research program aimed at hardwood range management to augment UC's current annual expenditures of about \$650,000 for hardwood range management research.

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, using "hard" data, whether the state is buying "enough" research or the right kind of research.

Last year, the Legislature, in response to our recommendation, directed the California Postsecondary Education Commission (CPEC) to prepare a report on the trends, program issues, and fiscal issues related to the growth of extramural-funded and state-funded research at UC. This report will be submitted by April 15, 1986. In recommending that CPEC prepare this report, it was our hope that the report would yield a better policy framework for the Legislature to use in making decisions on research funding. Such a framework would help the Legislature avoid either underfunding research or overfunding it and thereby diverting resources 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 \$1.7 million augmentation proposed for organized research in 1986-87 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?

THE UNIVERSITY OF CALIFORNIA—Continued**2. Superconducting Super Collider**

We recommend that the Legislature delete the \$1 million requested from the General Fund for further siting studies in connection with a superconducting super collider because the possibility that the federal government will fund construction of the facility in the near future seems remote at best. (Reduce Item 6440-001-001 by \$1,000,000.)

The budget requests \$1,000,000 from the General Fund for use in developing additional information that might lead the federal government to locate the proposed Superconducting Super Collider (SSC) in California. The Legislature provided \$500,000 on a one-time basis for site studies in the 1985 Budget Act.

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 1985 dollars, exclusive of site cost and detector instruments. The annual cost to operate the facility is estimated at \$250 to \$300 million (also in 1985 dollars).

Specifics on the Studies. The \$500,000 provided by the Legislature in 1985 was spent as follows: (1) \$97,000 for project management, (2) \$8,000 for travel to sites, and (3) \$395,000 for terrain and subsurface soil studies. The following three California locations were selected as potential sites for the machine:

- **Southern Site**—located northeast of Los Angeles, centered two miles northwest of Edwards within Kern and the northern tip of Los Angeles counties.
- **Central Site #1**—located east of San Francisco, centered about seven miles south of Bellota within the counties of Stanislaus, San Joaquin, and a small portion of Calaveras.
- **Central Site #2**—located northeast of San Francisco, centered seven miles east of Winters within the counties of Yolo and Solano.

The \$1 million budget request will be used as follows: (1) \$200,000 for management and committee expenses, (2) \$50,000 for a public education and community relations program, and (3) \$750,000 for additional studies on the selected sites. The second round will include studies of ring alignments, land acquisition, economic impacts and other ground studies.

Possibility of SSC Construction Is Remote at Best. The possibility that the super collider will be constructed in the near future is remote at best. As early as October 14, 1985, an article in *Business Week* indicated that neither the Reagan Administration nor Congress are jumping to back the project. Specifically, the *Business Week* article states:

“The money to build the SSC will have to come from Washington,

however. And neither the Administration nor Congress is jumping to back the project. "I don't see any powerful force inside of Washington that could convince the White House that the SSC is a good thing to move forward with right now," says one Office of Science Technology Policy official"

Lessening the possibility of federal support even more is the more recent enactment of the Gramm-Rudman-Hollings balanced budget amendment in December 1985. The amendment requires a balanced budget by fiscal year 1991. It essentially rewrites the congressional budget process by establishing firm deadlines and new procedures for automatic spending reductions if deficit targets are not met.

Given the federal budget situation, we do not believe that limited state resources should be devoted to further SSC related expenses in 1986-87. In the event that the Congress does find a way to fund the SSC, the UC Regents have an appropriate funding source—the Opportunity Fund—to support further studies if the project remains feasible. The Opportunity Fund, which derives its revenue primarily from overhead charges on federal research grants, is an appropriate funding source because the primary benefits from the SSC would accrue to scientific researchers working on federal contracts.

Accordingly, we recommend that the Legislature not approve the funds requested for additional SSC studies, for a General Fund savings of \$1 million in 1986-87.

3. Individual Faculty Research

We recommend that the Legislature delete the \$300,000 General Fund augmentation requested for individual faculty research because the augmentation merely supplants Regents Opportunity Funds and would not increase total support for this activity. (Reduce Item 6440-001-001 by \$300,000.)

The budget requests \$5.6 million from the General Fund for individual faculty research. This is an increase of \$300,000, or 5.7 percent, above the amount budgeted for this purpose in the current year.

The UC Request. The UC believes that funding for individual faculty research is an important means for sustaining the quality of the academic environment for faculty and for strengthening the overall research capability of the university. Grants awarded from this source can serve as seed money for faculty researchers, facilitating the acquisition of extramural funding by permitting the development of pilot material for submission with grant proposals. These grants also represent the major or only support for a large number of faculty in fields for which there is no extramural funding, most notably the arts and humanities.

State Funding Would Supplant Regent's Funding Rather than Supplement Current Program. Funding for individual faculty research grants is provided from three sources: (1) the state General Fund, (2) the Regents' Opportunity Fund, and (3) campus funds. Table 13 shows the funding budgeted from these fund sources for the period 1982-83 through 1985-86.

THE UNIVERSITY OF CALIFORNIA—Continued

Table 13
The University of California
Individual Faculty Research—Budgeted Funds
1982-83 through 1985-86
(dollars in thousands)

	State General Fund	Regents' Opportunity Funds	Campus Funds	Total
1982-83.....	\$4,103	\$2,250	\$370	\$6,723
1983-84.....	4,328	2,099	377	6,804
1984-85.....	4,723	2,097	356	7,176
1985-86.....	5,283	1,786	348	7,417
Change from 1982-83				
Amount	\$1,180	-\$464	-\$22	\$694
Percent	29%	-21%	-6%	10%

The table shows that over a four-year period, state General Fund support for individual faculty research increased by \$1.18 million (29 percent), while Regents' budgeted Opportunity Fund support *declined* by \$464,000 (21 percent). In other words—as the state has increased General Fund support for individual faculty research, the Regents' budgeted support has declined. Moreover, this decline in support for individual faculty research budgeted from the Opportunity Fund has occurred at a time when the size of the Opportunity Fund was *increasing* from \$32.4 million in 1982-83 to an estimated \$50.0 million in 1985-86, an increase of \$17.6 million (54 percent).

We conclude that:

- the increased General Fund support requested by the UC would simply replace a portion of the Regents support that has been diverted elsewhere,
- if individual faculty research grants are a high priority, the Regents have the ability to redirect Opportunity Fund support back to this program,
- if additional state support is provided to this program, there is no guarantee that budgeted Opportunity Fund support will not continue to decline.

For these reasons, we recommend that the Legislature not provide additional state support for this program, for a General Fund savings of \$300,000.

4. Pacific Rim Research

We recommend that the Legislature delete \$250,000 requested from the General Fund for a new research program focusing on the Pacific Rim region because UC has the ability to realign its research priorities within the base budget for research. (Reduce Item 6440-001-001 by \$250,000.)

The budget requests \$250,000 to establish a new, comprehensive university-wide research program focusing on the Pacific Rim region. According to the university, the growing significance of the Pacific Rim has important implications for California's future.

The university believes that in order to further California's leadership and economic position within this region and to meet its responsibilities to immigrants from Pacific Rim countries, the state will need professionals and business, political, and community leaders attuned to the realities of other Pacific Rim cultures and equipped with the language and other skills required to function effectively in an internationalized environment.

The proposed university-wide research program's topics may include:

- international cooperation in resource development and pollution control,
- security issues and political relations,
- legal aspects of cooperation in telecommunications, manufacturing, and joint exploration of natural resources,
- social effects from trans-pacific migration in California,
- various cultural and social dimensions of Pacific Rim interactions, and
- understanding of our perceptions of one another through film, art, and literature.

Analysis of Request. While we do not disagree with UC on the desirability of a comprehensive university-wide research program focusing on the Pacific Rim region, our analysis fails to document the need for an augmentation in order to establish such a program. We find that (1) the university already has an extensive research effort underway in this study area, and (2) the university can realign funds within the base research budget to meet the need for a university-wide research program focusing on the Pacific Rim.

Extensive Research Effort Already in Existence. The university has a broad spectrum of research programs pertaining to the Pacific Rim countries. These include:

- One university-wide Consortium (UCMEXUS), being considered as a Multicampus Research Unit.
- Three large campus Institutes for Area or International Studies.
- Five campus Centers for Asian area research.
- Six campus Centers for Latin American area research.
- Two campus Centers for Slavic and East European research.

Center at UCLA. In addition, in July 1985 the UCLA campus initiated a Center for the Study of the Pacific Rim. This Center was established to promote research, course offerings, seminars and faculty and student exchange programs focusing on the people and nations of the Pacific Rim. The center will focus on the Pacific Rim in a multi-disciplinary, issue-oriented manner. The UCLA campus provided \$150,000 in general funds as core support for the Center. In addition, the Center has received \$50,000 in various gifts and grants to support research efforts and foreign exchange scholars.

UC Should Realign Current Efforts. Our analysis indicates that the university as a whole should follow the lead of the UCLA campus and realign funds within the base research budget to meet the need for a comprehensive university-wide research program focusing on the Pacific Rim region. Consequently, we recommend that the Legislature not approve additional funds for Pacific Rim research, for a General Fund savings of \$250,000.

5. Hardwood Range Management

We withhold recommendation on the proposed increase of \$650,000 for a university-wide research program aimed at hardwood range management, pending further review of the proposal. (Withhold recommendation on \$650,000 from Item 6440-001-001.)

The budget requests \$650,000 from the General Fund for a new university-wide research program aimed at hardwood range management. Moreover, the budget states that the amount provided for UC is "part of a joint effort with the Department of Forestry." Accordingly, the budget

THE UNIVERSITY OF CALIFORNIA—Continued

for the Department of Forestry requests \$350,000 from the General Fund "for a research program on hardwoods."

While we received timely information from UC on its part of this joint proposal, we did not receive information from the Department of Forestry early enough for us to review for this analysis. Consequently, we withhold recommendation on both UC's request and the Department of Forestry's request (see Item 3540-001-001), pending further review of the joint proposal.

6. Report on Aging Health Policy Center

The *Supplemental Report of the 1985 Budget Act* directed the Legislative Analyst to review the continued need for state support of the Aging Health Policy Center and report his findings in the *1986-87 Budget Analysis*. Concurrently, the Legislature appropriated \$200,000 for support of the Center in the 1985 Budget Bill, but the funds were vetoed by the Governor.

As part of our review, we met with the director of the Aging Health Policy Center, which is located on the university's San Francisco campus. Our findings are as follows:

- The Center was renamed the Institute for Health & Aging and designated as an organized research unit (ORU) by the UC Regents in July 1985.
- Between 1980-81 and 1984-85, the Institute received a grant from the United States Administration on Aging providing about \$200,000 per year. This grant, which terminated in June 1985, provided funding for the Institute's administrative support, research development, and synthesis and dissemination of research findings.
- The Institute received \$50,000 in core support from campus-based research funds for 1985-86. This funding level will continue in the future, pending normal ORU evaluations.
- The Institute's budget from all fund sources in 1985-86 is approximately \$2.1 million.
- The Institute has requested an additional \$200,000 in core support annually from the General Fund in order to supplant the lost federal grant. The Governor's Budget does not include the \$200,000.

Our analysis indicates that the Institute is a mature organized research unit. As such, it should be able to compete, as do all other university organized research units, for available state, federal and university research funds. In addition, any specific service that the Institute might provide the state can be obtained through a standard interagency agreement. We do not find any compelling analytical reason for the state to provide any direct General Fund support to the Institute at this time.

7. Report on Neural Injury Research

The Supplemental Report of 1985 Budget Act directs UC to:

"...review existing research efforts in the area of neural injury studies and report to the Legislature on the need for further neural injury research and for additional research funds. Should this review so indicate, the UC shall submit a budget proposal for additional neural injury research in the 1986-87 year."

The UC's report (submitted in January 1986) states that a Center for Neural Injury (CNI) exists within the Department of Neurology of the School of Medicine at UCSF. The CNI was officially established in January

1985, and operates a multidisciplinary research program which has as its objective the development of treatments that prevent or reverse paralysis following brain or spinal cord injury.

The CNI's core facilities are located at the Veterans Administration Medical Center (VAMC) and consist of approximately 6,000 square feet of research laboratory space and offices. The CNI also comprises a larger "Center Without Walls" that attempts to utilize the neurobiology resources already present at the university. Participants include individuals from the departments of neurosurgery, radiology, medicine, physiology, and anatomy, as well as from the Brain Edema Research Center.

At the present time, the CNI includes six faculty researchers who are assisted by seven post-doctoral fellows and nine research technicians and administrative personnel.

CNI Research Programs. Currently, there are six basic laboratory research programs at the center. These programs are focused on: (1) examination of secondary injury factors in spinal cord trauma; (2) pharmacological intervention in experimental stroke; (3) investigation of mechanisms of secondary injury after brain trauma and response to treatment; (4) evaluation of the regenerative capabilities of fetal transplantation into damaged motor cortex; (5) investigation of the role of selective neuropeptides and enzymes as markers for central nervous system injury; and (6) application of magnetic resonance spectroscopy in experimental central nervous system injury. In addition to these basic research programs, clinical research studies of spinal cord trauma and head injury are being developed for San Francisco General Hospital.

Research Support. Currently, funding for the center is derived both from federal sources (National Institutes of Health, National Science Foundation, Veterans Administration, Department of Defense) and from private sources (National Research Institute for Neural Injury and gifts and endowments). The total direct funding for the center in 1985-86 is approximately \$235,000. Currently, the university has no estimate of indirect funding for the institute through research grants and other sources. However, this amount is substantially greater than the direct funding amount.

For 1986-87, the center requests \$250,000 in state funding which would be utilized in three areas: (1) the application of magnetic resonance imaging and spectroscopy in experimental spinal injury, brain trauma, and stroke; (2) the acceleration of programs in basic neuroscience relating to acute injury and in the areas of neurochemistry and physiology; and (3) the development of a clinical research program to study injuries to the human brain and spinal cord, and to evaluate novel treatment approaches. State General Fund support for the center is not included in the Governor's proposed budget.

III. TEACHING HOSPITALS

The university operates five hospitals—the UCLA Medical Center, the UCSF Hospitals and Clinics, the UC San Diego Medical Center, the UC Davis Medical Center, and the UC Irvine Medical Center. These hospitals:

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

THE UNIVERSITY OF CALIFORNIA—Continued

In 1986-87, the operating costs of these hospitals will amount to \$839 million, supported primarily from patient fees, insurance companies, medicare and the Medi-Cal program.

1. Actions Taken In 1985 Budget Act:

In response to projected operating losses at the Davis, Irvine, and San Diego teaching hospitals, the Legislature provided the following appropriations to the university in the 1985 Budget Act:

- a one-time \$15 million General Fund operating subsidy for the three hospitals,
- \$11.7 million from the COFPHE fund for capital improvements at the Irvine and San Diego hospitals, and
- \$450,000 from the General Fund for a private management study of the three hospitals.

In addition, the Legislature appropriated \$54 million from the General Fund in the 1985 Budget Act for clinical teaching support for all five of the teaching hospitals.

Status of Management Study. The Legislature required the Legislative Analyst's Office to contract for the management study of the three hospitals. The purpose of the study is to answer the question of:

“whether actual and projected operating losses are attributable, at least in part, to management inefficiencies within the hospitals themselves or whether they are fundamentally attributable to the context in which the hospitals operate (i.e. as former county hospitals that have become teaching institutions of a state university system subject to reimbursement policies established by other government entities).”

The contractor is also directed to determine whether actions can be taken to increase revenue or decrease costs in order to improve the operating efficiency of the hospitals.

We developed a request for proposals (RFP) in consultation with legislative staff, the Department of Finance, the California Postsecondary Education Commission, and the university. We advertised the study and eventually sent the RFP to 62 potential contractors. We received six bids and used the same advisory group to rate the proposals and interview the eligible firms. From this process, we selected the firm of Arthur Young & Company, which joined with the firm of Arthur D. Little as the contractor. The management study will be submitted by April 1, 1986. We will report to the Legislature on the results of this study at that time.

2. The Governor's Budget Request for 1986-87

This year the budget contains a proposal similar to that approved for the current year. Specifically, the budget requests (1) \$54 million from the General Fund for clinical teaching support, (2) \$15 million from the General Fund for an operating subsidy to Davis, Irvine and San Diego, and (3) \$17.4 million for capital outlay projects at Davis, Irvine and San Diego, of which \$7.3 million would come from revenue bonds and \$10.1 million would be borrowed from a commercial lender with repayment from general funds expected in 1987-88.

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 \$54 million for CTS, which would cover approximately 6.4 percent of the hospitals' \$839 million

in expenses during 1986-87. Because these funds will continue the funding level approved by the Legislature for the CTS program, we recommend that the amount requested be approved as budgeted.

Special Hospital Subsidies—Operating and Capital. The budget document states that:

“the university has developed a new multi-year plan of cost saving/revenue enhancing capital outlay and equipment purchase projects at the Davis, Irvine and San Diego hospitals which is consistent with the program proposed in the 1985-86 Governor’s Budget. In addition to the \$11.7 million provided in 1985-86, the plan requires \$17.4 million in 1986-87, \$40.3 million in 1987-88, and \$7.8 million in 1988-89 for a total outlay of \$77.2 million over a four-year period. When completed, these capital outlay projects are expected to result in cost savings or revenue increases at the three hospitals so that the special operating subsidy could decline from \$15 million to be provided again in 1986-87 to \$12 million in 1987-88, \$8 million in 1988-89 and \$6.5 million in 1989-90.”

Table 14 compares the UC’s “new plan” with the plan proposed in last year’s Governor’s Budget. The “new plan” costs \$133.7 million—\$700,000 more than last year’s. More importantly, it seeks much larger capital outlay amounts in the immediate future relative to last year’s plan which spread a lower amount over a longer period of time.

Table 14
The University of California
Teaching Hospital Subsidy
Comparison of Governor’s 1985-86 and 1986-87 Plans
(dollars in thousands)

	<i>Special Operating Subsidy</i>		<i>Capital Outlay and Equipment</i>		<i>Totals</i>	
	<i>1985-86</i>	<i>1986-87</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1985-86</i>	<i>1986-87</i>
1985-86	\$15,000	\$15,000	\$10,000	\$11,700	\$25,000	\$26,700
1986-87	13,000	15,000	10,000	17,400	23,000	32,400
1987-88	11,000	12,000	10,000	40,300	21,000	52,300
1988-89	9,000	8,000	10,000	7,800	19,000	15,800
1989-90	7,000	6,500	10,000	—	17,000	6,500
1990-91	5,000	—	10,000	—	15,000	—
1991-92	3,000	—	10,000	—	13,000	—
Totals	\$63,000	\$56,500	\$70,000	\$77,200	\$133,000	\$133,700

Budget Request Needs Thorough Review

We withhold recommendation on the \$15 million requested from the General Fund for operating subsidies to the Davis, Irvine, and San Diego teaching hospitals, pending review of (1) the forthcoming management study and (2) updated estimates of the teaching hospitals’ current and budget year operating gains and losses.

We withhold recommendation on the operating subsidy issue at this time because there is considerable uncertainty regarding the need to subsidize the three hospitals in 1986-87. This uncertainty stems from two factors (1) the management study mentioned earlier in this analysis may identify alternatives that would alter the fiscal picture for these three hospitals and (2) the estimates of the net gains and losses at the university’s hospitals have proven to be unreliable. Elsewhere in this *Analysis*, we discuss the capital outlay request for the teaching hospitals (please see Item 6440-301-525).

THE UNIVERSITY OF CALIFORNIA—Continued

The Management Study. The management study will assist the Legislature in determining whether the current operating difficulties at the hospitals are caused by management inefficiencies or factors beyond the control of management. Obviously, the need for an operating subsidy would be questionable if the hospitals' operating difficulties are due to management inefficiencies. Even if the consultant finds that the hospitals' problems are beyond the control of management, they may be within the Legislature's control. Under these circumstances, legislative changes to address the problem might be more appropriate than operating subsidies.

Unreliable Operating Revenue Estimates. Table 15 compares the estimates of net gains and losses at the five teaching hospitals which were submitted by the university during the past 14 months. The university attributes the change in the estimates to the following uncertainties (1) volume and patient mix, (2) federal budget reimbursement rate changes, and (3) one-time adjustments to prior year income as a result of settlements with third-party sponsors such as Medicare and Medi-Cal. The estimates for January 14, 1985 (labeled 1/14/85 in the table) served as the basis for the Legislature's decision to provide a one-time operating subsidy for 1985-86. At that time, the Davis, Irvine, and San Diego teaching hospitals were projecting a combined loss of \$4.7 million in 1984-85 and \$24.4 million in 1985-86.

Table 15
The University of California
Teaching Hospitals
Summary of Net Gain or Loss
1984-85 to 1986-87
(dollars in thousands)

	1984-85			1985-86		1986-87
	Est. 10/30/84	Est. 1/14/85	Actual 6/30/85	Est. 1/14/85	Est. 1/22/86	Est. 1/22/86
Davis	—	—	\$2,265	-\$9,820	-\$2,176	-\$6,004
Irvine	-\$5,142	-\$6,706	-9,613	-10,871	-6,201	-9,375
San Diego	-2,500	1,963	6,549	-3,750	1,610	-6,113
Subtotal.....	-\$7,642	-\$4,743	-\$799	-\$24,441	-\$6,767	-\$21,492
Los Angeles.....	\$7,973	\$4,753	\$19,783	-\$580	\$13,070	\$5,688
San Francisco	7,735	10,210	6,980	4,007	4,800	2,125
Totals.....	\$8,066	\$10,220	\$25,964	-\$21,014	\$11,103	-\$13,679

Table 15 shows that these three hospitals lost only \$779,000 in 1984-85 and currently are projecting losses of only \$6.8 million in 1985-86. If this projection holds up, the \$15 million operating subsidy provided to the three hospitals from the state General Fund will leave them with a surplus of \$8.2 million.

The unreliability of the data is not confined to the three former-county hospitals. As Table 15 shows, instead of realizing a gain of \$4.8 million in 1984-85, as projected on January 14, 1985, UCLA earned \$19.8 million during the year—a \$15 million difference. Likewise, the projection for UCLA's teaching hospital in 1985-86 has changed from a \$580,000 loss (January 14, 1985) to a \$13.1 million gain (January 22, 1986)! Given this record, the Legislature has little basis for relying on the \$21.5 million loss projected for Davis, Irvine and San Diego for 1986-87.

For the reasons given above, we withhold a recommendation on the budget operating subsidy request at this time.

IV. 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 16 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 \$138 million for the Student Services program in 1986-87. This is \$1.8 million, or 1.4 percent, more than estimated current-year expenditures. Of this amount, the budget proposes expenditures of \$11.2 million from general funds—\$1.7 million, or 17.7 percent, more than estimated current-year expenditures.

The \$1.7 million increase in general funds support would be allocated as follows:

- **Technical Adjustment**—\$950,000 to correct the amount provided in the 1985 Budget Act to maintain student fees in 1985-86 at the same level as 1984-85. The recalculation was necessary because the original estimate of the cost to maintain the fee was based on a staff compensation increase of 6.5 percent in 1985-86; the actual compensation increase granted in the 1985 Budget Act was 7.5 percent.
- **Affirmative Action**—\$700,000 for affirmative action programs. The budget also requests an additional \$406,000 in the Public Service Program (\$181,000) and the Unallocated Adjustment Program (\$225,000) for affirmative action programs. The total increase requested for affirmative action—\$1.1 million—is equal to 12.4 percent of the current-year general funds expenditures.

Table 16
The University of California
Student Services
Summary of Expenditures and Funding
1984-85 through 1986-87
(dollars in thousands)

Elements	Actual 1984-85	Est. 1985-86	Prop. 1986-87	Change from 1985-86	
				Amount	Percent
Social and cultural activities.....	\$35,851	\$34,857	\$34,857	—	—
Supplementary education services.....	5,668	6,282	7,182	\$900	14.3%
Counseling and career guidance.....	27,382	30,182	30,182	—	—
Financial aid administration.....	15,451	15,973	15,973	—	—
Student admission and records.....	20,521	21,080	21,080	—	—
Student health services.....	26,404	27,968	27,968	—	—
Provision for inflation adjustment.....	—	—	950	950	NA
Totals.....	\$131,277	\$136,342	\$138,192	\$1,850	1.4%
Funding Source					
General funds.....	\$7,674	\$9,574	\$11,224	\$1,650	17.7%
Restricted funds.....	123,603	126,768	126,968	200	0.2
Personnel-years.....	3,119	3,206	3,206	—	—

THE UNIVERSITY OF CALIFORNIA—Continued

B. AFFIRMATIVE ACTION PROGRAMS

UC campuses operate a number of programs that seek to increase the enrollment of students and the number of faculty from underrepresented groups. Some of these programs are part of a broader effort involving other campuses. Some are unique and are limited to a single campus. Some of the university's affirmative action programs are budgeted with the Public Service Program; others are budgeted with the Student Service Program; still others are budgeted in the Unallocated Adjustment Program. We have chosen to discuss the university's affirmative action efforts as a group in this section, rather than separate the discussions of essentially the same issue into three parts.

Table 17 shows the proposed expenditures and revenue sources for the university's student and faculty affirmative action programs for the prior, current, and budget year. As the table shows, the budget proposes expend-

Table 17
The University of California
Student and Faculty
Affirmative Action Programs
Expenditures and Funding
(dollars in thousands)

	Actual 1984-85	Est. 1985-86	Prop. 1986-87	Change from 1985-86	
				Amount	Percent
Undergraduate Student Programs					
Student Affirmative Action (SAA)					
Early outreach	\$2,797	\$3,189	\$3,689	\$500	15.7%
Immediate outreach	762	761	761	—	—
Support services	1,760	1,715	1,715	—	—
Grants-in-aid	822	807	807	—	—
Central coordination	338	361	361	—	—
Subtotals, SAA	\$6,479	\$6,833	\$7,333	\$500	7.3%
Educational Opportunity Program	\$4,000	\$4,201	\$4,201	—	—
MESA	—	3,075	3,256	\$181	5.9%
Academic Enrichment Program	200	200	200	—	—
ACCESS-CCPP	530	575	575	—	—
Transfer Opportunity Program	8	9	9	—	—
Subtotals, Undergraduate Programs	\$11,217	\$14,893	\$15,574	\$681	4.6%
Graduate Student Programs					
Outreach	\$150	\$150	\$350	\$200	133.3%
Research assistantships	500	500	500	—	—
Dissertation year fellowships	—	—	200	200	NA
Subtotals, Graduate Programs	\$650	\$650	\$1,050	\$400	61.5%
Faculty Affirmative Action Programs					
President's fellowships	\$500	\$545	\$745	\$200	36.7%
Faculty development program	2,192	2,087	2,087	—	—
Mid-career awards	—	—	250	250	NA
Subtotals, Faculty Programs	\$2,692	\$2,632	\$3,082	\$450	17.1%
Totals, All Programs	\$14,559	\$18,175	\$19,706	\$1,531	8.4%
Funding Source					
General funds	\$6,902	\$8,884	\$9,990	\$1,106	12.4%
Other funds	7,657	9,291	9,716	425	4.6

itures of \$19.7 million for affirmative action programs in 1986-87. This is \$1.5 million, or 8.4 percent, more than estimated current-year expenditures. Of this amount, the budget proposes expenditures of \$9.9 million from general funds—\$1.1 million, or 12.4 percent, more than estimated current-year expenditures.

The \$1.1 increase in general funds support for affirmative action programs, all of which is requested from the state General Fund, would be allocated as follows:

- **Affirmative Action—Dissertation-year fellowships**—\$100,000 for a new dissertation-year fellowship program which would provide \$10,000 fellowships to needy doctoral students. This amount would be matched by \$100,000 from the Regents' Opportunity Fund.
- **Mathematics, Engineering, Science Achievement (MESA) Program**—\$181,000 for expansion of services to university students. (This program is budgeted with UC's Public Service Program.)
- **Affirmative Action—Early Outreach**—\$500,000 to expand the university's early outreach program. This is an increase of 16 percent above current-year expenditures of \$3.2 million.
- **Affirmative Action—Graduate Outreach**—\$100,000 to provide state support for a graduate outreach program. This amount would be matched by \$100,000 from the Regents' Opportunity Fund.
- **President's Fellowship Program**—\$100,000 to provide initial state support for a new fellowship program. This amount would be matched by \$100,000 from the Regents' Opportunity Fund. (This program is budgeted with UC's Unallocated Adjustment Program.)
- **Pre-tenure Development Awards Programs**—\$125,000 to establish a Pre-tenure Development Awards Program. This amount would be matched by \$125,000 from the Regents' Opportunity Fund. (This program is budgeted with UC's Unallocated Adjustment Program.)

We recommend approval of the Dissertation-year Award Program and the proposed increase for the MESA Program. Our analysis indicates that the Dissertation-year Awards Program will provide an effective incentive to increase the number of minorities and women students in doctoral degree programs. The MESA Program will provide an effective means to increase the retention rate of minority students currently enrolled in the university.

The other affirmative action budget requests are discussed below.

1. Early Outreach Program

We withhold recommendation on the request for \$500,000 to expand the Early Outreach Program, pending receipt and review of (1) additional information on how the university intends to coordinate the expenditure of these additional funds with the California State University and the California Community College system, and (2) information on the long-range plan for this program. (Withhold recommendation on \$500,000 from Item 6440-001-001.)

The budget requests \$3.6 million for the university's Early Outreach Program. This is an increase of \$500,000, or 16 percent, above the current-year amount.

The university proposes to use these additional funds to expand Early Outreach services into currently underserved areas with high populations

THE UNIVERSITY OF CALIFORNIA—Continued

of minority students. The budget request states that the university will use the funds to open satellite centers in minority communities near the Berkeley, Los Angeles, and San Diego campuses. Staff in the centers will:

- identify students with potential for admission to a postsecondary institution,
- provide services to enhance academic preparation and improve academic skills, such as course selection, tutoring, and diagnostic testing,
- encourage students to prepare for and apply to colleges and universities,
- follow-up on applicants and admitted students in order to increase the number who actually enroll, and
- refer ineligible students to the community colleges with the intent that they later come to the university as community college transfer students.

Analysis of Request. Available data shows that this program does increase the number of students who are eligible for admission to UC. In addition there is evidence that the university is unable, within current resources, to meet the demands from school districts to expand the program.

Our analysis further indicates, however, that two aspects of the program warrant the Legislature's attention: (1) the need to ensure that UC coordinates its efforts with the California State University (CSU) and California Community Colleges (CCC) in the delivery of this service to the K-12 schools, and (2) the need to assess the plan for this program in the long-run.

Coordination. The services that the UC offers school districts in this program are intended to not only increase eligibility for UC, but to increase attendance in postsecondary education generally. As such, this program should meet the outreach needs of CSU and the CCC, as well. The budget request does not mention coordination with the other two segments.

Long-range Plan. The university states in its budget proposal that "in 1983-84, the Early Outreach Program served 22,000 students enrolled in 493 junior and senior high schools, while total enrollment of minorities that year was nearly 500,000 students in approximately 1,800 junior and senior high schools around the state." Thus, the students served represent only four percent of the target population. The Early Outreach budgeted amount in that year was \$2.8 million.

The budget request also states that "because of the individualized and intensive services that are the program's core, it is impossible to reach more than a small fraction of students who, with assistance, could be successfully enrolled in college." The budget request does not give sufficient detail on the long-range plan for this program.

Consequently, we withhold recommendation on UC's request pending further review of the proposal.

2. Graduate Outreach Program

We recommend that the Legislature delete \$100,000 requested from the General Fund for a Graduate Outreach Program because the program fails to provide direct incentives needed to influence the decisions made by minorities and women to choose graduate study. (Reduce Item 6440-001-001 by \$100,000.)

The budget proposes \$200,000 for a Graduate Outreach Program—\$100,000 from the General Fund and \$100,000 to be provided from the Regents'

Opportunity Fund. The university currently provides \$150,000 from student fee revenue for graduate outreach efforts. The purpose of the program is to increase recruitment of minority and women students for graduate programs. According to the university, the Graduate Outreach Program will: (1) target specific colleges and universities with high minority undergraduate enrollment, (2) target specific disciplines in which minorities and women are seriously underrepresented, (3) involve faculty, and (4) emphasize personal contact with individual students, including introducing them to faculty and inviting them to visit campuses.

The university believes this program is needed because it is in competition with other high quality universities to attract qualified minority students from a small eligibility pool. Specifically, the university states:

"National competition for all graduate students is intense among high quality institutions, but is even more keen for qualified minority students because the eligibility pool is so small. The competition is compounded in many high-growth fields by industry recruitment from the same pool. Current funds are not adequate to support the strong effort needed to attract these students to the University."

The university offers examples of a few programs already underway which it hopes to expand or replicate. Specifically, the university mentions the following programs on the Berkeley and Davis campuses:

"For example, the Berkeley campus has reached an agreement with Atlanta University whereby Atlanta faculty will identify up to six top students and encourage them to apply to a graduate department on the Berkeley campus. The Berkeley campus will provide funds to those students to visit the campus, and will offer pre-admission counseling and individual contact with faculty in the departments to which they have applied. In addition, funds are being made available to promote exchange of faculty visits for colloquia and contact between the institutions.

The Minority Scholars Honors Program is a cooperative venture among the Berkeley and Davis campuses and Stanford University. The purpose of the program is to identify academically outstanding minority juniors and encourage them to apply for graduate programs in academic departments at the institutions. In the process of identification, students will be encouraged to consider the possibility of graduate education in academic areas rather than industrial placement or professional school, and to consider teaching careers at the college level."

Analysis of Request. It is beyond dispute that the number of minorities and women in graduate programs must be increased. Our analysis of the UC's proposal, however, finds that it will do little to achieve this objective. We find that the program (1) would offer few direct incentives for minorities and women to continue their education at the graduate level, and (2) would have little effect on the number of minorities and women who enter graduate programs and will merely redistribute these students among universities.

Direct Incentives Needed. A recent article in the *Washington Post* indicated that Black students are foregoing graduate schools due to a lack of funds. Faced with a decision of whether to go deeper into debt by continuing their education or get a job, many students are choosing employment. Further, in deciding between a professional school and academic pursuits, many of these students are selecting the curriculum with the greatest financial pay-off.

THE UNIVERSITY OF CALIFORNIA—Continued

The UC's proposal fails to provide the direct incentives needed to influence the decisions being made by minorities. While encouragement from faculty members is important and could increase the numbers of minority and women in graduate training, direct financial incentives—such as the dissertation-year awards (discussed earlier)—are likely to prove much more effective because they get to the heart of the problem: personal finances.

In addition, we would think that faculty encouragement of minorities and women to continue with their education is part of the faculty's regular duties and is occurring now, even though there is no program in place.

Where Students Attend. We acknowledge that the Graduate Outreach Program which UC proposes will result in some students choosing to attend UC, rather than another university. When this happens, however, UC's gain will be another university's loss, and the number of minorities and women in all graduate programs will show little change. What is needed to address the problem of underrepresentation are programs that will increase the pool of these students, not programs that merely change how they are distributed within higher education.

For these reasons, we recommend that the Legislature not approve the request for support of a Graduate Outreach Program, for a General Fund savings of \$100,000.

As mentioned previously, the budget includes a request for \$200,000 for dissertation-year fellowships, \$100,000 requested from the state General Fund to be matched by \$100,000 from the Regents' Opportunity Fund. The fellowship awards will be \$10,000 each. According to UC, applicants for these fellowships will be asked to indicate financial need and to demonstrate unavailability of alternative sources of support. Because this program gets to the heart of the problem—personal finances—we believe it is likely to prove much more effective in increasing the pool of minority and women graduate students than UC's graduate outreach program proposal. In addition, we believe that the dissertation-year program would also prove to be more effective in increasing the number of minority and women in the faculty ranks than the President's Fellowship Program which we discuss next.

3. President's Fellowship Program

We recommend that the Legislature delete the \$100,000 requested from the General Fund for support of the President's Fellowship Program because the program would only redistribute minority and women faculty members among universities, and would not increase the number of such faculty members employed. (Reduce Item 6440-001-001 by \$100,000.)

The budget proposes \$200,000 for the President's Fellowship Program—\$100,000 from the General Fund and \$100,000 from the Regents' Opportunity Fund.

In the current year, \$545,000 from the Regents' Opportunity Fund is being used to provide 18 postdoctoral awards of \$25,000 each and five dissertation-year awards of \$15,000 each. The 23 awardees include 12 minority students and 11 nonminority women. The funding requested in the budget would be used to increase the number and size of the postdoctoral fellowships and to fund two-year fellowships. (The budget also requests a separate dissertation-year fellowship program.)

The university states that while it has made a steady improvement in

the representation of minority and women faculty in a number of disciplines, some disciplines, such as physical and life sciences, business and engineering, have been less successful. The university cites two reasons for this: (1) the number of minority and women Ph.D.s in these disciplines remains extremely low, and (2) individuals who are available frequently choose careers in private industry, rather than academia.

According to the university, the budget request will make it possible to establish postdoctoral awards of up to \$28,000, thus allowing the university to compete with other postdoctoral programs which target the same small population of minority and women Ph.D.s. Specifically, the university states:

“Increasing the size of the fellowships will make the President’s Fellowship Program more competitive with other postdoctoral programs which target the same small population of minority and women Ph.D.s in fields where they are underrepresented. The California Institute of Technology, for example, offers postdoctoral fellowships in Physics, Mathematics, and Astronomy that carry a stipend of \$27,000 per year, plus access to a research expense fund of \$2,000 per year.”

Analysis of Request. Here again, the need to increase the number of minority and women faculty members—particularly those with degrees in mathematics and the physical sciences—is beyond dispute. Our analysis of the UC’s proposal, however, indicates that this program, like the graduate outreach program, will have little effect on the *number* of minorities and women who become university professors. Instead, it will influence primarily *where* in higher education those choosing such careers are located.

In our judgment, the state can do more to rectify the primary problem of underrepresentation by devoting its limited resources to programs that will *increase the number of* minority and women graduates from doctoral programs, such as the dissertation-year awards program (discussed previously) than it can by attempting to shift the distribution of the small pool among competing universities.

For this reason, we recommend that the Legislature not approve funding for the President’s Fellowship Program, for a General Fund savings of \$100,000.

4. Pre-tenure Development Awards

We recommend that the Legislature delete the \$125,000 requested from the General Fund for a Pre-tenure Development Program because the program’s objectives can be achieved within existing budget resources. (Reduce Item 6440-001-001 by \$125,000.)

The budget proposes \$250,000 for a Pre-tenure Development Award Program—\$125,000 from the state General Fund and \$125,000 from the Regents’ Opportunity Fund. According to the university these awards will provide recipients (1) release time from normal university duties and (2) small grants for research and related activities. Thus, perhaps two-thirds to three-fourths of the award will be used to hire a replacement for the awardee. The university estimates that the combination of release time and grants could cost up to \$30,000 per awardee.

The university believes that these awards will (1) assist minority and women faculty to achieve tenure, (2) act as an attractive incentive in the recruitment of prospective minority and women faculty, and (3) improve the university’s ability to retain these faculty. In the budget request the

THE UNIVERSITY OF CALIFORNIA—Continued

university states that release time is needed to relieve minority and women faculty from other demands on their time so that they can complete the research studies that are necessary in order to obtain tenure. Specifically, the university states:

“A key problem is the inordinate time they spend advising minority and women students; in committee work, and in other University and community service activities. Although all faculty members have to meet some of the demands, the situation is exacerbated for minority and women faculty due especially to the demands on their time from minority and women students, who frequently look to such faculty as role models”

Ethnic and Gender Distribution of Faculty. Table 18 compares the ethnic and gender distribution of the university's ladder rank faculty. The table shows that in 1984-85, 118 (1.7 percent) of the university's faculty were Black and 91 of the 118 Black faculty, or 77 percent, were tenured. Table 18 shows further that in 1984-85, the university's minority faculty totaled 716 of which 559, or 78 percent, were tenured, while 157 were not tenured. Also in 1984-85, there were 757 nonminority women, of which 506, or 67 percent, were tenured while 251 were not tenured.

Table 18
The University of California
Number and Percent of Ladder Rank and Tenured Faculty by
Ethnicity and Gender, 1977-78—1984-85

	Black	Hispanic	Asian	American Indian	Minority Total	Non-Minority Men	Non-Minority Women	Total N
Total								
Ladder Rank								
1977-78 N	117	166	296	22	601	5,344	560	6,505
%	1.8	2.6	4.6	0.3	9.2	82.2	8.6	
1979-80 N	121	171	329	21	642	5,331	614	6,587
%	1.8	2.6	5.0	0.3	9.7	80.9	9.3	
1981-82 N	113	173	342	20	648	5,276	674	6,598
%	1.7	2.6	5.2	0.3	9.8	80.0	10.2	
1983-84 N	121	187	372	15	695	5,385	713	6,793
%	1.8	2.8	5.5	0.2	10.2	79.3	10.5	
1984-85 N	118	190	390	18	716	5,384	757	6,857
%	1.7	2.8	5.7	0.3	10.4	78.5	11.0	
Tenured Faculty								
1977-78 N	62	89	220	12	383	4,361	275	5,019
%	53.0	53.6	74.3	54.5	63.7	81.6	49.1	77.2
1979-80 N	71	115	246	14	446	4,480	328	5,254
%	58.7	67.3	74.8	66.7	69.5	84.0	53.4	79.8
1981-82 N	79	131	262	16	488	4,547	405	5,440
%	69.9	75.7	76.6	80.0	75.3	86.2	60.1	82.4
1983-84 N	89	138	292	13	532	4,696	464	5,692
%	73.6	73.8	78.5	86.7	76.5	87.2	65.1	83.8
1984-85 N	91	139	314	15	559	4,727	506	5,792
%	77.1	73.2	80.5	83.3	78.1	87.8	66.8	84.5

Analysis of Request. We do not dispute the fact that untenured minority and women faculty are asked to spend an inordinate amount of time (1) advising students, (2) working on university committees, and (3)

working on other community service activities. Our analysis indicates, however, that there is a less-costly alternative for reducing the inordinate time demands on untenured minority and women faculty members.

Given the very small number of untenured minority and women faculty at the university—only 408 (out of 6,857 total faculty) in 1984–85—the university should be able to develop a workload schedule that relieves these faculty of the inordinately large demands on their time. Minority and women faculty, like all university faculty, can be given (1) specific times for student advising, (2) specific committee assignments, and (3) specific community service activities. In addition, the university already has available in its base budget individual faculty research grants that can be used to meet the research needs of minority and women faculty members.

It also makes sense from a workload standpoint to address the problem in this way. To the extent minority and women faculty members are doing more than their fair-share of counseling and committee work, everyone else is doing *less* than their fair-share. Thus, redistributing workload to the non-minority faculty can be accomplished within the base budget.

Accordingly, we recommend that the Legislature not approve the request for the Pre-tenure Development Awards Program for a General Fund savings of \$125,000.

V. STUDENT FINANCIAL AID

There are four major sources of financial aid available to University of California students—the state, the Federal Government, university resources, and private donors and outside agencies. In 1984–85, approximately 67,000 students received \$267 million in assistance from one or more of these sources.

Table 19 shows the proposed budgeted expenditures and revenue sources for the Student Financial Aid Program in the prior, current, and budget year. As the table shows the budget proposes \$65.3 million for the Student Financial Aid Program in 1986–87. This is essentially the same amount that will be provided in the current year. Of this amount, the budget proposes expenditures of \$36.2 million from general funds—\$12 million, 50 percent, more than estimated current-year expenditures.

The \$12 million increase, all of which would come from the state General Fund, would be used to maintain the university's student fee levels in 1986–87 at the current-year's level.

Table 19
The University of California
Student Financial Aid
1984–85 through 1986–87
(dollars in thousands)

	Actual 1984–85	Est. 1985–86	Prop. 1986–87	Change from 1985–86	
				Amount	Percent
Student Financial Aid	\$63,527	\$65,391	\$65,391	—	—
Funding Source					
General funds	\$12,726	\$24,224	\$36,224	\$12,000	49.5%
Restricted funds	50,801	41,167	29,167	–12,000	–29.1

THE UNIVERSITY OF CALIFORNIA—Continued**A. STUDENT FEES****1. Statutory Policy on Student Fees Ignored**

Last session, the Legislature passed Senate Bill 195, an urgency measure, which establishes a long-term state policy on student fees. The Governor signed the measure and it became law, effective October 2, 1985, as Chapter 1523, Statutes of 1985.

The seven major elements of the statutory fee policy are summarized below:

- **General Principals.** 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 imposed on all students in an equitable manner.

- **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.

- **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.

- **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.

Student Fees Should Be Set in Accordance with Statutory Fee Policy

We recommend that (1) mandatory systemwide University of California student fees be set in accordance with the state's statutory methodology, at \$1,362, for a General Fund savings \$14.0 million and (2) the Legislature augment the UC's budget by \$2.0 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 \$14.0 million and increase Item 6440-006-001 by \$2.0 million.)

Based on the fee-setting policy established by 1523, Statutes of 1985, UC

student fees should increase by approximately 7.5 percent in 1986-87. The budget, however, proposes a General Fund augmentation of \$12 million in order to maintain UC's mandatory fees at the current-year level—\$1,245 for undergraduates and \$1,305 for graduates.

We cannot think of any reason why the state should abandon a policy approved by the Legislature and the Governor within the last six months. The policy is reasonable, and the Regents were prepared to implement it (their budget request was based on the new policy). Consequently, we recommend that the budget for UC be amended to conform with the policy. This would require (1) an increase in undergraduate fees of \$117 (9.4 percent)—\$96 as a result of the fee methodology and \$21 in order to offset the elimination of the graduate fee differentials, (2) an increase in graduate fees of \$57 (4.4 percent), and (3) a \$2.0 million increase 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 \$14.0 million.

Table 20 summarizes UC undergraduate and graduate fees in the current year, and compares the budget proposal for 1986-87 with our recommendation.

Table 20
The University of California
Average Student Fee Levels
1985-86 and 1986-87

	<u>Average Undergraduate Fees</u>			<u>Average Graduate Fees</u>		
	<u>1986-87</u>			<u>1986-87</u>		
	<u>Actual</u>	<u>Proposed</u>	<u>Recom-</u>	<u>Actual</u>	<u>Proposed</u>	<u>Recom-</u>
	<u>1985-86</u>	<u>in the</u>	<u>mended</u>	<u>1985-86</u>	<u>in the</u>	<u>mended</u>
		<u>Budget</u>	<u>by LAO</u>		<u>Budget</u>	<u>by LAO</u>
Mandatory, systemwide	\$1,245	\$1,245	\$1,362	\$1,305	\$1,305	\$1,362
Other fees	81	81	81	64	64	64
Totals	\$1,326	\$1,326	\$1,443	\$1,369	\$1,369	\$1,426

In sum, we recommend that the Legislature reduce Item 6440-001-001 (main support) by \$14.0 million and increase Item 6440-006-001 (financial aid) by \$2.0 million, for a net General Fund savings of \$12 million. We note that adoption of this recommendation would have no impact on the budgeted level of expenditures within UC or the level of service provided to students.

We also note that the increase in fee revenue is not counted toward the appropriations limits of the Gann Initiative whereas the amount requested in the budget to maintain student fees at the current level does count toward that limit.

2. Policy on Setting Nonresident Charge Level Should Be Changed

We recommend that the tuition charged nonresident students be set at a level that is equal to the tuition charged by UC's four public comparison institutions. We further recommend that this policy be phased-in over a four-year period, starting in 1986-87, in order to allow time for students and families to adjust to this change. (Reduce item 6440-001-001 by \$1,525,000.)

University of California students who do *not* qualify as California residents are required to pay a nonresident tuition in addition to the fees that resident students are charged. Table 21 shows the number of nonresident

THE UNIVERSITY OF CALIFORNIA—Continued

students attending UC in the current year. As the table indicates, the largest concentration of nonresident students is at the graduate level.

Table 21
The University of California
Number and Percent of Nonresident Students Attending UC
1985-86

<i>Program/Level</i>	<i>Resident Students</i>	<i>Nonresident Students</i>	<i>Percent Nonresident</i>
Medicine (MD)	2,424	122	4.8%
Dentistry (DDS)	723	26	3.5
Veterinary Medicine (DVM)	479	1	0.2
Law (JD)	1,902	397	17.3
Other Graduate/Professional	25,644	7,115	21.7
Undergraduate	103,479	5,645	5.2
Total	134,651	13,306	9.0%

The Supplemental Report of the 1984 Budget Act required UC to report on the methodology it used to set nonresident tuition. UC submitted this report in January 1985.

The UC Report on Nonresident Tuition. According to the report, the Regents determine the level of nonresident tuition based on the following three factors: (1) the marginal cost of adding one more FTE student, (2) the nonresident tuition charged by 22 major institutions of higher education; and (3) the expected change in economic indices, such as the Consumer Price Index. The UC report states that:

“The use of marginal analysis more closely reflects actual expense to the State for adding one additional student. Use of the two additional factors provides a valuable margin of flexibility for the University. In particular, current practice allows nonresident tuition levels be kept competitive with nonresident charges made by other major public institutions. The “fine tuning” this methodology provides has served the University well in allowing us to compete nationally for the very best graduate students.”

Analysis of UC's Report. Our analysis of UC's report indicates that there is little connection between nonresident tuition charges and either the university's marginal costs or the tuition charge by institutions which are comparable to UC.

Marginal Costs. Table 22 compares UC's nonresident fees and tuition to the marginal cost to the state of adding one student in specified programs.

As the table shows:

- Undergraduate, “other graduate/professional” and law nonresident charges are higher than the marginal cost;
- Nonresident charges in medicine, dentistry, and veterinary medicine are far below the marginal cost; and
- The nonresident tuition charged by UC is nearly the same for all academic programs.

Table 22
The University of California
Comparison of Nonresident Charges
(Fees and Tuition) and Marginal Costs
1985-86

<i>Program/Level</i>	<i>Average Resident Fees</i>	<i>Nonresident Tuition</i>	<i>Total Average Nonresident Charges</i>	<i>Marginal Cost</i>
Medicine (MD)	\$1,358	\$3,816	\$5,174	\$23,779
Dentistry (DDS)	1,368	3,816	5,184	18,688
Veterinary Medicine (DVM)	1,316	3,816	5,132	20,905
Law (JD)	1,356	3,816	5,172	4,336
Other Graduate/Professional	1,369	3,816	5,185	4,336
Undergraduate	1,326	3,816	5,142	4,769

Even this analysis, however, tends to understate the difference between marginal cost and tuition. This is because "marginal cost" as used in the UC report includes only the cost of professors, teaching assistants, and librarians related to the change in enrollment. It does not include other costs which go up when enrollment increases, such as the cost of equipment, administration, maintenance and plant operation. Consequently, we do not believe the UC's definition of marginal cost should be used as the basis for setting nonresident tuition levels.

Comparison Institution Charges. UC's supplemental report indicates that tuition is based, in part, on the tuition charged nonresidents by 22 other universities. This group of "22" universities was selected by UC to be representative of "big public universities." While it includes the four public universities that provide the benchmark used for salary comparisons, the group also includes Iowa State University, Michigan State University, the University of Kansas, and the University of Missouri. It is most unlikely that UC would consider these universities sufficiently comparable to justify their use for faculty salary-setting purposes.

Comparable is comparable. Accordingly, we believe that the universities used as the basis for evaluating nonresident charges should be those which are comparable in academic quality to UC—that is, the four public universities which UC uses for faculty salary comparisons. These, indeed, are the public universities against which UC competes for the best undergraduate and graduate students.

Table 23 and Chart 1 compares UC's nonresident and resident student charges with the average charges at these four universities. Chart 1 shows that the average nonresident tuition charged *graduate* students at these comparison universities is substantially greater than what UC charges, while nonresident charges imposed on *undergraduates* are approximately the same.

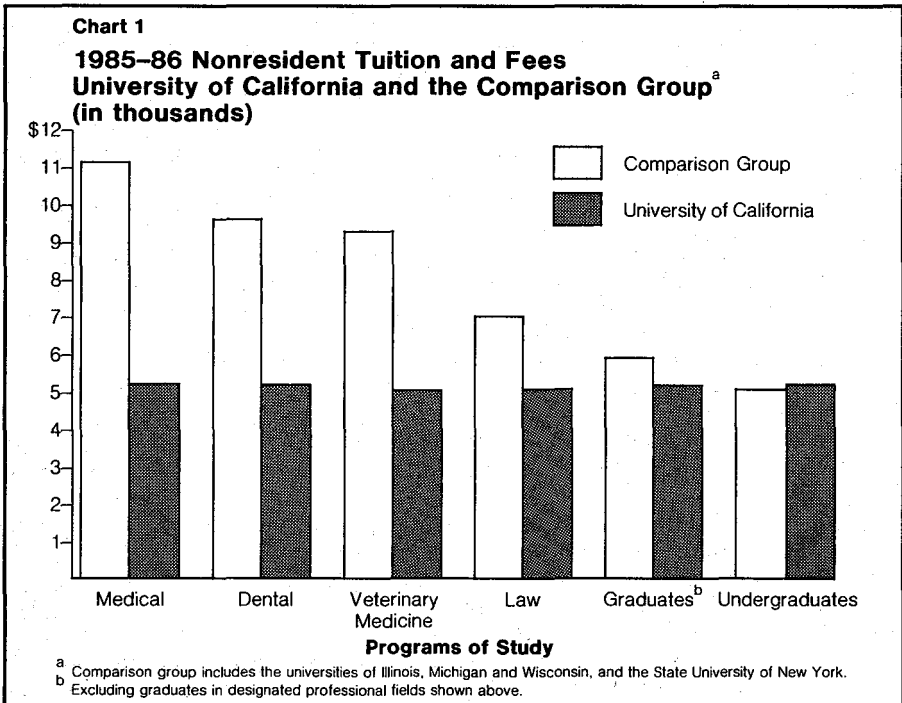
Table 23 shows that in the case of students in medicine, *the average nonresident charge at the four comparison universities exceeds the nonresident charge at UC by \$5,953*. The comparison universities' charges exceed UC's nonresident charges by \$4,481 for dental students, by \$4,281 for veterinary medicine students, by \$1,829 for law students and by \$722 for all other graduate student categories. In fact, the data in Table 23 shows that UC's nonresident charges for medical, dentistry, and veterinary medicine, in many cases, are less than the *resident* charges imposed by the comparison universities for these programs.

THE UNIVERSITY OF CALIFORNIA—Continued

Table 23
The University of California
1985-86 Nonresident and Resident Tuition and Fees
UC and Public Comparison Institution Average

	<i>Illinois</i>	<i>Michigan</i>	<i>SUNY</i>	<i>Wisconsin</i>	<i>Comparison Average^a</i>	<i>UC Average</i>	<i>Difference</i>
Nonresident Students							
Medicine	\$13,358	\$12,428	\$8,975	\$9,745	\$11,127	\$5,174	\$5,953
Dentistry	9,288	10,732	8,975	NA	9,665	5,184	4,481
Veterinary Medicine	10,178	NA	NA	8,647	9,413	5,132	4,281
Law	7,436	9,348	5,425	5,794	7,001	5,172	1,829
Other Graduate	6,056	7,916	3,860	5,794	5,907	5,185	722
Undergraduate	4,841	7,544	3,325	4,458	5,042	5,142	-100
Resident Students							
Medicine	\$4,958	\$6,512	\$5,675	\$6,710	\$5,964	\$1,358	\$4,606
Dentistry	3,600	5,676	5,675	NA	4,984	1,368	3,616
Veterinary Medicine	3,746	NA	NA	5,959	4,853	1,316	3,537
Law	2,832	4,420	3,275	1,945	3,118	1,356	1,762
Other Graduate	2,372	3,688	2,275	1,945	2,570	1,369	1,201
Undergraduate	1,967	2,308	1,475	1,390	1,785	1,326	459

^a The nonresident average tuition and fees for UC's comparison "22" institutions, which include the four institutions shown in this table, are Medicine—\$11,086, Dentistry—\$8,861, Vet Med—\$8,492, Law—\$5,472. Other Grad—\$4,682 and Undergrad—\$4,776.



Nonresident Charges Should Be Set at Average of Salary Comparison Group. We conclude that the policy followed by the UC in setting nonresident tuition levels should be altered. Specifically, tuition should be based on the average nonresident charges imposed by the four prestigious public universities with which UC competes for high-quality students. Such a policy would require UC's nonresident charges to vary by program or level, as the charges imposed by the comparison group do. It would also insure that UC is competitive in the market for students while minimizing the cost to California taxpayers of educating non-California residents.

In order to allow time for students and families to adjust to this change in policy, however, we recommend that the new policy be phased-in over a four-year period starting in 1986-87.

Table 24 summarizes the nonresident fees charges by UC in the current year, and compares the fees proposed in the budget for 1986-87 with those that adoption of our recommendation would require. The additional revenue raised by our recommended increases would total \$6.1 million if the policy were in effect for 1986-87. By phasing-in the policy, however, the increase in revenue achieved by the state would be \$1,525,000 in 1986-87.

Table 24
The University of California
Average Nonresident Student Fee Levels
1985-86 and 1986-87

Program/Level	Actual 1985-86	1986-87		Change from Budget
		Proposed in the Budget	Recom- mended by LAO	
Medicine (MD)	\$5,174	\$5,444	\$6,864	\$1,420
Dentistry (DDS)	5,184	5,454	6,506	1,052
Veterinary Medicine (DVM)	5,132	5,402	6,404	1,002
Law (JD)	5,172	5,442	5,832	390
Other graduate/professional	5,185	5,455	5,568	113
Undergraduate	5,142	5,412	5,319	-93

Accordingly, we recommend that the Legislature request the UC Regents to set nonresident charges at the average charge, by program and level, imposed by the four public universities used for salary comparisons. To implement this recommendation we recommend that the Legislature reduce Item 6440-001-001 by \$1,525,000 to reflect the additional revenues from higher nonresident charges and adopt the following supplemental report language in Item 6440-001-001:

“It is the intent of the Legislature that the UC Regents set nonresident student charges at the average charge, by program and level, imposed by the four public universities used for salary comparisons. In order to allow time for nonresident students and families to adjust to this policy it is the intent of the Legislature that the Regents phase-in this policy over a four-year period starting in 1986-87.”

VI. UNALLOCATED ADJUSTMENTS

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 25, includes (1) funds to be allocated to other programs, (2) increases to offset the effects of inflation and provide merit

THE UNIVERSITY OF CALIFORNIA—Continued

salaries, (3) funding for the university's retirement system (UCRS), and (4) funds for employee compensation increases in the budget year.

Later in this analysis, we discuss the following proposed changes that are shown in Table 25: (1) the employee compensation increase for 1986-87, (2) the insurance inflation adjustment, and (3) the reduction in the University of California Retirement System (UCRS). We recommend approval of the other proposed changes shown in Table 25, which include the following major items:

- **Faculty Merit Salary Increases**—\$15.1 for merit and promotional salary increases for academic staff.
- **Budgetary Savings Relief**—\$7.5 million to lower the university's budgetary savings target. This reduction is justified in a report submitted in response to a legislative directive contained in the *Supplemental Report of the 1985 Budget Act*.
- **Annualization of Midyear Salary Increases**—\$10.5 million for the full-year cost of salary and benefit increases that took effect on January 1, 1986.

The budget does not include additional funding for Merit Salary Adjustments for staff (\$8.6 million) or inflation adjustments to Operating Expenses and Equipment (\$20.3 million). The university will have to absorb these costs.

Table 25
The University of California
Unallocated Adjustments
1985-86 and 1986-87
(dollars in thousands)

Elements	Est. 1984-85	Est. 1985-86	Prop. 1986-87	Change from 1985-86
1. Provisions for Allocation:				
Reduction UCRS/PERS	—	—	-\$9,000	-\$9,000
Other provisions	\$5,321	-\$7,736	1,792	9,528
Subtotals: Provisions for allocation	\$5,321	-\$7,736	-\$7,208	\$528
2. Fixed Costs and Economic Factors:				
Faculty merit salary increase	—	—	\$15,148	\$15,148
Insurance inflation increase	—	—	7,872	7,872
Budgetary savings relief	—	—	7,539	7,539
Social security	—	—	770	770
Employee compensation annualization ..	—	—	10,494	10,494
1986-87 employee compensation increase	—	—	74,152	74,152
Other	—	—	91	91
Subtotals: Fixed costs and economic factors	—	—	\$116,066	\$116,066
Totals	\$5,321	-\$7,736	\$108,858	\$116,594
Funding Source				
General funds	\$5,321	-\$20,888	\$77,119	\$98,007
Restricted funds	—	13,152	31,739	18,587

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

We recommend that the Legislature provide for a 1.4 percent increase in faculty salaries in order to achieve parity with comparable universities and delete the amount requested in excess of parity requirements, for a

General Fund savings of \$27.4 million. (Reduce Item 6440-011-001 by \$27,238,000 and Item 6600-011-001 by \$169,000.)

The budget requests \$74.1 million to provide compensation increases for University of California employees in 1986-87. Of this amount, \$8.7 million would be used for benefits. The remaining \$65.4 million is requested for a 5 percent across-the-board salary increase that would go to faculty (\$37.8 million) and staff (\$27.6 million) alike.

Faculty Salaries at the "Comparison Eight". Pursuant to SCR 51 of 1965, the California Postsecondary Education Commission (CPEC) annually submits an analysis comparing faculty salaries and fringe benefits at the University of California (UC) with those paid by an agreed-upon group of other prestigious universities which UC competes with for faculty. Since 1972-73, the group of other universities, commonly referred to as the "comparison eight," has consisted of:

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

The comparison group is intended to provide a benchmark for the Legislature to use in determining what salaries UC should offer in order to compete successfully for top quality faculty. The make-up of the comparison group is jointly agreed to by the state and UC, and is periodically reviewed so as to ensure that the components of the group are, indeed, those with which the university must compete to maintain its preeminent position. The last review was conducted in 1985. Based on this review, the UC concluded on August 7, 1985 that it wanted to retain the current comparison group intact. Specifically, UC stated that:

"After carefully considering the deliberations of the Technical Advisory Committee concerning the general campus faculty salary comparison methodology, the University of California wishes to retain its historic eight comparison institutions: Harvard, Yale, Cornell, Stanford, the Universities of Wisconsin, Illinois and Michigan, and SUNY-Buffalo."

UC Salaries Are Ahead of Comparison Eight Average in 1985-86. In December 1985, CPEC submitted its report on faculty salaries for use in formulating the Governor's Budget for 1986-87. As Table 26 shows, the report finds that faculty salaries at UC in the current year are, on average, 5.2 percent *ahead* of the average for the comparison eight. The CPEC's data indicate that these salaries would have to be increased by only 1.4 percent in order to achieve parity with the projected average of the comparison eight in 1986-87, and thus allow the university to compete successfully for top quality faculty.

Tables 27 and 28 compare average salaries and the distribution of faculty, by academic rank, at UC and the comparison group. Table 27 shows that the average salary of the 3,200 full professors at UC is \$57,828. This is higher than the average for five of the eight comparison universities—all four public institutions and one private institution. The average salary for full professors at UC also is 4.9 percent higher than the average for all eight institutions.

Table 28 shows that 65 percent of UC's faculty are full professors. This is significantly higher than the average for the comparison group—57 percent. Thus, not only are full professors at UC paid more than their counterparts at these other prestigious institutions; there are relatively more of them and, therefore, relatively fewer faculty members in the lower-salary ranks.

THE UNIVERSITY OF CALIFORNIA—Continued

Table 26
The University of California
Comparison of Average Salaries
1985-86 and 1986-87

Academic Rank	UC Average Salaries 1985-86	Comparison Group Salaries ^a		University of California vs. Comparison Group ^b	
		1985-86 (Actual)	1986-87 (Projected)	1985-86 (Actual)	1986-87 (Projected)
		Full Professor	\$57,828	\$55,136	\$59,352
Associate Professor	38,760	37,417	40,357	3.6	-3.8
Assistant Professor	34,098	30,927	33,712	10.3	1.4
All Ranks Average	\$50,399	\$47,916	\$51,929	5.2%	-1.4%

^a Comparison group salary average by rank is an unweighted average. The all-ranks average for the comparison group is based on UC staffing patterns.

^b The projected need is calculated after the addition of merit awards which are estimated to add 1.6 percent to the all-ranks UC average.

Table 27
The University of California
Average Salary by Academic Rank for Comparison Group and UC
1985-86

University	Full Professor		Associate Professor		Assistant Professor	
	Average Salary	Rank	Average Salary	Rank	Average Salary	Rank
Harvard	\$64,452	1	\$36,065	7	\$30,575	6
Stanford	62,648	2	42,900	1	34,828	1
Yale	59,868	3	36,450	6	28,603	9
Univ. of Calif.	57,828	4	38,760	3	34,098	2
SUNY-Buffalo	56,062	5	39,761	2	30,968	4
Cornell	53,234	6	38,310	4	30,549	7
Illinois-Urbana	50,666	7	35,279	8	30,814	5
Michigan-Ann Arbor	49,594	8	37,665	5	31,769	3
Wisconsin-Madison	44,565	9	32,902	9	29,310	8
Average, Comparison Group	\$55,136		\$37,417		\$30,927	
University of California	\$57,828	4	\$38,760	3	\$34,098	2
UC Lead Over Comparison Group	4.9%		3.6%		10.3%	

Regents' Request and Governor's Budget. The Regents requested sufficient funds to provide a 6.6 percent faculty salary increase in 1986-87. This increase would not only achieve parity (1.4 percent) but would also "maintain the competitive margin achieved this year" (5.2 percent). While not granting the full amount of the Regents' request, the Budget proposes funds for a 5.0 percent faculty salary increase, which is 3.6 percent more than that needed for parity.

Table 28
The University of California
Faculty distribution by Academic Rank for Comparison Group and UC
1985-86

University	Full Professor		Associate Professor		Assistant Professor		Total All Ranks
	Number	Per-cent	Number	Per-cent	Number	Per-cent	
Harvard.....	439	57%	103	13%	225	29%	767
Stanford.....	480	64	115	15	154	21	749
Yale.....	384	53	129	18	218	30	731
SUNY-Buffalo.....	340	49	233	33	128	18	701
Cornell.....	403	56	168	23	152	21	723
Illinois-Urbana.....	993	51	532	28	407	21	1,932
Michigan-Ann Arbor.....	711	56	277	22	271	22	1,259
Wisconsin-Madison.....	1,086	64	246	15	363	21	1,695
Totals, Comparison Group.....	4,836	57%	1,803	21%	1,918	22%	8,557
University of California.....	3,192	65%	1,022	21%	725	15%	4,939

Analysis of Budget Request. The Regents cite two considerations that they believe justify faculty salaries exceeding parity with the comparison institutions:

- “the higher inflationary rate in California than in the country as a whole”, and
- “the high cost of housing and the scarcity of affordable housing units in the major metropolitan areas surrounding the University’s nine campuses.”

Inflation rate. While it is true that the California Consumer Price Index (CPI) has, during the past two years, outpaced the national index, this is not due to a more-rapid acceleration of prices in California generally. Rather, it is attributable to the fact that residential rent and homeowners’ costs have risen faster in California than in the nation as a whole. Over the past few years, rents and homeowners’ costs have risen at about 5 percent per year nationally, while the increases have exceeded 9 percent in some regions of California. Excluding the price of housing, price changes in California have pretty-much been in line with the rise in the national index.

We conclude, therefore, that the case for faculty salaries above the parity level hinges on the extent to which UC faculty members have relatively greater problems obtaining affordable housing.

Housing costs. As the discussion above indicates, housing prices have been rising more rapidly in California than they have nationally. This, however, does not imply that UC faculty, as a group, should receive higher salaries than their peers at other prestigious universities. In fact, our analysis finds that an across-the-board salary adjustment is an inefficient—and perhaps an ineffective—means for addressing any recruitment and retention problems related to housing. This is because the funds in excess of what is needed to achieve parity go to *all* faculty members, including many who are not adversely affected by—and in fact may benefit from—the rise in housing prices.

During the last three years, for which data is available, new faculty appointments at UC averaged *only 283 per year*, representing about 6 percent of the UC’s 4,900 FTE faculty. Moreover, not all of the new appointees will necessarily encounter problems obtaining affordable housing. While statistics on retention problems linked to housing are more elusive, even a generous estimate of these problems results in a very small

THE UNIVERSITY OF CALIFORNIA—Continued

need relative to the total faculty population. Consequently, paying *all* faculty members more in order to address the needs of relatively few is an inefficient means for maintaining the university's competitive position.

An across-the-board salary solution can also be an ineffective means to address the problem. This is because the available funds generally are diluted to a point where they provide relatively little benefit to the target population—the amount is simply too small in relation to any excess housing costs.

We conclude, therefore, that the housing problem identified by the Regents can be addressed most effectively and efficiently by programs targeted on the individual faculty members with problems obtaining affordable housing and should not be addressed through a general salary increase exceeding parity requirements. In fact, UC *already* has a variety of programs that seek to help individual faculty members obtain housing.

UC Currently Has Targeted Housing Programs. UC has provided a wide array of housing assistance to faculty members since 1978. This assistance consists of the following:

- **Home Ownership Assistance.** There are six distinct programs that have either been or currently are available to assist faculty members in acquiring new or existing residences. These programs offer home loans at below-market interest rates, generally with easier credit terms. Under most of these programs, the university pays the closing costs associated with the loan. As Table 29 shows, these six programs have made available \$54.9 million in loans to 586 faculty members since 1979. The two programs that currently are active have available an additional \$54.6 million to loan.

Table 29
The University of California
Summary of Faculty Housing Assistance Programs
For the Period 1979 through 1985
(dollars in thousands)

	Number Loans/ Assistance	Dollar Value	Average Amount	Unallocated Amount
1. 1979 Bond Program	196	\$21,392	\$109	None
2. 1981 B of A Program	118	15,158	128	None
3. Short Term Loans	101	2,338	23	None
4. Salary Differential Housing Allowance	67	683	10	None
5. Mortgage Origination Program	91	14,068	155	\$15,932
6. 1985 Mortgage Revenue Bonds	13	1,312	101	38,688
Totals	586	\$54,951	\$94	\$54,620

- **Campus Developed and/or Built For-Sale Housing.** Several campuses have embarked on the development of for-sale housing on land owned by the university. In most cases, the land will be leased to the purchaser of a unit by a private builder/developer who is selected through a competitive process established at each campus.

In most cases, a below-market ground rent payment for the land will assist in keeping monthly housing costs lower than the cost of conventionally built projects. It is also possible for the university to obtain tax-exempt financing for site development costs, thereby lowering the per unit sales costs of the residences.

The campuses also can negotiate with lenders for more favorable terms on permanent financing, since lenders save on processing cost when closing many loans in a single development. Thus far, the Irvine, Los Angeles, Santa Barbara, and Santa Cruz campuses anticipate that 483 units will be developed under this program.

- **Rental Housing Assistance.** Currently there are 290 faculty rental units located at the following four campuses:

Irvine Campus—100 two- and three-bedroom units.

San Diego Campus—50 two-bedroom units.

Los Angeles Campus—90 one-, two- and three-bedroom units.

Santa Cruz Campus—50 two-bedroom units.

In addition to the housing assistance summarized above, the university offers other faculty housing services, provides special off-scale salary adjustments, and makes loans to assist faculty in finding and acquiring affordable housing. The UC has been responsive to the individual housing needs of the faculty in a variety of ways which are far more appropriate than a general salary increase.

Providing salaries in excess of parity requirements to address the problems already being addressed by these programs is duplicative and unnecessary.

Super-parity is Not Needed to maintain UC's preeminent position. The UC is, and consistently has been, a highly regarded university with many departments ranked first in the nation. Obviously, the salary parity standard has not prevented the UC from competing successfully with other preeminent universities. Furthermore, the considerations advanced by the Regents in support of super-parity do not stand up under analysis. Accordingly, we recommend that the Legislature provide sufficient funds to increase UC faculty salaries by 1.4 percent in 1986-87—the increase needed to achieve parity with the eight comparable institutions. This will result in a General Fund savings of \$27,238,000.

Because the salary increase proposed for Hastings College of the Law faculty would also exceed parity requirements we recommend later in this *Analysis* that the Legislature provide sufficient funds for a 1.4 percent increase for Hastings faculty, for a General Fund savings of \$169,000.

2. Insurance Inflation Adjustment

We withhold recommendation on the proposed increase of \$7,872,000 to offset the effects of inflation on insurance expenses, pending further review of the request.

The budget requests an increase of \$7.9 million from the General Fund to offset the effects of inflation on insurance expenses. This is an increase of 60 percent over the current-year budget of \$13.1 million.

The request has two components: (1) an increase of \$5,840,000, 58 percent, for hospital medical and professional liability insurance costs, and (2) an increase of \$2,032,000, 65 percent, for general risk/liability insurance costs.

The university has provided some detail on this request. We have requested additional information on the components causing the medical increase and on the cost-effectiveness of self-insurance for general risk/liability insurance purposes. We believe that the Legislature needs this additional information before it can analyze the UC's request.

Consequently, we withhold recommendation on the request, pending further review.

THE UNIVERSITY OF CALIFORNIA—Continued

3. Budget Proposes UCRS Employer Contribution Rate Reduction

The budget proposes an 8.9 percent reduction in the employer contribution rate for the University of California Retirement System. As a result, the budget reflects a \$9 million General Fund reduction in 1986-87 from the current-year employer contribution cost of \$97 million. Neither the university nor the Department of Finance have provided details on the reasons for this reduction. The Department of Finance should explain this reduction during budget hearings.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY

Items 6440-301, 6440-321 and
6440-491 from various funds

Budget p. E 89

Requested 1986-87	\$139,956,000 ^a
Recommended approval	16,003,000
Recommended reduction	12,251,000
Recommendation pending	111,702,000

^a Includes \$8,957,000 for equipment purchases that is included in the Budget Bill as a "nonappropriated" amount.

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Deficit of nearly \$7 million in the COFPHE. Recommend that prior to budget hearings, the Department of Finance explain to the Legislature how the administration plans to avoid a deficit in the COFPHE. 1367
2. Withhold recommendation on \$11,787,000 requested under Item 6440-301-146 for six projects, pending review of preliminary plans (Table 3, page 1369). 1368
3. **Engineering Laboratory Facility—Irvine. Reduce Item 6440-301-146(10) by \$595,000.** Recommend that the Legislature reduce funds for equipment to eliminate over-budgeting. 1370
4. **Life Science Building Addition—Berkeley. Reduce Item 6440-321-146 by \$345,000.** Recommend that the Legislature reduce equipment funds to eliminate items that are included in the multiyear plan to increase computer resources on a systemwide basis. 1371
5. **Engineering Unit I—San Diego. Reduce Item 6440-321-146 by \$1,531,000.** Recommend that the Legislature reduce equipment funds to eliminate funds for items that are included in the multiyear plan to increase computer re- 1371

- sources on a systemwide basis.
6. **Northwest Animal Facility—Berkeley. Reduce Item 6440-301-146(5) by \$210,000.** Recommend that the Legislature reduce preliminary planning funds to reflect a revised project scope which eliminates unjustified space. 1373
 7. **Biological Sciences Unit 2—Irvine.** Withhold recommendation on \$1,231,000 requested in Item 6440-301-146(11) for preliminary planning, pending receipt of an analysis on the impact that proposed new space standards will have on the need for and the amount of space proposed in this new building. 1374
 8. **Chemistry and Biological Sciences Addition—Los Angeles. Reduce Item 6440-301-146(14) by \$1,350,000.** Recommend that the Legislature delete preliminary planning funds for this new building because (a) the amount of additional space proposed is not justified and (b) alternative solutions to the problem should be reevaluated. 1376
 9. **Graduate School of Interational Relations and Pacific Studies—San Diego. Reduce Item 6440-301-146(17) by \$480,000.** Recommend that the Legislature delete preliminary planning and working drawing funds for a new building because the UC has the ability to realign its current research priorities and space priorities on a systemwide basis to implement this program. 1377
 10. **Animal Care Facility—San Francisco. Reduce Item 6440-301-146(19) by \$135,000.** Recommend that the Legislature delete funds for preliminary plans and working drawings because the proposed project would improve space that is not a state responsibility. 1379
 11. **Seismic Safety Corrections, Wheeler Hall—Berkeley.** Recommend that the Legislature adopt Budget Bill language directing the UC to certify that the preliminary plans and working drawings for seismic correction will comply with the life safety requirements adopted by the California Seismic Safety Commission. 1380
 12. **Chlorination/Dechlorination Facility—Davis.** Withhold recommendation on \$35,000 requested in Item 6440-301-146(9) for working drawings, pending (a) review of the Department of Finance's plan for financing the construction portion of this project consistent with the requirements of the Regional Water Quality Control Board's cease-and-desist order and (2) receipt of the preliminary plans. 1380
 13. **Powell Library Seismic Study—Los Angeles. Reduce Item 6440-301-146(15) by \$280,000.** Recommend that the Legislature delete study funds because funds for studies are already available. 1381
 14. **Campus Primary Electrical Expansion—Irvine.** Recommend that the Legislature revise the project scope by eliminating electrical capacity in excess of projected demand. Withhold recommendation on \$957,000 requested for working drawings and construction in Item 6440-301-146(12), pending receipt of preliminary plans reflecting the revised project scope. 1382

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

- | | |
|--|------|
| 15. High Technology Education Revenue Bonds—Statewide. Recommend that the Legislature reevaluate its policy of financing high technology and library facilities through the sale of revenue bonds. | 1382 |
| 16. Withhold recommendation on \$95,708,000 requested in Item 6440-301-525 for seven projects to be financed from High Technology Education Revenue Bonds, pending receipt of preliminary plans (Table 11, page 1386). | 1385 |
| 17. <i>Outpatient Services Facility, UCIMC—Irvine. Reduce Item 6440-301-525(3) by \$2,285,000.</i> Recommend that the Legislature delete funds requested for working drawings, construction and equipment because these expenditures should be financed from hospital funds. | 1386 |
| 18. <i>Multipurpose Administrative Facility, UCSDMC—San Diego. Reduce Item 6440-301-525(6) by \$5,040,000.</i> Recommend that the Legislature delete funds for preliminary plans, working drawings and construction because these expenditures should be financed from hospital funds. | 1386 |
| 19. Hospital Projects from "Loan" Funds. Recommend that prior to budget hearings, the Department of Finance and the university provide the Legislature with an explanation of the financing scheme to be used to fund \$10.1 million in hospital improvements from nonstate funds that are to be repaid from a future General Fund appropriation. | 1387 |
| 20. Central Plant Chiller Expansion—Irvine. Recommend that the Legislature adopt Budget Bill language directing the UC to develop a method of allocating central plant capital outlay costs to nonstate-funded buildings. Further, recommend that the project be reduced in scope to reflect accepted engineering standards for central plant design capacities. Withhold recommendation on the requested \$1,984,000, pending receipt of preliminary plans consistent with revised project scope. | 1388 |
| 21. Reappropriation Item 6440-491. Recommend that the Legislature delete this reappropriation item in order to correct a technical error in the Budget Bill. | 1389 |

ANALYSIS AND RECOMMENDATIONS

The budget includes \$139,956,000 for the University of California's (UC) capital outlay projects in 1986-87. The proposed amount includes (1) \$34,939,000 from the Capital Outlay Fund for Public Higher Education (COFPE), consisting of \$25,982,000 for various projects, and \$8,957,000 for "advanced authority" to purchase equipment, (2) \$103,033,000 from High Technology Education Revenue bonds and (3) \$1,984,000 from the Federal Trust Fund. The Federal Trust Fund amount represents receipts that are *anticipated*, but not yet received, under Section 8(g) of the federal Outer Continental Shelf Lands Act. The Budget Bill appropriates a total of \$45.2 million in "8(g)" revenue, which would be on top of the \$356.3 million already appropriated. It is not clear at this time that the state will receive sufficient funds to finance either the amount already appropriated or the amount included in the Budget Bill.

Budget Overappropriates the COFPHE by Nearly \$7 Million

We recommend that prior to budget hearings, the Department of Finance explain to the Legislature how the administration plans to avoid a deficit in the COFPHE.

The budget proposes \$8,957,000 in "advanced authority" for the UC to purchase equipment. Although these purchases would be financed from the COFPHE, the expenditure of these funds is not shown in the budget document.

The appropriation is intended to allow the UC to incur obligations for purchase of equipment that would be *delivered* in 1987-88. The Legislative Counsel, however, has verbally advised us that the authority to incur obligations (and therefore encumber funds) constitutes an item of appropriation. Therefore, the request for "advanced authority" must be treated as an item of appropriation in 1986-87. When this is done, we find that the Governor's Budget *overappropriates the COFPHE by nearly \$7 million*, in the budget year. The Department of Finance should explain to the Legislature, prior to budget hearings, how the administration plans to avoid this deficit in the COFPHE. Specifically, it should advise the Legislature which projects that are funded in the budget from the COFPHE will be deferred.

1986-87 UC Capital Outlay Program

Table 1
University of California
1986-87 Capital Outlay Program
Funding Summary
(dollars in thousands)

	<i>Budget Bill Amount</i>	<i>Future Project Cost^a</i>	<i>Future Debt Service Costs^b</i>
I. Capital Outlay Fund for Public Higher Education			
—Item 6440-301-146 (Analysis Page 1368)	\$34,939	\$189,633	\$281,700
A. Equipment for Previously Approved Projects	\$2,259		
B. Working Drawings and/or Construc- tion for Previously Approved Projects	11,787		
C. General Campus Improvements	3,646		
D. Projects to Correct Code Deficien- cies	433		
E. Utility Improvement Projects	957		
F. Systemwide Projects/Contractual Obligations	6,900		
—Item 6440-321-146			
A. Equipment for Previously Approved Projects	8,957		
II. High-Technology Education Revenue Bonds— Item 6440-301-525 (Analysis Page 1382)	103,033	11,690	210,800
B. Working Drawings and/or Construc- tion for Previously Approved Projects	895,708		
C. General Campus Improvements	7,325		
III. Federal Trust Fund—Item 6440-301-890 Analysis (Page 1388)	1,984	—	—
E. Utility Improvement Projects	\$1,984		
Totals	\$139,956	\$201,323	\$492,500

^a UC estimate.

^b Estimated debt service costs assuming bonds sold at 7.9% interest with 15 year term.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

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 are divided into six descriptive categories: (A) Equipment Request; (B) Previously Approved Projects; (C) General Campus Improvement Projects; (D) Code Correction Projects; (E) Utility Projects; and (F) Systemwide Projects/Contractual Obligations.

The UC's request is summarized in Table 1.

I. PROJECTS FROM THE CAPITAL OUTLAY FUND FOR PUBLIC HIGHER EDUCATION**Projects Recommended for Approval**

Our review of the university's request from the COFPHE indicates that three projects totaling \$6,900,000 are reasonable in scope and cost, and we recommend that the Legislature approve them. These requests include (1) \$6.5 million for minor capital outlay (\$200,000 or less per project), (2) planning funds for projects expected to be included in the 1987-88 budget (\$200,000) and (3) the ninth annual payment (\$200,000) for acquisition of the UC Davis Medical Center. The projects are summarized in Table 2.

Table 2
University of California
1986-87 Capital Outlay Program
Projects Recommended for Approval
Item 6440-301-146
F. Systemwide Projects/Contractual Obligations
(dollars in thousands)

<i>Sub</i> Item	<i>Project Title</i>	<i>Location</i>	<i>Phase</i> ^a	<i>Budget</i> <i>Bill</i> <i>Amount</i>	<i>Estimated</i> <i>Future</i> <i>Cost</i> ^b
(1)	Minor Capital Outlay	Statewide	pwc	\$6,500	—
(2)	Planning for 1987-88 Projects	Statewide	p	200	\$6,888
(7)	UCDMC Acquisition Payment	Davis	a	200	—
Totals				\$6,900	\$6,500

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

^b Department estimate.

Projects for Which Recommendation is Withheld

We withhold recommendation on \$11,787,000 requested for seven projects, pending receipt and/or review of preliminary plans and cost estimates for the requested projects.

The budget includes \$11,787,000 from the COFPHE, for seven projects on which we withhold recommendation, pending receipt and/or review of preliminary plans. The needed plans were either received too late for review, or had not been received at the time this analysis was prepared. We will provide recommendations on these projects, which are summarized in Table 3, prior to the budget hearings.

Table 3
University of California
1986-87 Capital Outlay Program
Projects for Which Recommendation is Withheld
Items 6440-301-146
B. Previously Approved Projects
(dollars in thousands)

<i>Sub Item</i>	<i>Project Title</i>	<i>Campus</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Future Project Cost^b</i>	<i>Future Debt Service Cost^c</i>
(3)	Seismic Safety Corrections, South Hall	Berkeley	c	\$3,536	—	—
(4)	Electrical Distribution System Expansion	Berkeley	c	2,961	—	—
(8)	Shields Library Alterations and Expansion	Davis	w	1,645	\$33,372	\$65,200
(13)	School of Engineering and Applied Sciences Retrofit	Los Angeles	w	392	14,699	22,900
(16)	Hazardous Waste Facility	Riverside	ce	953	—	—
(18)	Campus Library	San Francisco	w	1,600	23,700	47,400
(20)	Natural Sciences Unit 3	Santa Cruz	w	700	—	—
	Totals			\$11,787	\$71,771	\$135,500

^a Phase symbols indicate: w = working drawings; c = construction; and e = equipment

^b UC estimate.

^c Estimated debt service assuming bond funding at 7.9 percent interest over a 15 year term.

Recommended Project Changes/Deletions

Our review of UC's capital outlay from the COFPHE, indicates that 12 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
1986-87 Capital Outlay Program
Summary of Recommended Changes/Deletions
Items 6440-301-146 and 6440-321-146
(dollars in thousands)

<i>Project Category</i>	<i>Number of Projects</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>	<i>Future Project Cost^a</i>	<i>Future Debt Service Cost^b</i>
A. Equipment for Previously Approved Projects	3	\$11,216	\$8,745	\$4,926	—
C. General Campus Improvements	5	3,646	210	104,394	\$146,200
D. Projects to Correct Code Deficiencies	3	433	118	1,654	—
E. Utility Improvement Projects	1	957	—	—	—
Totals	12	\$16,252	\$9,073	\$106,048	\$146,200

^a UC estimate.

^b Estimated debt service assuming bonds sold at 7.9 percent over 15 year term.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

A. EQUIPMENT PROJECTS

The budget includes three requests for equipment funds that would come from the COFPHE which we recommend the Legislature reduce. The projects and the recommended reductions are summarized in Table 5.

Table 5
University of California
1986-87 Capital Outlay Program
Recommended Changes/Deletions
A. Equipment Projects
(dollars in thousands)

Item/ Subitem	Project Title	Campus	Phase ^a	Budget Bill Amount	Analyst's Recom- mendation	Future Project Cost ^b
Item 6440-301-146						
(10) Engineering Labora- tory Facility.....		Irvine	e	\$2,259	\$1,664	—
Item 6440-321-146						
— Engineering Unit 1		San Diego	e	5,000	3,469	\$4,926
— Life Science Building Addition		Berkeley	e	3,957	3,612	—
Totals				\$11,216	\$8,745	\$4,926

^a Phase symbol indicates: e = equipment.

^b UC estimate.

Engineering Laboratory Facility—Irvine

We recommend that the Legislature reduce Item 6440-301-146(10), equipment funds for the engineering laboratory facility at Irvine, by \$595,000 to eliminate overbudgeting.

The budget includes \$2,259,000 from the COFPHE, to finance equipment for the new engineering laboratory facility on the Irvine campus. This 23,369 assignable square foot (asf) building includes space for civil and mechanical engineering laboratories and offices. The 1984 Budget Act appropriated \$223,000 from the COFPHE for preliminary plans and working drawings for this project. The 1985 Budget Act appropriated \$5,050,000 from High Technology bonds for construction. The project is scheduled to be completed in February 1987. The requested funds would provide moveable equipment items associated with the laboratories and offices in the building.

The amount of state funds for equipment in new instructional/research buildings is based on the universitywide average value of equipment for the particular disciplines in the new space. According to information compiled by the university, the equipment cost guideline for engineering is approximately \$78 per asf. Based on this guideline, equipment funds for this project should amount to \$1,664,000. The budget, however, requests

\$2,259,000. Consequently, the amount proposed for equipment is over-budgeted by \$595,000. Accordingly, we recommend that the Legislature reduce Item 6440-301-146(10) by \$595,000, which will provide \$1,664,000 for equipment for this project.

Life Science Building Addition—Berkeley

We recommend that the Legislature reduce Item 6440-321-146, equipment for the Life Science Building addition on the Berkeley campus by \$345,000 in order to delete (1) \$320,000 for computing equipment which is included in the university's multiyear plan for increasing computing resources and (2) \$25,000 for position-related furnishings that should be financed from the support budget.

As previously discussed in this analysis, Item 6440-321-146 authorizes the university to incur obligations during 1986-87 for purchase of up to \$3,957,000 worth of equipment for the Life Science Building addition on the Berkeley campus. The proposed amount is payable from the COFPHE, but it is not included in the COFPHE expenditure totals that are displayed in the budget document. The Legislative Counsel advises, however, that the authorization to incur obligations constitutes an appropriation of funds in the budget year.

Our review of the equipment items to be purchased with these funds indicates that \$320,000 would be used to purchase computers for each faculty member's research laboratory and for administrative functions. The budget, however, proposes a multiyear plan to provide increased computer support on a systemwide basis. The initial year of this plan is funded in the university's support budget. Thus, funds for providing this increased computing capability will be addressed by the Legislature on a systemwide basis. The equipment funded in this item should be purchased in priority order using funds appropriated in the support budget.

In addition, the request includes \$25,000 for computers and position-related furnishings that are normally part of the initial complement of equipment provided when new positions are established. These furnishings, thus, should also be funded from the UC's support budget.

For these reasons, we recommend that the Legislature reduce Item 6440-321-146 by \$345,000 in order to delete funds for these equipment items. The remaining \$3,612,000 will finance acquisition of needed equipment items to support the research activities and animal quarters in this new building.

Engineering Building Unit 1—San Diego

We recommend that the Legislature reduce Item 6440-321-146, \$5 million for equipment for the Engineering Unit 1 on the San Diego campus, by \$1,531,000 in order to delete funds for computer equipment that should be funded under the multiyear computer resource expansion program in the support budget.

Item 6440-321-146 requests up to \$5 million for acquisition of equipment items for the Engineering Building Unit 1 on the San Diego campus. This request is also presented in the Budget Bill as "advanced authority" to incur obligations. The \$5 million request represents the first of a two-phase program to purchase equipment for this new building. The university indicates that an additional \$4,926,000 would be needed for the second phase.

Our review of the university's equipment list indicates that \$1,531,000 is for acquisition of computers. The objectives of these purchases are the

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

same as the objectives established for the multiyear computer resource expansion program, which should be funded in the support budget. The requested items include:

- two \$300,000 minicomputers for systems science and applied mechanics and engineering science,
- a \$120,000 computer system for mechanical engineering and engineering science,
- a \$140,000 computer system for electromagnetics,
- a \$237,160 super minicomputer for electronic systems,
- two \$24,640 computer terminals for electronic systems.
- a \$385,000 graphics station with computer for electronic systems.

The requested computer systems can and should be funded through the program for increasing computer resources on a statewide basis. Funding these items within the equipment budget for the new building would, in effect, result in double-budgeting of the items. We therefore recommend that the Legislature reduce Item 6440-321-146 by \$1,531,000. This would leave \$3,469,000 for this *initial* phase of equipping the new building.

C. GENERAL CAMPUS IMPROVEMENT PROJECTS

The budget includes \$3,646,000 from the COFPHE for five general campus improvement projects which we believe should be changed or deleted. The requested projects, and our recommendations on each, are summarized in Table 6.

Table 6
University of California
1986-87 Capital Outlay Program
Recommended Project Changes/Deletions
C. General Campus Improvements
Item 6440-301-146
(dollars in thousands)

Sub Item	Project Title	Campus	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Future Project Cost ^b	Future Debt Service Cost ^c
(5)	Northwest Animal Facility	Berkeley	p	\$450	\$210	\$13,850	—
(11)	Biological Sciences Unit 2	Irvine	p	1,231	pending	44,268	\$65,900
(14)	Chemistry and Biological Sciences Addition....	Los Angeles	p	1,350	—	36,725	80,300
(17)	Grad. School of International Relations and Pacific Studies	San Diego	pw	480	—	8,405	—
(19)	SF General Hospital Animal Facility Improvements.....	San Francisco	pw	135	—	1,146	—
	Totals			83,646	\$210	\$104,394	\$146,200

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

^b UC estimate.

^c Estimated debt service costs for bond financing assuming 7.9 percent interest rate and a 15 year term.

Northwest Animal Facility—Berkeley

We recommend that the Legislature reduce Item 6440-301-146(5), preliminary plans for the Northwest Animal Facility on the Berkeley campus, by \$210,000 to reflect a revised project scope that (1) eliminates new space intended to replace existing space which meets accreditation standards and (2) deletes proposed new space that has not been justified (Future savings: \$7.4 million).

The budget includes \$450,000 to fund preliminary planning for a new Northwest Animal facility on the Berkeley campus. The project would provide 32,810 asf of animal quarters in an underground facility. The facility would include animal holding rooms (19,720 asf), support space (7,040 asf), animal treatment facilities (2,700 asf) and administrative/staff space (3,350 asf). The estimated total cost of the project is \$14,300,000. This amount is based on the university's estimate that the costs of this facility will exceed \$435 per asf. The UC indicates that the requested planning funds include an unspecified amount for a value engineering assessment of the project.

This project would improve animal facilities on the Berkeley campus in three respects. *First*, the project would allow the university to abandon approximately 11,900 asf of animal care space in seven on-campus locations that do not meet the accreditation standards of the American Association for Accreditation of Laboratory Animal Care (AAALAC). *Second*, it would allow the UC to abandon a 14,700 asf animal care facility located on Hearst Avenue approximately two miles off campus. *Third*, it would increase the total amount of animal care space available by providing additional support and specialized areas, such as "P-3" containment facilities designed for extremely hazardous work. The university indicates, however, that construction of the new facility will *not* result in an increase in the use of animals in instruction and research.

Our review of the university's request indicates that the project should be revised in scope to eliminate those aspects of the project that are *not* needed to meet accreditation standards.

Replacement of Hearst Avenue Facility. Replacement of animal space located in the Hearst Avenue facility is not needed because this facility is currently accredited. Consequently, the university's *sole* justification for 14,700 asf of the space in the new facility is that it would allow the activities in the Hearst facility to be relocated on the campus. This relocation will cost \$6.4 million, based on the UC's current average per-square-foot cost for the new facility. The UC has not identified any specific problems with the operation of the existing facility that would justify the expenditure of \$6.4 million. Consequently, we recommend that the Legislature delete 14,700 asf from the proposed project.

New Laboratories for Containment of Hazardous Work. The university indicates that additional "P-3" containment facilities are needed to perform hazardous work involving animals. According to the university, there are no "P-3" facilities on the Berkeley campus that currently are used for work involving animals. Thus, this request appears to contradict the university's statement that the proposed new facility *will not result in an increased level of the use of animals in research or instruction*. Moreover, no justification has been provided to indicate the need for these highly specialized and costly facilities. Consequently, we recommend that the Legislature delete an additional 2,778 asf from the project in order to eliminate space for the P-3 facilities. This would reduce the project by at least \$1.2 million (using the university's estimated average cost per asf).

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

In sum, we recommend that the proposed Northwest Animal Facility be revised to eliminate a total of 17,470 asf, approximately 53 percent of the total space requested by the UC. The amount of funds necessary for preliminary plans (including value engineering) for the revised project should not exceed \$240,000. We therefore recommend that the Legislature reduce Item 6440-301-146(5) by \$210,000 to reflect the reduced project scope (Future savings: \$7.4 million).

Biological Sciences Unit 2—Irvine

We recommend that prior to budget hearings, the UC provide an analysis of the impact that proposed new space standards will have on the need for and the amount of, additional instruction and research space for the biological sciences on the Irvine campus. Pending receipt of this evaluation, we withhold recommendation on \$1,231,000 requested in Item 6440-301-146(11) for preliminary planning.

Item 6440-301-146(11) requests \$1,231,000 to fund preliminary planning for the Biological Sciences Unit 2 on the Irvine campus. The building is the first phase of a major building program addressing planned growth in Biological Sciences enrollment. Undergraduate enrollment in Biological Sciences is planned to increase from the 1984-85 level of 1,140 FTE to 1,448 FTE in 1989-90, and 1,842 FTE in 1994-95—a 62 percent increase over 10 years. Graduate enrollment would increase from 110 students to 120 and 200 during the same period—an 82 percent increase over 10 years. The building includes 126,120 asf for research laboratories and support space for 56 faculty (97,650 asf), animal facilities (14,170 asf), faculty offices (7,280 asf) and departmental offices and support space (7,020 asf). The estimated total cost of the building is \$45.5 million.

Upon completion of the project, space in Steinhaus Hall would be renovated to provide class laboratory space, at a cost of approximately \$12.8 million.

According to the UC, these two projects (estimated to cost \$58.3 million) would only provide sufficient space to accommodate the projected 1989-90 enrollment. Moreover, the UC plans to reassign approximately 26,000 asf in the Engineering Building that currently is assigned to the Biological Sciences. This space would be made available to the School of Engineering and the Department of Information and Computer Sciences. The university has not addressed the cost of altering this space. *It is clear, however, that, the total cost of the requested Biological Sciences Unit 2 building and related alteration projects will exceed \$58 million.*

The university indicates that a future project would provide additional space to meet space needs in biological sciences for the planned 1994-95 enrollment. The size and cost of this project is unknown.

Our analysis indicates that the university's request for the Biological Sciences Unit 2 is based on space proposals that exceed state guidelines for research space by over 58,000 asf.

New Space Guidelines to be Adopted. The Legislature reviewed several projects in the 1985 Budget Act that proposed additional research space for the UC. In several cases, the requested amount of space exceeded state space guidelines. While these requests were approved, the Legislature also directed the California Postsecondary Education Commission (CPEC) to conduct a study of the existing state space guidelines for biology, physical sciences and engineering. The requested study was ap-

proved by the Commission on February 3, 1986.

The CPEC study recommends that new interim space guidelines be adopted until a more in-depth study of these guidelines is completed. *The interim guidelines would increase the amount of space for research by up to 50 percent.* The CPEC recommends, however, that the interim guidelines be adopted for no more than two years.

As currently proposed, the Biological Sciences addition would provide research space that is not needed according to *current* space guidelines. If CPEC's interim space guidelines are appropriate, however, a portion of this excess space would be justified. Nevertheless, application of the new guideline to the programs proposed in the new building would significantly change the project. Table 7 displays the amount of space for faculty research suggested by (1) the UC request, (2) current space guidelines and (3) the interim guideline recommended by CPEC.

Table 7
University of California
Irvine Campus
Biological Sciences Unit 2
Research Space Needs
(personnel/assignable square feet)

	UC Proposal ^a		State Guidelines		CPEC Interim Guideline (asf)
	Hdct ^b	asf	Hdct ^b	asf	
Faculty member	1	400	1	250	375
Graduate students	2	400	2	290	435
Postdoctoral researcher	1	200	—	—	—
Technicians	1	200	—	—	—
Undergraduate researchers	4	200	—	—	—
Total per faculty member	10	1,400	3	540	810
Number of faculty members		56		56	56
Total laboratory asf		78,400		30,240	45,360
Support asf		13,000		3,024	4,536
Total research asf		91,400		33,264	49,896
Space over existing guideline		(58,136)			
Space over new CPEC guideline		(41,504)			

^a Average; actual space assigned will vary from 800 asf to 2,000 per faculty member.

^b Headcount

The data reveals that the UC proposal exceeds current guidelines by about 58,000 asf. Using CPEC's interim guidelines, which increase the space standard by 50 percent, the building would still include 41,504 asf in excess space.

The Legislature cannot evaluate the need for additional Biological Sciences space to meet enrollment growth on the Irvine campus until the UC prepares a revised proposal based on the interim guidelines. A revised proposal should also show how the interim guideline would affect instructional and research space needs within existing buildings that could be altered to house activities which would be located in the new building. Pending receipt of the needed evaluation, we withhold recommendation on the \$1,231,000 requested for preliminary planning in Item 6440-301-146(11).

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

Chemistry and Biological Sciences Addition—Los Angeles

We recommend the Legislature delete Item 6440-301-146(14), \$1,350,000 for preliminary planning for a Chemistry and Biological Sciences Addition on the Los Angeles campus, because the amount of additional space proposed is not justified and alternative solutions to the project objectives need to be reevaluated.

The budget includes \$1,350,000 to fund preliminary planning for a new Chemistry and Biological Sciences addition on the Los Angeles campus. The project would provide an additional 85,825 asf for Chemistry, Biochemistry and the Department of Microbiology. The proposed new space includes 76,540 asf for research labs and support space, 4,060 asf for 29 faculty offices, 3,060 asf for graduate student offices and 2,165 asf for administrative space for the Department of Microbiology. The estimated total cost for the new building is \$38,075,000.

Upon completion of this project, the university intends to renovate a portion of the existing space assigned to these departments in Young Hall. Although there is no estimate of what this work will cost, the UC indicates that the cost of the new and remodeled facilities will exceed \$75 million.

Construction of the new building will result in a net increase of only 11,141 asf in these disciplines. This would provide a sufficient amount of space to meet instruction and research needs according to the proposed interim space guidelines. Table 8 displays the proposed change in space available to the various disciplines with a direct stake in this project, by space category.

Table 8
University of California
Los Angeles Campus
Chemistry and Biological Sciences Addition
Proposed Space Changes
(assignable square feet)

Category	Existing	Proposed	Change
Teaching Laboratories	33,733	33,075	(658)
Research Laboratories	131,037	151,532	20,495
Offices	30,622	22,149	(8,473)
Conference/Seminar	4,564	3,640	(924)
Computer Facilities	1,255	1,500	245
Commons	1,479	—	(1,479)
Shop and Storage	9,865	11,800	1,935
Totals	212,555	223,696	11,141
Chemistry and Biological Sciences Addition			85,825
Existing space to be reassigned			74,684

The proposed project is primarily intended to provide new replacement space for a major portion of the research activities in the areas of Organic Chemistry, Inorganic Chemistry, Physical Chemistry and Microbiology. The university indicates that existing space is not adequate with respect to the amount of space available, support facilities, utilities, air-conditioning service and Health and Safety Code requirements. Rather than correct these deficiencies through alterations, the UC proposes construction of a new building, which would allow it to reassign existing space for other purposes. Approximately 74,700 asf will be available for reassignment.

The UC has not identified any academic program requirements that would justify the use of this space.

The university also indicates that the proposed project would provide an "optimum" solution for programs to be housed in the new building. The UC dismissed the alternative of altering existing space to meet programmatic needs, because remodeled facilities would not provide sufficient flexibility to meet future space needs. Moreover, special requirements, such as high bay space (with 12 foot-high ceiling), could not be provided through alterations.

There is no question that the existing condition of space assigned to these disciplines requires upgrading. The conditions, however, could for the most part, be improved through alterations of the existing space. A \$75 million project simply is not necessary. The UC should seek to identify the improvements needed to accommodate the academic programs through significantly less costly alterations.

Finally, as discussed earlier in this analysis, the California Postsecondary Education Commission has recently issued a study of research space needs. In its report, CPEC suggests the adoption of interim state space guidelines for research space, pending completion of a more comprehensive study. Application of the interim guidelines to the disciplines affected by this project would affect the amount of space required in the new building and related alteration projects. Consequently, the UC needs to reassess its overall program requirements in these areas, using the interim standards.

In sum, we recommend that the Legislature delete the \$1,350,000 requested in Item 6440-301-146(14) for preliminary plans because (1) the UC has not justified the need to provide all of the additional space that would be made available by the new building and related alteration project, (2) the UC should evaluate less costly alternatives that can meet program needs (even though these alternatives might not be "optimal" from its standpoint) and (3) UC needs to assess the impact of CPEC's proposed interim space guidelines on whatever project emerges from this evaluation.

Graduate School of International Relations and Pacific Studies—San Diego

We recommend the Legislature delete Item 6440-301-146(17), preliminary plans and working drawings for a separate building to house a Graduate School of International Relations and Pacific Studies on the San Diego campus, because the university has the ability to realign its current research priorities and space priorities on a systemwide basis to implement this program, for a savings of \$480,000 (future savings \$8,405,000).

The budget includes \$480,000 for preliminary plans and working drawings to construct a new building on the San Diego campus to house the Graduate School of International Relations and Pacific Studies. This new program would provide individuals with language, business, law and intercultural skills needed to effectively conduct business in the multinational Pacific basin. In addition, the university anticipates conducting research on the economic, political, social, cultural and security issues confronting nations in the Pacific basin, as well as providing an information center to disseminate knowledge about events and trends in this area.

The program would accept the first 48 students in 1987-88. When enrollment peaks in 1991-92, the program would have 400 students, 35 FTE faculty and 23 administrative staff.

The requested new building would provide 41,000 asf to house the

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

program and related support space. The building would include, 15,800 asf for 80 offices to house faculty, visiting fellows and administrative functions, 8,000 asf for instructional space (classrooms, language lab and computer rooms), 2,000 asf for research activities, 5,200 asf for group study rooms, student services, a multipurpose room and information center and 10,000 asf for library functions. The estimated total project cost is \$8,885,000.

In our analysis of UC's support budget (Item 6440-001-001), we recommend that the Legislature delete \$250,000 requested from the General Fund to establish the new Pacific Rim research program at San Diego. This recommendation is based on our conclusion that UC has the ability to realign its research priorities within the base program budget to accomplish this program objective. In fact, the university already has a broad spectrum of research programs pertaining to Pacific Rim countries, including various campus centers for Asian area research, Latin-American area research, campus institutes for area or international studies and a *Center for the Study of the Pacific Rim* recently established—without constructing a new building—at the Los Angeles campus.

We conclude that the UC clearly has the ability to mold its current resources to meet the needs for a comprehensive research program focusing on the Pacific Rim region. On this basis, we have recommended deletion of the requested augmentation in our analysis of UC's support budget. Correspondingly, we also recommend that the Legislature delete funds proposed for the new building.

If an *additional* center focusing on the Pacific Rim is needed, it is not apparent that additional space is required to house the program. The UC cites a space shortage on the San Diego campus as a reason for constructing a new building to house this program. Other campuses, however, do not have the same space problems as San Diego. The UC could accommodate a new center by evaluating related programs on other campuses, including the Los Angeles and Berkeley campuses, that have well-defined programs in this area. Wherever the program might be established, the university could redirect existing space to meet the requirements of this new emphasis. If the program develops to such a degree that additional space is justified, the UC could then submit a request based on experience with the program and its facility needs. At this time, however, appropriation of funds toward establishing a separate facility to accommodate the new program, wherever it may be located, is premature.

We note in passing that the need for a substantial portion of the proposed space is questionable. For example:

- a total of 50 faculty offices is planned to house 35 FTE faculty.
- over 5,000 asf is proposed to house visiting fellows and research assistants; the state does not normally construct offices for these purposes.
- a 3,000 asf multipurpose room for conferences, lectures, and televised instruction and a 10,000 asf library are also planned. These activities could be provided more efficiently by using campuswide resources, rather than constructing new facilities specifically for this program.

In sum, we recommend that the Legislature delete Item 6440-301-146(17), because the university can realign current budgetary resources and space resources to meet the needs of this program on a systemwide basis (*future savings: \$8,405,000*).

Animal Care Facility—San Francisco

We recommend that the Legislature delete Item 6440-301-146 (19), \$135,000 for preliminary plans and working drawings to improve animal care facilities, because the proposed improvements would be made to space that is not the responsibility of the state. (Future savings: \$1,146,000)

The budget includes \$135,000 to fund preliminary planning and working drawings for animal care facility improvements at the San Francisco General Hospital. The university uses 7,647 asf of animal facilities at San Francisco General Hospital because some of the teaching research programs operated by the School of Medicine are located in this building. The requested project would include removing windows, widening corridors, installing additional air-conditioning and humidity control, replacing the electrical system, installing a cage washing room and new locker and restroom facilities. The estimated total project cost is \$1,281,000.

The 1984 Budget Act appropriated \$1,736,000 for working drawings and construction to upgrade animal care facilities located at the San Francisco campus. At that time, the university indicated that completion of the improvements would satisfy all accreditation standards and would ensure continued availability of federal research funds totaling nearly \$30 million annually from 350 research projects.

The university *now* indicates that more animal care facilities are in need of improvements. These facilities, however, are not located within a building owned by the university. Therefore, improvement of the non-complying space does not appear to be a state funding responsibility.

The state has provided sufficient funds to upgrade animal care facilities for the San Francisco campus to meet accreditation standards. Consequently, we recommend that the Legislature delete the preliminary plans and working drawing funds for the proposed improvements at the San Francisco General Hospital, for a savings of \$135,000 (future savings \$1,146,000).

D. STRUCTURAL/HEALTH AND SAFETY CODE CORRECTIONS

The budget includes three structural/health and safety code correction projects funded from the COFPHE that we recommend be deleted or modified. The requests, and our recommendations on each, are summarized in Table 9.

Table 9
University of California
1986-87 Capital Outlay Program
Recommended Project Changes/Deletions
D. Structural/Health and Safety Code Corrections
Item 6440-301-146
(dollars in thousands)

Sub Item	Project Title	Campus	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Future Project Cost ^b
(6)	Seismic Safety Corrections, Wheeler Hall	Berkeley	pw	\$118	\$118	\$1,094
(9)	Chlorination/Dechlorination Facility	Davis	w	35	—	560
(15)	Powell Library Seismic Study	Los Angeles	s	280	—	unknown
Totals				\$433	\$118	\$1,654

^a Phase symbols indicate: s = study; p = preliminary planning and w = working drawings.
^b UC estimate.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**Seismic Safety Corrections, Wheeler Hall—Berkeley**

We recommend that the Legislature adopt Budget Bill language under Item 6440-301-146 (6) indicating that the UC shall certify that the completed preliminary plans and working drawings for seismic safety corrections of Wheeler Hall on the Berkeley campus are in compliance with the life safety requirements adopted by the California Seismic Safety Commission in its survey of seismically deficient state buildings.

The budget includes \$118,000 for preliminary plans and working drawings to make seismic safety corrections to Wheeler Hall on the Berkeley campus. The project includes installation of structural steel bracing and strengthening of roof supports. The estimated total project cost is \$1,212,000.

Wheeler Hall was constructed in 1915 and has been identified by the state Seismic Safety Commission (SSC) as a high priority for seismic correction. The SSC's 1981 report indicated that the estimated cost of reconstruction to bring life safety within acceptable levels would be \$6.3 million (1981 dollars). The UC, however, proposes structural improvements that would cost approximately \$1.2 million. Consequently, it is unclear whether or not the modification proposed by the university would be consistent with the life safety improvements called for by the SSC. To clarify this issue, we recommend that the Legislature adopt Budget Bill language specifying that prior to requesting construction funds for this project, the university must certify that the design of the proposed work is consistent with SSC objectives.

Surge Space Should Not Be Needed. The university's request indicates that \$103,000 of the estimated total project cost would fund surge space (temporary replacement space) and moving costs for functions currently located in the areas of Wheeler Hall where work is planned. The areas include an auditorium, classrooms, offices and library space. The need for surge space, however, is not apparent. According to state space guidelines, the Berkeley campus has a surplus of classroom and seminar space. Consequently, the university should be able to abandon the portion of the building where work is to be completed without incurring the costs of providing temporary replacement space for classrooms. The university also should evaluate existing office space on campus in order to determine how much space could be used, *on a temporary basis*, to house the office and other functions located in this building.

With this in mind, we recommend that the UC delete the amount budgeted for surge space and moving costs when it submits its request for construction funding.

Chlorination/Dechlorination Facility—Davis

We recommend that prior to legislative hearings on the budget, the Department of Finance provide the Legislature with its plan for funding the construction portion of the chlorination/dechlorination facility on the Davis campus consistent with the requirements of the Regional Water Quality Control Board's cease-and-desist order. Pending receipt of this information and preliminary plans, we withhold recommendation on the \$35,000 requested for working drawings in Item 6440-301-146 (9).

The budget includes \$35,000 for working drawings to install a chlorination/dechlorination facility on the Davis campus. The proposed project would improve the existing waste water treatment plant. This plant is in

violation of waste discharge requirements because of excessive chlorine residue in the discharged water. The university has allocated funds in the current year to develop preliminary plans for the project. Thus, the plans and associated cost estimate should be available prior to budget hearing. The current estimated total project cost is \$611,000.

The Regional Water Quality Control Board issued a cease-and-desist order in April 1985 directing the UC to eliminate the discharge violations. In issuing the order, the board directed that necessary corrective action proceed on a specific timetable, with completion of the design to be accomplished by November 1, 1985, construction to begin by *July 1986* and completion of the project to occur by April 1987.

The amount proposed in the Governor's Budget would provide funds for working drawings only. Consequently, the budget does not provide sufficient funds to accomplish the needed work within the timetable set forth in the cease and desist order. The board indicates that noncompliance with the order could result in fines of \$6,000 per day.

We recommend that prior to legislative hearings on the budget, the Department of Finance indicate how it plans to meet the deadlines imposed by the cease-and-desist order. Pending receipt of this plan, and receipt of preliminary plans and cost estimates for the proposed work, we withhold recommendation on the amount requested in Item 6440-301-146(9).

Powell Library Seismic Study—Los Angeles

We recommend that the Legislature delete Item 6440-301-146(15), \$280,000 to study seismic corrections to Powell Library on the Los Angeles campus, because the study should be funded from state funds that are already available to the UC for project planning.

The budget includes \$280,000 to fund a study of the Powell Library building on the Los Angeles campus. This building was identified as priority two in the Seismic Safety Commission's 1981, priority list of state buildings in need of seismic rehabilitation.

The objective of the proposed study would be to (1) resolve technical, architectural and structural problems related to correcting the building's seismic and building system deficiencies and (2) identify the most efficient use of available space to meet program needs. Currently, the 166,477 asf building houses a variety of programs including laboratory facilities, offices, library space and multimedia services. The estimated future cost for planning, working drawings and construction of needed improvements is unknown at this time.

Normally, the initial funding request for a new capital outlay construction or alteration project consists of preliminary planning funds or preliminary planning and working drawings funds. In this case, the university has requested study funds in order to develop more definitive information on the planned renovation.

Our analysis indicates that the state has already provided the UC with a source of funding for studies of this nature. Funds for this phase of project *planning* are available to the UC from interest earned on state capital outlay funds transferred to the UC for previously approved projects. These funds can and should be used to fund this study. Therefore, there is no need to appropriate additional funds for the Powell Library study, and we recommend that the Legislature delete Item 6440-301-146(15), for a savings of \$280,000.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**E. UTILITY PROJECTS**

The budget includes one project funded from the COFPHE that is intended to upgrade existing utility systems. The project would provide for expansion of the primary electrical system on the Irvine campus.

Campus Primary Electrical Expansion—Irvine

We recommend the Legislature revise the project scope for expansion of the electrical distribution system on the Irvine campus by eliminating those aspects of the project that would provide electrical capacity in excess of the campus' identified needs. Pending receipt of preliminary plans reflecting the revised project scope, we withhold recommendation on the \$957,000 requested in Item 6440-301-146(12).

The budget includes \$957,000 for working drawings and construction to expand the primary electrical distribution system on the Irvine campus.

Presently, the Irvine campus is served by a main "central ring distribution system" that has a capacity to provide eight megavolt-amperes (MVA) of electrical power. The current electrical demand is 7.8 MVA. The UC indicates that by the year 1990, the addition of new building projects will increase the *demand* on this distribution system by 5.4 MVA—to 13.2 MVA.

The proposed project would provide a new feeder from the utility companies' main supply system to increase the central ring distribution capacity to 16 MVA. Consequently, this project proposes construction of additional underground conduits and associated switch gear, at an estimated total project cost of \$832,000. The university as allocated funds in the current year to develop preliminary plans and cost estimates on the project. This information should be available prior to legislative hearings on the budget.

Our analysis indicates that there is a need to provide additional electrical capacity to accommodate the new buildings on the Irvine campus. The planned electrical capacity for 1990, however would substantially exceed the anticipated demand. The expansion would result in excess capacity of 36 percent based on current demands, and 21 percent if *all* proposed projects are completed by 1990.

On this basis, we recommend that the Legislature revise the project to delete those aspects which would result in excess capacity. We withhold recommendation on Item 6440-301-146(12), pending receipt of preliminary plans that reflect a revised project scope.

II. PROJECTS FINANCED FROM HIGH TECHNOLOGY EDUCATION REVENUE BONDS**Status of Bond Financed Projects in Higher Education**

We recommend that the Legislature reevaluate its policy of financing high technology and library facilities with "revenue" bonds.

Chapter 1268, Statutes of 1983, established a new method of financing high technology education and research facilities for the University of California, the California State University (CSU), California Maritime Academy and the California Community Colleges. Under this financing plan, the state Public Works Board is authorized to issue certificates, revenue bonds, negotiable notes or negotiable bond anticipation notes to construct research/education facilities in the fields of engineering, computer science, biological sciences and related basic sciences. The board then lease-purchases (or in the case of segments of higher education other than

the university, leases or lease-purchases) the facilities to the system. The lease payments are pledged toward the payment of principal and interest on the debt instruments issued by the board. Authorization for this financing method expires on January 1, 1992.

Chapter 836, Statutes of 1984, establishes a similar method of financing for library and library-related facilities for the higher education segments. The financing arrangements between the system and the Public Works Board would be the same as those under the high technology education revenue bond program. There is no expiration date for the library revenue bond program.

Table 10 shows the amount financed or to be financed by these bonds, the estimated total debt service and estimated annual debt service payments. The table includes current and proposed financing for (1) high technology bond anticipation notes that have been authorized by the board and are due for "refinancing" between October 1987 and April 1988, (2) high technology revenue bonds included in the 1985 Budget Act, (3) high technology revenue bonds in the Budget Bill, (4) the amount needed to finance construction of projects initiated in the 1985 and 1986 budgets and (5) the amounts proposed in the Budget Bill and estimated future funding requirements for library projects.

Table 10
Bond Financed Projects
Higher Education Segments
(in thousands)

<i>Bond Program Project/Budget Item</i>	<i>Amount Financed by Bonds</i>	<i>Total Estimated Debt Service^a</i>	<i>Estimated Annual Debt Service Amount</i>
1. High Technology Bond Anticipation Notes Issued by Public Works Board			
UCD—Food and Agricultural Sciences.....	\$37,000	\$75,700	\$5,050
UCSB—Engineering Unit 2	19,000	38,900	2,590
UCB—Life Science Addition	51,000	104,300	6,950
2. High Technology Revenue Bonds Authorized by 1985 Budget Act			
UC—Item 6440-301-525	94,368	193,000	12,870
CSU—Item 6610-301-525	17,910	36,600	2,440
3. High Technology Revenue Bonds Proposed in 1986 Budget			
UC—Item 6440-301-525	103,033	210,700	14,050
CSU—Item 6610-301-525	62,338	127,500	8,500
4. Potential High Technology Bonds to Completed All Proposed Projects			
UC	119,605	244,600	16,310
CSU	7,894	16,100	1,070
Subtotals, Hi-Tech Bonds	\$512,148	\$1,047,400	\$69,830
5. Public Building Construction Fund, Library Revenue Bonds Proposed in 1986 Budget.			
CSU—Item 6610-301-660	\$12,567	\$25,700	\$1,710
UC—Funds to Complete Libraries	55,064	112,600	7,510
CSU—Funds to Complete Libraries	36,039	73,700	4,910
Subtotals, Library Bonds.....	\$103,670	\$212,000	\$14,130
Total, All Bonds.....	\$615,818	\$1,259,400	\$83,960

^a Assumes bonds are sold at 7.9 percent interest with a term of 15 years; includes cost of financing and reserve requirements.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

Table 10 indicates that in order to finance all authorized and proposed projects, the estimated debt service would amount to *\$1.3 billion* and require annual payments of *\$84 million*. If the state Public Works Board decides to issue interim financing (this has been the case in all board approvals for these bonds to date), the total estimated debt service would increase to *\$1.5 billion, with annual debt requirements exceeding \$100 million per year*.

The Legislature has authorized a similar program for state prisons. Under this program the board is authorized to issue debt instruments in an amount of up to \$300 million in order to finance the construction of prisons. These will increase the state's annual obligation by \$50 million.

Where Will the Money Come From to Pay Off Bonds? No funds have been budgeted in the support appropriations for the UC or CSU to pay the debt service required by this financing scheme. This is because the payments will not begin until long-term financing has been issued for each project. The Food and Agricultural Sciences building on the Davis campus, the first bond-financed project, is scheduled to be occupied in December, 1986 and interim financing for the project (notes) will mature in September 1987. Therefore, the first payments to amortize this debt must be included in the 1987-88 Budget Bill. At that time, the Legislature will have to decide how the debt service requirement should be financed.

In light of the significant annual debt service requirements that will be created if all approved and proposed projects proceed as planned, we believe the Legislature needs to reevaluate its policy toward this financing scheme. Specifically, the Legislature should consider the following options:

Option 1—Appropriate Debt Service Requirements From the Capital Outlay Fund for Public Higher Education (COFPHE). The state traditionally has financed capital outlay needs for higher education facilities from the COFPHE. Under current law, \$125 million is to be available in the fund each year to finance these needs. If the Legislature chooses to continue debt financing of the major facilities, then the COFPHE is the appropriate fund to pay the annual debt service requirements.

Appropriating the debt service from the COFPHE will have two significant effects on the state budget. First, it eventually will commit a substantial portion of the \$125 million that current law earmarks for the fund. As a result, other capital improvements in higher education may go unfunded or will have to be deferred. Second, the debt service requirement will reduce the Legislature's flexibility in using tidelands oil revenues. In the past, the Legislature frequently has opted to transfer unappropriated tideland oil revenues to the General Fund. Given the size of debt service requirements, the amount of discretionary funds available to the Legislature from this source would be significantly diminished.

Option 2—Appropriate the Debt Service from the General Fund. The Legislature may opt to appropriate funds for debt service from the state's General Fund. If it does, the amount available to support existing and new General Fund programs will be reduced. These debt service payments, moreover, would count toward the state's constitutional appropriations limit established by Article XIII B. Unlike debt service on general obligation bonds, debt service on these "revenue" bonds would have to be counted toward the limit because the bonds are not voter approved.

In sum, debt service payments would have to be taken "off-the-top" before the Legislature considers its own spending priorities for General Fund resources. This option might even require the Legislature to make cuts in existing General Fund programs in order to "make room" within the General Fund spending limit to pay debt service on these "revenue" bonds.

Option 3—Seek Voter Approval of General Obligation Bonds for High Technology and Library Facilities. If the Legislature determines that the proposed construction program currently financed from revenue bonds is a high priority, it could consider asking the voters to authorize general obligation bonds to finance the program. General obligation bond financing would have two advantages over revenue bond financing. First, the debt service requirements for general obligation bonds do not count toward the constitutional appropriation limit. Therefore, assuming adequate revenues are available, other General Fund programs would not be jeopardized in order to accommodate the debt service requirements. Second, we estimate that the effective interest rate on general obligation bonds would be approximately one-half percent lower than the interest rate on revenue bonds. This would result in significant savings to the General Fund. In fact, if all approved and proposed projects proceed, this would save the General Fund approximately \$25 million over the 15 year term of the bonds.

Option 4—Finance Projects From Current Resources. Prior to enactment of the legislation authorizing high technology and library "revenue" bonds, the capital outlay needs for higher education generally were funded from revenues available in the COFPHE. If the Legislature returned to this policy, it would have to either increase the COFPHE's share of tidelands oil revenue (at the expense of other statewide needs) or defer a portion of the projects proposed for funding. The viability of this option would be undermined if oil prices continue to fall.

Summary

In authorizing "revenue" bond financing for major projects in higher education and the state's correctional system, the Legislature will be faced with financing decisions involving more than \$900 million of construction projects carrying *annual debt requirements that could reach \$150 million*. Debt service payments—unlike payments on general obligation bonds—are subject to the appropriation limit established by Article XIII of the State Constitution. Given the magnitude of these demands, the Legislature needs to reevaluate its policy toward financing major capital improvements.

Projects for Which Recommendation is Withheld

We withhold recommendation on \$95,708,000 requested for seven projects financed from high technology education revenue bonds, pending receipt of preliminary plans and cost estimates.

The budget includes \$103,033,000 for nine UC projects to be financed from high technology education revenue bonds. The requests, and our recommendations on each, are summarized in Table 11.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

Table 11
University of California
Projects From High Technology Education Revenue Bonds
Summary of Recommendations
Item 6440-301-525
(dollars in thousands)

<i>Category/ Subitem</i>	<i>Project Title</i>	<i>Campus</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>	<i>Future Project Cost^b</i>	<i>Future Debt Service Cost^c</i>
B. Previously Approved Projects							
(1)	Genetics and Plant Biology Building	Berkeley	c	\$17,734	pending	\$1,328	\$36,300
(2)	Physical Sciences Unit 2	Irvine	wc	27,559	pending	4,318	56,400
(4)	Replacement of Greenhouses	Riverside	ce	2,013	pending	—	4,100
(5)	Instruction and Research Facility	San Diego	wc	17,600	pending	2,800	36,000
(7)	Biotechnology Seawater Laboratory	Santa Barbara	c	6,375	pending	1,283	13,000
(8)	Natural Sciences Unit 3	Santa Cruz	c	19,750	pending	1,731	40,400
(9)	Kearney Agricultural Center	Fresno Co.	c	4,677	pending	230	9,600
C. General Campus Improvements							
(3)	Outpatient Services Facility UCIMC	Irvine	wce	2,285	—	—	4,700
(6)	Multipurpose Administrative Facility—UCSDMC	San Diego	pwc	5,040	—	—	10,300
Totals				\$103,033	pending	\$11,690	\$210,800

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

^b UC estimate.

^c Estimated debt service does not include equipment costs and assumes bond funding at 7.9 percent over a 15 year term.

We have withheld recommendation on \$95,708,000 requested to finance working drawings and/or construction costs for seven previously approved projects, pending receipt and review of preliminary plans and cost estimates. (The preliminary plans and cost estimate for the Santa Barbara sea water laboratory were received too late to allow a meaningful review for this analysis.)

Two projects propose improvements to the hospital related facilities to the Irvine and San Diego campuses. These projects are discussed below.

Outpatient Services Facility—Irvine Medical Center

Multipurpose Administrative Facility—San Diego Medical Center

We recommend the Legislature delete Items 6440-301-525(3) and (6), \$7,325,000 for improvements to the Irvine and San Diego Medical Centers, because the proposed projects should be financed from funds available to the university through operation of the teaching hospitals.

The budget includes two projects financed from High Technology Education Revenue bonds that would improve hospital facilities operated at Irvine and San Diego. The projects include:

- Item 6440-301-525 (3), \$2,285,000 for working drawings, construction and equipment for an outpatient services facility at the Irvine Medical Center.
- Item 6440-301-525 (6), \$5,040,000 for preliminary plans, working drawings and construction of a multipurpose administration facility at the San Diego Medical Center.

The university has not provided any information on the projects at these hospitals.

The university's support budget (Item 6440-001-001) indicates that the two hospital projects represent the second year of a four year, \$77.2 million, plan intended to provide the university with state-funded capital improvements. This proposal contradicts the legislative intent expressed in the 1985 Budget Act.

The 1985 budget, as submitted to the Legislature, also proposed a multi-year plan for operating and capital outlay subsidies for the university's teaching hospitals. The Legislature approved \$11.7 million for improvements at the Irvine and San Diego hospitals but did not approve the multiyear plan. Instead, the Legislature adopted Budget Bill language under Item 6440-311-146 stating:

"It is the policy of the Legislature that the teaching hospitals shall finance capital improvement projects from hospital reserve funds. The approval of state funds for the budget year for hospital capital outlay projects is based on the unique financial circumstances which the teaching hospitals face in the budget year. Therefore, funding of these projects does not represent a commitment to finance similar projects in the future."

For these reasons, we recommend deletion of the funds requested under Item 6440-301-525 (3) and (6) for hospital improvement projects.

We note in passing that the UC has the ability to finance these projects without state funds being used. The proposed hospital improvement projects would be financed using the revenue bond financing mechanism established under the High Technology Education Revenue Bond Act. If this mechanism were used, the university eventually would be "in debt" to the Public Works Board for the cost of constructing these facilities because the rental payments are the surety provided to bondholders. The university, however, has the authority to incur debt obligations without state involvement. Therefore, if the proposed projects are needed, and will produce savings for the operating budget of the hospitals, the university should be willing to debt finance the projects on its own. This would place responsibility for debt repayment with the university, where it belongs, rather than with the state Public Works Board.

UC Borrows \$10.1 Million—A General Fund Obligation?

We recommend that prior to budget hearings, the Department of Finance and the UC provide an explanation of the financing scheme proposed for hospital improvements that would obligate the Legislature to provide a General Fund appropriation in future years in order to pay for projects funded with nonstate funds in the budget year.

The planned capital outlay subsidy program for UC hospitals includes \$10.1 million for projects that the budget document indicates will be

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

financed from *nonstate* funds in 1986–87. The proposal includes projects such as:

- Expansion and Renovation of the Emergency Room at Davis (\$1,442,000).
- Expansion of the Ambulatory Surgery Unit at Davis (\$924,000).
- Installation of a new Telephone System at Davis (\$1,250,000).
- A new Psychiatric Inpatient Facility at Irvine (\$1,819,000).
- Preliminary plans for Completion and Modernization of Inpatient Tower at San Diego (\$300,000).

The budget document states that these projects are to be financed from commercial loans initiated by the university. The loans would be repaid, beginning in 1987–88, from the General Fund. The Budget Bill, however, does not address this implicit commitment of state funds and requests no appropriations for the projects. Presumably, this request will be submitted in 1987–88, when the Legislature will be asked to pay for projects that have already been initiated *without legislative review or approval*.

The Department of Finance and the UC should provide the Legislature with a thorough explanation of this unique financing scheme, along with their rationale for concluding that the Legislature does not need to review and approve the projects which it is expected to fund.

III. PROJECTS FROM THE FEDERAL TRUST FUND

The budget includes \$1,984,000 from the Federal Trust Fund to finance one UC capital outlay project. The project would be funded from revenues *anticipated* but not yet received under Section, 8(g) of the federal Outer Continental Shelf Lands Act. As previously indicated, it is unclear at this time that the state will receive sufficient funds to finance either the amount which has already been appropriated, or the amount included in the Budget Bill.

Central Plant Chiller Expansion—Irvine

We recommend that the Legislature:

(1) *Revise the project scope for the Chiller Plant Expansion at Irvine to reflect a reduction in capacity consistent with accepted design requirements for operation of central chiller plants, and*

(2) *Adopt Budget Bill language directing the University to develop a system for recovering the capital cost of central plant projects that provide service to nonstate funded buildings.*

We withhold recommendation of Item 6440-301-890, pending receipt of preliminary plans reflecting the revised project scope.

The budget includes \$1,984,000 for working drawings and construction to expand the capacity of the central chiller plant on the Irvine campus. The project would increase plant capacity by 2,000 cooling tons (from 3,250 to 5,250 tons). The UC indicates that the existing plant capacity is not sufficient to meet cooling requirements, and the addition of several new buildings—both state-funded and non-state funded—will increase demand. The UC has allocated \$71,000 in the current year to fund preliminary plans for this project.

Our analysis of this request raises two issues with respect to operation of central heating and cooling plants on *all* UC campuses. First, the new capacity proposed by the UC exceeds projected needs, based on industry-accepted standards with respect to the “diversity factor” for operation of

central plants. Second, the Legislature needs to establish a policy for state-funded improvements that are intended, in part, to serve building that are not state-funded.

Planned Capacity Can Be Reduced. The proposed project assumes that the existing and proposed new buildings to be served by the central cooling plant will receive service based on a diversity factor of 80 percent. This means that the economy-of-scale achieved by the central plant will allow for installation of new capacity that amounts to 80 percent of the capacity of a stand-alone system to serve the building. Thus, a building that requires 1,000 tons of cooling capacity can be served adequately by 800 tons of capacity installed at a central plant that serves many buildings.

The diversity factor used in determining the projected load for the Irvine plant is not consistent with accepted standards for central plant diversity. A factor of 70 percent has been used in the design of central plants throughout the state, including those at other UC campuses. Applying this factor to the current and planned cooling loads, we find that plant capacity requirements should be reduced by over 600 tons. We therefore recommend that the Legislature revise the proposed project to provide 1,500 tons (the closest standard size of additional capacity).

Plant Will Serve Nonstate Funded Buildings. The UC indicates that the increased demand on the central plant includes:

- 110 tons for the Bren Events Center,
- 31 tons for a new Student Services Addition,
- 112 tons for the Hewitt Biomedical Building, and
- 69 tons for the Civic Theater of Irvine.

These buildings were not subject to Legislative review/approval and were not financed with state funds. According to the university however, the buildings are to be connected to the state-funded central plant. Thus, these buildings will use cooling capacity that otherwise would be available to serve state-funded buildings. This is inequitable. The state is funding all of the cost of expansion, while the university-sponsored non-state buildings pay nothing for the needed additional capacity.

Our analysis indicates that the UC should develop a method for allocating a portion of the cost of constructing/expanding central plants to the non-state funded buildings. We recommend that, prior to budget hearings, the UC provide the Legislature with options available for allocating these capital costs to the user buildings. Based on the proposed options, the Legislature should then adopt Budget Bill language implementing the best of these options.

The UC currently is preparing preliminary plans for this project. Pending receipt of the plans, reflecting the suggested change in project scope, we withhold recommendation on the \$1,984,000 requested in Item 6440-301-890.

Technical Correction to the Budget Bill

We recommend that to correct an error in the Budget Bill, the Legislature delete Item 6440-491, reappropriation of funds appropriated in the 1984 Budget Act.

Item 6440-491 proposes reappropriation of \$570,000 appropriated in the 1984 Budget Act under Item 6440-301-146(4) for the university's contribution toward sewer plant improvements at the Santa Barbara campus. According to the budget document, these funds are to be spent or encumbered during the current fiscal year. Thus, the proposed reappropriation

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

is not required. We therefore recommend that the Legislature delete Item 6440-491.

Supplemental Report Language

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

UNIVERSITY OF CALIFORNIA—HOSPITAL RESERVE FUNDS—CAPITAL OUTLAY

Item 6440-401 from Health
Sciences Hospital Reserve
Funds

Budget p. E 89

ANALYSIS AND RECOMMENDATIONS*We recommend approval.*

This item requires that the University of California's capital outlay projects costing over \$200,000 and funded from the Health Sciences Hospital Reserve Fund be approved by the Director of Finance and reviewed by the Legislature. The item also requires that the university certify to the Director of Finance that each project or group of projects will reduce operating expenses by an amount equal to 20 percent of the cost of the project on an annual basis or that operating revenues will increase by an amount equal to 20 percent of the cost of the project.

Projects costing less than \$200,000 must be identified in an annual report submitted to the Chairman of the Joint Legislative Budget Committee. Urgent projects concerning patient life or safety do not require prior approval and do not have to meet the 20 percent operating expense reduction/revenue enhancement certification requirement. These urgent projects must be included in the annual report.

This item is consistent with the Legislature's action in passing the 1985 Budget Act. We recommend that the Legislature approve Item 6440-401 as budgeted.

HASTINGS COLLEGE OF THE LAW

Item 6600 from the General
Fund and various funds

Budget p. E 102

Requested 1986-87	\$14,105,000
Estimated 1985-86.....	14,048,000
Actual 1984-85	11,179,000
Requested increase \$57,000 (+0.4 percent)	
Total recommended reduction	629,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6600-001-001—Main support	General	\$10,609,000
6600-001-814—Lottery	California State Lottery Ed- ucation	(113,000)
6600-001-890—Student financial aid	Federal Trust	(625,000)
6600-006-001—Student financial aid	General	521,000
6600-011-001—Faculty compensation	General	235,000
6600-490—Reappropriation	General	—
Reimbursements	—	2,740,000
Total		\$14,105,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis
page

1. **Resident Student Fees.** Reduce Item 6600-001-001 by \$175,000 and increase Item 6600-006-001 by \$35,000. Recommend that resident student fees be set using the methodology established by state law, and that additional financial aid be provided to offset the effect of fee increases on students with demonstrated financial need. (Net General Fund Savings: \$140,000). 1393
2. **Nonresident Student Fees.** Reduce Item 6600-001-001 by \$48,000. Recommend that fees charged nonresident students be increased to the average fee charged nonresidents at comparable universities. Further recommend that this policy be phased-in over a four-year period. 1394
3. **Computerized Administrative System.** Reduce Item 6600-001-001 by \$216,000. Recommend that funds requested for this system be deleted because the system has not been adequately justified. 1394
4. **Retirement System.** Reduce Item 6600-001-001 by \$56,000. Recommend technical adjustment to correct for overbudgeting of the state contribution to the retirement system. 1395
5. **Faculty Salaries.** Reduce Item 6600-011-001 by \$169,000. Recommend that the Legislature provide for a 1.4 percent increase in faculty salaries in order to achieve parity with comparable universities and delete the amount in excess of parity requirements. 1395

HASTINGS COLLEGE OF THE LAW—Continued**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 1986-87. The college has 211.7 full-time equivalent positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes a total of \$14,843,000 for support of Hastings in 1986-87. This is 0.6 percent (\$86,000) more than the college's 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 \$11,365,000 from the General Fund for support of Hastings in 1986-87. This is 0.8 percent (\$91,000) more than estimated current-year expenditures. The proposed increase includes sufficient funds to provide a 5.7 percent salary and benefit increase for faculty and staff on July 1, 1986.

Table 1
Hastings College of the Law
Expenditures and Funding
1984-85 through 1986-87
(dollars in thousands)

<i>Programs</i>	<i>Actual 1984-85</i>	<i>Est. 1985-86</i>	<i>Prop. 1986-87</i>	<i>Percent Change From 1985-86</i>
Instruction	\$4,653	\$6,305	\$6,198	-1.7%
Public and Professional Services	151	232	244	5.2
Academic Support—Law Library	1,495	1,814	1,377	-15.0
Student Services	1,913	2,432	2,420	-0.5
Institutional Support	2,121	2,398	2,303	-4.0
Operation and Maintenance of Plant	1,295	1,492	1,455	-2.5
Provisions for Allocation	—	84	646	669.0
Totals.....	\$11,628	\$14,757	\$14,843	0.6%
Funding Source				
<i>General Fund</i>	\$8,618	\$11,274	\$11,365	0.8%
<i>California State Lottery Education Fund</i>	—	84	113	34.5
<i>Federal funds</i>	449	625	625	—
<i>Reimbursements</i>	2,561	2,774	2,740	-1.2
Personnel-years.....	213.6	211.7	211.7	—

Table 2 identifies the specific factors accounting for the net \$91,000 increase in General Fund support proposed for 1986-87.

The budget does not include additional funding for Merit Salary Adjustments (\$60,000) or inflation adjustments to Operating Expenses and Equipment (\$109,000). Hastings will have to absorb these costs.

Table 2
Hastings College of the Law
Proposed 1986-87 General Fund Budget Changes
(dollars in thousands)

1985-86 Expenditures (Revised)		\$11,274
Proposed Changes:		
A. Cost Adjustments		-560
1. Faculty merit and promotional adjustments	\$77	
2. Employee compensation annualization	67	
3. Retirement (UCRS) adjustments	-387	
4. Reduction for one-time augmentations	-317	
B. Program Adjustments		100
1. Library collection.....	78	
2. Library emergency communication system	22	
C. Funding to Maintain Current Student Fee Levels		87
D. Employee Compensation		464
1986-87 Expenditures (Proposed)		\$11,365
Change from 1985-86:		
Amount		\$91
Percent		0.8%

ANALYSIS AND RECOMMENDATIONS

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

Later in this analysis, we discuss two of the proposed changes shown in Table 2: (1) student fee levels and (2) employee compensation. We recommend approval of the other proposed changes shown in Table 2 which include:

- **Library Collections** (\$78,000). The increase in funding for library collections is in accordance with Hastings' long-range library development plan; and
- **Library Communication System** (\$22,000). This increase is needed to provide for better communications in the law library during emergencies.

1. Student Fees Should Be Set In Accordance With State Law

We recommend that (1) the fees charged resident students be set at \$1,283, in accordance with policy set forth in state law and (2) the Legislature augment the budget by \$35,000 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 \$175,000 and increase Item 6600-006-001 by \$35,000.) (Net General Fund savings: \$140,000.)

The budget proposes a General Fund augmentation of \$87,000 which would be used to maintain Hastings' mandatory fees at the current-year level—\$1,166.

In our analysis of the University of California (UC) budget, we recommend that resident student fees in 1986-87 be set in accordance with the policy adopted by the Legislature last session in Chapter 1523, Statutes of 1985 (SB 195). Consistent with this recommendation, we recommend that the Chapter 1523 policy be followed by Hastings, as well. This policy calls for the fees charged Hastings' resident students to be increased by 10.0 percent, or \$117 in 1986-87.

Table 3 summarizes Hastings' resident fees in the current year, and compares our recommendation with the budget proposal for 1986-87.

HASTINGS COLLEGE OF THE LAW—Continued

Table 3
Hastings College of the Law
Resident Student Fee Levels
1985-86 and 1986-87

	Actual 1985-86	1986-87	
		Proposed in the Budget	Recommended by LAO
Mandatory fees	\$1,166	\$1,166	\$1,283
Other fees	46	46	46
Totals	\$1,212	\$1,212	\$1,329

We also recommend an increase of \$35,000 in state support for financial aid to offset the fee increase on students with demonstrated need.

In sum, we recommend that the Legislature reduce Item 6600-001-001 (main support) by \$175,000 (the amount of additional revenue raised by the higher fees) and increase Item 6600-006-001 (financial aid) by \$35,000, for a net General Fund savings of \$140,000. Adoption of this recommendation would not reduce the level of service provided to students.

2. Nonresident Student Fees Should Be Increased

We recommend that the tuition charged nonresident students be increased from \$5,296 to \$7,001, the average tuition charged to nonresident students by the four public universities used for making faculty salary comparisons. We further recommend that this policy be phased-in over a four-year period, starting in 1986-87, in order to allow time for students and families to adjust to this change. (Reduce Item 6600-001-001 by \$48,000.)

In the current year, 112 nonresident students are enrolled at Hastings. This represents about 7.5 percent of Hastings' total enrollment. In contrast, nonresidents enrolled at the University of California's three law schools account for 17.3 percent of total enrollment for the current year.

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 nonresident tuition and fee levels be increased to the average charged by the four public universities that are used for purposes of comparing faculty salaries (please see Item 6440-001-001).

3. Proposed Computerized System Not Adequately Justified

We recommend that the Legislature not approve the use of \$216,000 in reimbursements requested for an integrated computerized administrative system because the proposal has not been adequately justified. (Reduce Item 6600-001-001 by \$216,000.)

The budget proposes to use \$216,000 in reimbursement revenue for a "computerized administrative system for student services." Of this amount, \$180,000 would be spent on a one-time basis. Hastings also requested one FTE position to coordinate the project and ensure the maximum efficiency of the new system. Funding for this position, however, is not included in the budget.

Neither the administration nor Hastings has provided supporting information for this request. Hastings has neither a strategic plan nor a comprehensive requirements definition for administrative computing. Consequently, we are not able to determine (1) what is needed, (2)

whether the equipment requested will meet the need, or (3) whether the project is feasible without the position requested to oversee it. Accordingly, we recommend that the Legislature not approve the use of reimbursements for this system. Because reimbursement revenue is an offset to the General Fund, this will make an additional \$216,000 available to finance the approved budget program, permitting a corresponding savings to the General Fund.

4. Technical Issue—Retirement System Over-Budgeted

We recommend that the amount budgeted for the state contribution to the University of California Retirement System (UCRS) for Hastings' employees be reduced by \$56,000 to correct for overbudgeting. (Reduce Item 6600-001-001 by \$56,000.)

In our analysis of the University of California's budget, we noted that the budget proposes to reduce the state's contribution to UCRS from 11.3 percent (the current-year level) to 10.3 percent, for a General Fund savings of \$9 million. This reduction should have been, but was not, reflected in Hastings' budget.

Accordingly, we recommend that the Legislature reduce Item 6600-001-001 by \$56,000.

B. CALIFORNIA STATE LOTTERY EDUCATION FUND (Item 6600-001-814)

We recommend approval.

The budget requests expenditure of any funds received by Hastings from the California State Lottery Education Fund. It estimates that Hastings will receive \$113,000 from this fund in 1986-87.

There is no requirement in the budget that lottery funds be spent for any particular item of expenditure nor does the budget indicate how Hastings will spend its lottery funds. However, Budget Bill Control Section 24.60 requires Hastings to report to the Legislature by September 1, 1987 on the amount of lottery funds it received and what the funds were spent for in 1986-87.

We recommend that the amount requested by approved as budgeted.

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

We recommend that the Legislature (1) provide for a 1.4 percent increase in faculty salaries in order to achieve parity with comparable universities and (2) delete the amount requested in excess of parity requirements, for a General Fund savings of \$169,000. (Reduce Item 6600-011-001 by \$169,000.)

The budget requests \$464,000 to fund compensation increases for Hastings' employees in 1986-87. Of this amount, \$52,000 is proposed for benefits, while the balance—\$412,000—would be used to provide an across-the-board salary increase of 5.0 percent for faculty (\$235,000) and staff (\$177,000).

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 Item 6440-001-001).

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

We recommend approval.

The budget requests \$625,000 from the Federal Trust Fund to be used primarily for student financial aid. Our review indicates that this program is serving its intended purpose and, accordingly, we recommend the amount requested be approved as budgeted.

HASTINGS COLLEGE OF THE LAW—Continued

E. REAPPROPRIATION (Item 6600-490)

We recommend approval.

The 1986 Budget Bill contains language reappropriating unexpended balances from Hastings' main support appropriation for instructional equipment, deferred maintenance and special repairs.

This provision is consistent with recent legislative policy, and on this basis we recommend that the item be approved as budgeted.

CALIFORNIA STATE UNIVERSITY

Item 6610 from the General
Fund and various funds

Budget p. E 107

Requested 1986-87	\$1,666,991,000
Estimated 1985-86.....	1,558,831,000
Actual 1984-85	1,424,351,000
Requested increase \$108,160,000 (+6.9 percent)	
Total recommended reduction	2,128,000
Recommended General Fund Revenue Increase	16,330,000
Recommendation pending	2,111,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6610-001-001—CSU, support	General	\$1,310,003,000
6610-006-001—CSU, support	General	350,000
6610-010-001—CSU, support	General	251,316,000
6610-031-001—CSU, support	General	49,463,000
6610-001-140—CSU, support	Environmental License Plate	100,000
6610-001-814—CSU, support	Lottery Education	18,500,000
6610-021-146—CSU, support	Capital Outlay	10,716,000
6610-490—CSU, reappropriation	General	0
Reimbursements	—	26,543,000
6610-001-890	Federal Trust	(74,960,000)
Total		\$1,666,991,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. **Instructional Deans. Reduce Item 6610-001-001 by \$1,464,000.** Recommend elimination of 20.3 instructional dean positions and 20.3 related clerical support positions which are not justified on a workload basis. 1409
2. **Instructionally Related Activities. Reduce Item 6610-001-001 by \$645,000.** Recommend elimination of state categorical support for "instructionally related activities" because these activities generally are supported by student fees and can also be supported within the campuses' regular budget allocations. 1415

3. **Intramural Athletics and University/Library Orientation.** 1417
Recommend adoption of Budget Bill language to prohibit state funding for enrollment in intramural athletics, student orientation to the university, and student orientation to the campus library.
4. **Preschool Laboratories. Reduce Item 6610-001-001 by \$158,000.** 1420
Recommend elimination of state categorical support for the preschool child development laboratories at two CSU campuses because these programs can be supported from a combination of parent fees and regular campus budget allocations, as is the case at other CSU campuses.
5. **Student Fees. Increase Item 6610-010-001 by \$16,330,000 and reduce Item 6610-001-001 by \$13,883,000.** 1422
Recommend (1) adoption of supplemental report language directing the CSU to comply with the statutory fee policy enacted in 1985 and increase student fees by 10 percent (\$57 for a full-time student) in 1986-87, for an increase of \$16,330,000 in General Fund revenues, and (2) a \$2,447,000 augmentation for financial aid grants in order to offset the effect of the fee increase on needy students.
6. **Minority Underrepresentation and Teaching Improvement Program. Reduce Item 6610-001-001 by \$660,000, reduce Item 6100-001-001 by \$48,000, and reduce Item 6100-191-001 by \$542,000.** 1424
Recommend elimination of the proposed Minority Underrepresentation and Teaching Improvement program because its objectives can be achieved within existing budget resources or by less costly alternatives.
7. **Admission Requirements.** 1428
Recommend adoption of supplemental report language requiring the California Postsecondary Education Commission (CPEC) to report on the potential impact that CSU's new admission requirements (1988) will have on CSU as well as the K-12 and community college segments.
8. **Public Safety Activities.** 1429
Withhold recommendation on \$2,111,000 budgeted for support of public safety supervisorial positions, pending receipt of a report on funding of these positions.
9. **Employee Compensation. Reduce Item 6610-031-001 by \$918,000 and reduce Item 6610-001-001 by \$730,000.** 1435
Recommend a technical adjustment to correct for overbudgeting of proposed salary increases for CSU employees.

Overview of Legislative Analyst's Recommendations

We recommend (1) reductions to the CSU's budget totaling \$4.6 million, (2) an augmentation in the amount of \$2.4 million, and (3) an increase in fees that will lead to a \$16.3 million increase in revenues, for a net savings to the General Fund of \$18.5 million.

The net savings would result primarily from our recommendation to implement the student fee policy enacted by the Legislature in 1985. This policy calls for an increase in student fees amounting to 10 percent. The increase would augment General Fund revenues by \$16.3 million, without cutting programs or reducing services provided to CSU students. In order to offset the effect of the fee increase on needy students, we also recom-

CALIFORNIA STATE UNIVERSITY—Continued

mend a \$2.4 million augmentation for financial aid grants.

The \$4.6 million in budget reductions that we recommend consist of reductions in five areas: (1) instructional administration, (2) instructionally related activities, (3) preschool laboratories, (4) teacher education, and (5) employee compensation.

Table 1 summarizes the fiscal impact of our recommendations.

Table 1
Summary of Changes to the CSU's 1986-87 Budget
Recommended by the Legislative Analyst

Program	Program Changes	Impact on General Fund	
		Expenditures	Revenues
Instructional Administration—Deans.....	-\$1,464,000	-\$1,464,000	
Instructionally Related Activities	-645,000	-645,000	
Preschool Laboratories	-158,000	-158,000	
Student Fees.....			\$16,330,000
Financial Aid	2,447,000	2,447,000	
Teacher Education/Minority Underrepresentation	-660,000	-660,000	
Employee Compensation	-1,648,000	-1,648,000	
Totals	-\$2,128,000	-\$2,128,000	\$16,330,000

GENERAL PROGRAM STATEMENT

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

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

The 19 campuses have an estimated full-time equivalent (FTE) student enrollment of 248,043 in 1985-86. The system has 32,218.6 authorized personnel-years in the current year.

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

Transfer students may be admitted from other four-year institutions or from community colleges if they have maintained at least a 2.0 grade point, or "C", average in prior academic work. To be admitted to upper-division 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 \$1,611,132,000 for support of the CSU system in 1986-87. This is an increase of \$105,406,000, or 7.0 percent, over estimated current-year General Fund expenditures.

Due to an accounting change recommended by the Auditor General, proposed General Fund expenditures include \$251,316,000 that will be spent for activities that are financed from student fees. In past years, fee revenues were treated as a reimbursement, or an offset, to the General Fund, and were not provided through the General Fund appropriation. Beginning in the budget year, student fees will be treated as General Fund revenues, and the activities supported by these fees will be funded through the General Fund appropriation for support of the CSU. For purposes of comparison, the expenditures shown in the budget for the past and current years have been adjusted to reflect the expenditure of these revenues in the General Fund totals.

Table 2
California State University
Summary of Expenditures and Funding Sources
1984-85 through 1986-87
(dollars in thousands)

Program Expenditures	Actual 1984-85	Estimated 1985-86	Proposed 1986-87	Change from 1985-86	
				Amount	Percent
Instruction	\$809,212	\$897,724	\$942,361	\$44,637	5.0%
Public Service	878	930	1,191	261	28.1
Academic Support	148,092	164,455	164,971	516	0.3
Student Services	183,205	194,659	205,572	10,913	5.6
Institutional Support	361,708	396,584	400,562	3,978	1.0
Independent Operations.....	52,710	46,249	48,776	2,527	5.5
Auxiliary Organizations.....	205,424	213,493	223,850	10,357	4.9
Provisions for Allocation	—	464	(23,800)	(24,264)	NMF ^a
Unallocated Salary Increase.....	—	—	79,382	79,382	N/A
Totals, Expenditures.....	\$1,761,229	\$1,914,558	\$2,042,865	\$128,307	6.7%
Funding Source:					
General Fund.....	\$1,398,201	\$1,505,726	\$1,611,132	\$105,406	7.0%
Reimbursements	25,047	25,789	26,543	754	2.9
Special Account for Capital Outlay	—	13,716	—	(13,716)	-100.0
Environmental License Plate Fund	—	—	100	100	N/A
Capital Outlay Fund for Public Higher Education.....	1,103	—	10,716	10,716	N/A
Continuing Education Revenue Fund.....	38,120	39,213	40,334	1,121	2.9
Dormitory Revenue Fund (Housing)	19,137	24,186	26,435	2,249	9.3
Dormitory Revenue Fund (Parking)	8,615	9,750	10,277	527	5.4
Lottery Education Fund.....	—	13,600	18,500	4,900	36.0
Federal Trust Fund	65,299	68,962	74,960	5,998	8.7
Special Projects Fund	283	123	18	(105)	-85.4
Auxiliary Organizations:					
Federal	44,680	46,435	48,757	2,322	5.0
Other	160,744	167,058	175,093	8,035	4.8
Personnel-years	34,527.9	32,218.6	32,499.4	280.8	0.9

^a No Meaningful Figure.

CALIFORNIA STATE UNIVERSITY—Continued

The budget proposes expenditures of \$10.7 million from the Capital Outlay Fund for Public Higher Education for special repairs and deferred maintenance in 1986–87. This represents a reduction of \$3 million, or 22 percent, from the amount appropriated for this purpose from the Special Account for Capital Outlay in 1985–86.

Table 2 provides a budget summary for the CSU system, by program, for the prior, current, and budget years.

The CSU budget is divided into seven program classifications. Table 3 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.

1986–87 Budget Changes

As detailed in Table 4, the \$105.4 million General Fund increase for CSU in 1986–87 reflects several offsetting increases and decreases. The table shows that:

- **Baseline adjustments** result in a net decrease of \$81,000. These include various adjustments in personnel costs, reductions for nonrecurring expenditures, and cost increases resulting from legislation.
- **Program maintenance proposals** result in an increase of \$20.1 million.
- **Budget change proposals** result in an increase of \$6.0 million. (Each of these augmentations is discussed later in this analysis.)
- **Unallocated salary and benefit increases**, also discussed in this analysis, total \$79.4 million.

Merit Salary Adjustments and Price Increases Not Fully Funded

The budget does not include additional funding for nonfaculty merit salary adjustments (\$7,019,000) or inflation adjustments to operating expenses and equipment (\$10,351,000). The CSU will have to absorb these costs.

Table 3
The California State University
Expenditures by Subprogram and Funding Source
1986-87
(dollars in thousands)

	<i>General Fund</i>			<i>Other State Funds</i>				<i>Special Funds</i>				<i>Grand Totals</i>
	<i>Net</i>	<i>Reimburse-ments</i>	<i>Totals</i>	<i>Special Projects</i>	<i>COPFHE</i>	<i>Lottery Education</i>	<i>Environ. License Plate</i>	<i>Continuing Education</i>	<i>Dormitory and Parking</i>	<i>Federal Trust</i>	<i>Foundations & Auxiliary Organizations</i>	
1. Instruction												
Regular instruction	\$908,238	\$2,000	\$910,238	—	—	\$8,989	—	—	—	—	—	\$919,227
Special session instruction	—	—	—	—	—	—	—	\$15,781	—	—	—	15,781
Extension instruction	—	—	—	—	—	—	—	7,353	—	—	—	7,353
Totals, Instruction	\$908,238	\$2,000	\$910,238	—	—	\$8,989	—	\$23,134	—	—	—	\$942,361
2. Public Service												
Campus community service	—	\$1,191	\$1,191	—	—	—	—	—	—	—	—	\$1,191
3. Academic Support												
Libraries	\$79,235	—	\$79,235	—	—	—	—	\$52	—	—	—	\$79,287
Audiovisual services	16,447	—	16,447	—	—	—	—	332	—	—	—	16,779
Computing support	43,878	—	43,878	—	—	2,292	—	118	—	—	—	46,288
Ancillary support	22,517	—	22,517	—	—	—	\$100	—	—	—	—	22,617
Totals, Academic Support	\$162,077	—	\$162,077	—	—	\$2,292	\$100	\$502	—	—	—	\$164,971
4. Student Services												
Social and cultural development	\$6,056	—	\$6,056	—	—	—	—	—	—	—	—	\$6,056
Supplemental educational services—												
EOP	19,700	—	19,700	—	—	—	—	—	—	—	—	19,700
Counseling and career guidance	26,897	—	26,897	—	—	—	—	\$288	—	—	—	27,185
Financial aid	27,604	\$8,888	36,492	—	—	—	—	—	—	\$74,960	—	111,452
Student support	35,447	—	35,447	—	—	—	—	4	\$5,728	—	—	41,179
Totals, Student Services	\$115,704	\$8,888	\$124,592	—	—	—	—	\$292	\$5,728	\$74,960	—	\$205,572

Table 3—Continued
The California State University
Expenditures by Subprogram and Funding Source
1986-87
(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>Lottery COPFHE Education</u>	<u>Environ. License Plate</u>	<u>Continuing Education</u>	<u>Dormitory and Parking</u>	<u>Federal Trust</u>	<u>Foundations & Auxiliary Organizations</u>		
5. Institutional Support												
Executive management	29,104	—	\$29,104	—	—	—	\$10,934	—	—	—	—	\$40,038
Financial operations	28,361	8863	29,224	—	—	—	1,037	\$2,051	—	—	—	32,312
General administrative services	58,814	—	58,814	—	—	—	980	—	—	—	—	59,794
Logistical services	54,940	1,076	56,016	—	—	—	1,792	8,896	—	—	—	66,704
Physical plant operations	138,681	—	138,681	\$18	\$10,716	—	68	18,236	—	—	—	167,719
Faculty and staff services	26,673	—	26,673	—	—	—	226	201	—	—	—	27,100
Community relations	5,526	—	5,526	—	—	—	1,369	—	—	—	—	6,895
Totals, Institutional Support	\$342,099	\$1,939	\$344,038	\$18	\$10,716	—	\$16,406	\$29,384	—	—	—	\$400,562
6. Independent Operations	\$34,651	\$12,525	\$47,176	—	—	—	—	\$1,600	—	—	—	\$48,776
7. Auxiliary organizations	—	—	—	—	—	—	—	—	—	—	\$223,850	\$223,850
Provisions for Allocation	—\$31,019	—	—\$31,019	—	—	\$7,219	—	—	—	—	—	—\$23,800
Employee Compensation	\$79,382	—	\$79,382	—	—	—	—	—	—	—	—	\$79,382
Totals, Support Budget Expenditures	\$1,611,132	\$26,543	\$1,637,675	\$18	\$10,716	\$18,500	\$100	\$40,334	\$36,712	\$74,960	\$223,850	\$2,042,865

Table 4
The California State University
General Fund Budget Changes Proposed for 1986-87
(dollars in thousands)

1985-86 Expenditures (Adjusted)		\$1,505,726
I. Baseline Adjustments		
A. Increased Cost of Existing Personnel		
1. Merit Salary Adjustments	\$17,095	
2. Unscheduled reduction to non-faculty merit salaries	-7,019	
3. Full-year funding of 1985-86 salary increase	22,983	
4. Faculty promotions.....	1,231	
5. OASDI	2,164	
6. Retirement	-23,988	
7. Worker's compensation	400	
8. Unemployment compensation.....	-510	
Subtotal, Increased Cost of Existing Personnel	\$12,356	
B. Nonrecurring Items		
1. Reappropriated Savings.....	-\$4,919	
2. Furniture	-295	
3. Faculty Development	-866	
4. AIMS.....	-1,000	
5. DIS-Relocation	-150	
6. Library Development—File Enhancement	-1,645	
7. Enrollment 1985-86	-680	
8. Off-Campus Center Studies	-650	
9. Special Repairs Carryover.....	-3,157	
Subtotal, Nonrecurring Items	-\$13,362	
C. Inflation Adjustments		
1. Price increase	\$93	
D. Impact of New Legislation		
1. Faculty Participation in Schools	682	
2. Economic Education Centers	150	
Subtotal, Impact of New Legislation	882	
Total, Baseline Adjustments		-881
II. Program Maintenance Proposals		
A. Enrollment Adjustment	\$14,128	
B. Special Cost Factors		
1. Campuses		
a. Instruction	-1,982	
b. Academic Support	369	
c. Student Service.....	853	
d. Institutional Support.....	3,775	
e. Independent Operations	2,943	
f. Reimbursements	298	
2. Systemwide Offices.....	1,141	
3. Systemwide Provisions.....	-1,452	
Total, Program Maintenance Proposals		\$20,073
III. Budget Change Proposals		
A. Off-Campus Center	\$308	
B. Environmental Health and Safety	35	
C. OLPAC Project (Library)	1,094	
D. Minority Underrepresentation and Teaching	660	
E. Centrex Replacement (Telecommunications)	505	
F. Instructional Supplies and Services.....	2,751	
G. Academic Improvement Program	347	
H. Academic Partnership Program	90	
I. Project Assist (Transfer Centers)	157	
J. CAN Project (Transfer Articulation)	65	
Total, Budget Change Proposals		\$6,032
IV. Unallocated Salary Increase		\$79,382
1986-87 Expenditures (Proposed)		\$1,611,132
Change from 1985-86:		
Amount	\$105,406	
Percent	7.0%	

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

We recommend approval of all baseline adjustments and the following budget change proposals totalling \$5.4 million, which are not discussed elsewhere in this analysis:

- **Off-Campus Center**—\$308,000 for an off-campus center in Palm Desert, in order to expand access to educational programs in San Bernardino County. This center has been approved by the California Postsecondary Education Commission.
- **Safety**—\$55,000 for 1.5 diving safety officers to support CSU's marine science facilities. These positions are required to ensure the safety of CSU's diving activities.
- **Library Enhancement**—\$1,094,000 to install the On-Line Public Access Catalogue system at two CSU campus libraries. This project is designed to enhance library services and reduce labor costs.
- **Instructional Support**—\$2,751,000 to augment funding for instructional supplies and services. The need for these funds is due, in part, to the shift toward higher technologies in the CSU curriculum.
- **Telephones**—\$505,000 to replace telephone centrex systems with integrated digital systems. This project, initiated in the current year, will result in long-term savings by reducing telephone exchange costs.
- **Academic Improvement**—\$347,000 to augment the Academic Improvement Program. This would partially restore funding cut from the program in the current year (\$600,000). The program provides grants for a variety of projects to improve CSU curricula and services.
- **Partnership Program**—\$90,000 to expand the California Academic Partnership Program. This will permit expansion of the English diagnostic program to additional secondary schools, and is consistent with the statutory provisions authorizing the partnership program.
- **Transfers**—\$222,000 to expand project ASSIST and the California Articulation Number project. These projects are part of the inter-segmental program established by the Legislature in the current year to facilitate community college student transfer to four-year colleges.

Budget Proposes PERS Employer Contribution Rate Reduction

The budget proposes a 15 percent reduction in the employer contribution rate for the Public Employees' Retirement System. As a result, the budget reflects a \$24 million General Fund reduction in 1986-87. The CSU Chancellor's Office estimates that the savings associated with a 15 percent reduction in the employer contribution rate would amount to only \$23,725,000. The Department of Finance should review the basis for its estimate and advise the fiscal committees during the budget hearings as to whether CSU will be required to reduce other activities in order to compensate for the \$275,000 shortfall.

We discuss this issue in greater detail in our analysis of Control Section 3.60.

Playing Games With The Staffing Numbers: A Continuing Saga

The Governor's Budget proposes a net increase of 280.8 personnel-years in 1986-87, which is an increase of about 1 percent over the current-year level. The net increase reflects the following changes:

- an increase of 387.6 personnel-years for baseline adjustments that are

workload-related (primarily due to an increase in current-year enrollment);

- an increase of 37.1 personnel-years related to new or expanded programs; and
- an *unallocated* reduction of 143.9 personnel-years, with no corresponding reduction in funding.

At this point, we have no idea—nor does CSU—how this unallocated reduction of 143.9 personnel-years will be implemented. The budget indicates that CSU will identify the positions to be eliminated at a later date.

This is the third year in succession that the budget has proposed significant reductions in positions with no corresponding decreases in expenditures. CSU has implemented these personnel-year reductions primarily by changing the way non-state-funded positions are defined or displayed in the budget.

I. INSTRUCTION

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

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

Table 5
The California State University
Instruction Program Expenditures
1984-85 through 1986-87
(dollars in thousands)

	Actual 1984-85	Estimated 1985-86	Proposed 1986-87	Change from 1985-86	
				Amount	Percent
<i>Program Expenditures</i>					
Regular instruction	\$789,512	\$874,640	\$919,227	\$44,587	5.1%
Special session instruction	12,083	15,149	15,781	632	4.2
Extension instruction	7,617	7,935	7,353	(582)	-7.3
Totals, Expenditures	\$809,212	\$897,724	\$942,361	\$44,637	5.0%
<i>Funding Source</i>					
General Fund	\$789,512	\$864,744	\$908,238	\$43,494	5.0%
Continuing Education Revenue Fund	19,700	23,084	23,134	50	0.2
Lottery Fund	—	8,989	8,989	—	—
Reimbursements	—	907	2,000	1,093	120.5
<i>Personnel:</i>					
Regular instruction	19,323.0	17,720.3	17,977.5	257.2	1.5%
Extension and special session	444.2	381.2	377.1	(4.1)	-1.1
Totals	19,767.2	18,105.2	18,354.6	249.4	1.4%

Increase in Lottery Funds (Item 6610-001-814)

We recommend approval.

The Department of Finance estimates that CSU will receive \$13.6 million in lottery revenues in the current year. This is \$464,000 more than the amount appropriated in the 1985 Budget Act. The CSU proposes to spend these funds primarily in support of the instruction program, as follows:

- \$7,000,000 for instructional equipment replacement.

CALIFORNIA STATE UNIVERSITY—Continued

- \$1,179,000 for clinical supervision training of master teachers (teacher education).
- \$4,147,000 for instructional computing.

The remaining \$464,000 in lottery revenue has not been allocated for a specific purpose.

The budget projects that CSU will receive \$18.5 million in lottery revenues during 1986-87, an increase of \$4.9 million, or 36 percent, over the estimated current-year amount. The budget proposes to use \$11,281,000 of these funds to continue the activities funded in the current year. (This amount is less than the sum of the amounts listed above because \$1,855,000 represents one-time expenditures for computer equipment in the current year.) The remaining \$7.2 million in projected lottery revenues has not been allocated for specific purposes. The Budget Act of 1985 requires CSU to submit, by September 1, 1986, its plan for spending lottery funds in 1986-87.

Our analysis indicates that lottery funds are being utilized in a manner consistent with the intent of the law, and accordingly, we recommend that the amount requested be approved as budgeted. If lottery funds exceed the amount appropriated—a likely occurrence—the excess funds are automatically reappropriated to CSU through the provisions in this item.

A. ENROLLMENT

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

Table 6
The California State University
Annual Full-Time Equivalent Students
1984-85 through 1986-87

Campus	1984-85		1985-86		1986-87 Proposed
	Actual	Budgeted	Revised Estimate		
Bakersfield	2,547	2,650	2,798	2,875	
Chico	12,668	12,700	12,928	13,100	
Dominguez Hills	5,363	5,650	5,223	5,450	
Fresno	13,743	13,750	13,891	14,000	
Fullerton	16,062	15,800	16,336	16,000	
Hayward	9,651	10,030	9,581	9,810	
Humboldt	5,596	5,700	5,652	5,750	
Long Beach	21,803	22,100	22,815	22,600	
Los Angeles	15,074	15,280	15,484	15,400	
Northridge	19,800	19,500	20,444	20,200	
Pomona	14,497	14,500	14,906	15,000	
Sacramento	17,338	17,100	17,834	17,700	
San Bernardino	4,302	4,600	4,727	5,100	
San Diego	25,487	24,800	25,767	25,300	
San Francisco	17,671	17,600	18,174	18,000	
San Jose	18,071	17,900	18,408	18,300	
San Luis Obispo	15,518	15,430	15,479	15,470	
Sonoma	4,086	4,200	4,092	4,220	
Stanislaus	3,018	3,100	3,024	3,100	
System Totals:					
College Year	242,295	242,390	247,563	247,375	
International Programs	457	480	480	480	
Grand Totals	242,752	242,870	248,043	247,855	

As shown in Table 6, the latest estimate of CSU enrollment in the current year (1985-86) is 248,043 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 latest estimate is 5,173 FTE (2.1 percent) higher than the enrollment budgeted for 1985-86, and 5,291 FTE (2.2 percent) above actual 1984-85 FTE enrollment.

The 1985 Budget Act authorizes the CSU to seek a supplementary General Fund appropriation if actual enrollment exceeds the budgeted amount by at least 2 percent. The CSU has requested—and the budget proposes—a supplementary appropriation in the amount of \$680,000 pursuant to this provision.

The budget proposes FTE enrollment of 247,855 in 1986-87, a decrease of 188 FTE from the latest estimate for 1985-86.

Student Ethnicity

As shown in Table 7, the proportion of CSU students from Hispanic and "other minority" groups has been increasing since 1976. We note, however, that Black student enrollment has declined from 7.7 percent in 1978 to 6.0 percent in 1984—a decrease of 1.7 percentage points. CSU has been unable to determine the specific causes for this decline.

Table 7
The California State University
Distribution of Students by Racial/Ethnic Group^a
For Selected Years
(Fall Term)

<i>Ethnic Group</i>	1976	1978	1980	1982	1984
Hispanic ^b	6.5%	8.6%	9.2%	9.2%	9.4%
Black	6.1	7.7	7.0	6.5	6.0
Other Minority	8.0	9.8	10.7	12.6	13.8
White	79.4	73.9	73.1	71.7	70.8
Totals	100.0%	100.0%	100.0%	100.0%	100.0%

^a The percentage distribution is based on students responding, fall terms.

^b Hispanic category is defined as "Mexican-American" and "Other Hispanic."

B. REGULAR INSTRUCTION

The regular instruction program includes 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 on the basis of 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.

CALIFORNIA STATE UNIVERSITY—Continued**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 from (a) lower division to upper division courses and (b) the lower-cost liberal arts and social sciences to the more-expensive technical- 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, student enrollment has increased in lower division courses. Because this trend is projected to continue in 1986-87, the budget provides for a reduction of 46.5 faculty personnel-years to reflect this shift in student enrollment.

2. Faculty Workload Data

Some of the basic measures of faculty workload are average class size, the average number of student-faculty contact hours, the average number of weighted teaching units (WTU) taught by faculty, and the average number of student credit units (SCU) generated. Table 8 shows these measures which, for the most part, remained relatively constant during the 1982-84 period. As the table indicates, an average of 4 lecture and laboratory sections are taught by CSU faculty per semester. This workload could consist of one section of four different courses, four sections of the same course, or any combination thereof.

Table 8
The California State University
Faculty Workload Indicators
1982 through 1984

Indicator	Fall 1982	Fall 1983	Change from	
			Fall 1984	1983
Faculty FTE ^a	12,994.3	12,904.1	13,177.1	273.0
Percent of regular faculty with Ph.D.	72.3%	72.5%	73.0%	0.5%
Enrollment FTE ^b	241,164	241,905	242,090	185
Lecture and laboratory sections per faculty FTE	4.0	4.1	4.0	-0.1
Lecture and laboratory contact hours per faculty FTE per week	13.1	13.2	13.1	-0.1
Independent study contact hours per faculty FTE per week	3.8	3.5	3.3	-0.2
Total contact hours per faculty FTE per week	16.9	16.7	16.4	-0.3
Average lecture class size	27.9	28.2	27.9	-0.9
Average laboratory class size	19.9	19.2	18.8	-0.4
Lecture and laboratory WTU ^c per faculty FTE	11.3	11.3	11.2	-0.1
Independent study WTU per faculty FTE.....	1.5	1.4	1.3	-0.1
Total WTU per faculty FTE.....	12.8	12.7	12.5	-0.2
SCU ^d per WTU.....	21.7	22.2	22.1	-0.1
SCU per faculty FTE	278.4	281.2	275.6	-5.6
Student-Faculty Ratio (Annual)	18.17	18.22	17.97	-0.25

^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. Campuses Overbudgeted for Instructional Deans

We recommend elimination of 20.3 instructional dean positions and 20.3 related clerical support positions which are not justified on a workload basis, for a General Fund saving of \$1,464,000. (Reduce Item 6610-001-001 by \$1,464,000.)

Administrators at CSU campuses typically are assigned to one of five organizational units: the Office of the President, academic affairs, student services, business affairs, and administrative affairs. The state allocates funds for a vice president or dean to head each of the four administrative units below the President, and provides a complement of support positions—including deans, directors, coordinators, and academic planners—to carry out the task of managing a university.

The academic affairs unit—the focus of this analysis—is administered by a vice president. Reporting to the vice president are the campus instructional deans. A specified number of instructional dean positions is allocated to each campus. This includes a regular allotment of deans, which varies with campus enrollment, and additional allocations to campuses which have specified programs. As discussed below, we find that (1) the regular enrollment-related allotment is excessive at certain campuses and (2) the special allocations to selected campuses are not justified.

Enrollment-Related Allocation. Table 9 shows the current budget formula for allocating instructional deans to the CSU campuses, based on FTE enrollment. The budget formula also provides one clerical support position for each instructional dean position.

Table 9
CSU Budget Formula for Regular
Allocation of Instructional Deans *

FTE Enrollment	Number of Campuses	Allocation of Instructional Deans
Below 1,000.....	0	4.5
1,000-4,499.....	3	5.5
4,500- 9,999.....	4	9.5
Above 9,999.....	12	10.0

* Excludes special program-related allocation of instructional deans.

As the table shows, the number of instructional deans increases sharply from 5.5 to 9.5 when campuses reach 4,500 FTE, and increases by only one-half position at the remaining breakpoint—10,000 FTE. This raises two questions: Is FTE an appropriate measure of workload for instructional deans and, if so, does the formula now in use reflect the relationship between workload and the need for positions?

The workload of instructional deans is a function of several variables, such as the number of academic schools and departments, the number of faculty, and the leadership style of the campus president and academic affairs vice president. Instructional deans are provided to the campuses to serve primarily as deans of the campuses' academic schools. Some positions, however, may be used for broader functional specializations such as dean of the graduate division and dean of academic planning.

This suggests that the *number of schools* at each campus should determine the number of instructional deans. If this were done, however, those large campuses which have adopted an organizational structure encompassing a relatively small number of schools, such as Sacramento and

CALIFORNIA STATE UNIVERSITY—Continued

Fullerton, would be penalized.

Because student FTE generally is closely related to those campus workload measures which can be quantified (such as the number of faculty), we believe it should be used to measure the workload of instructional deans for purposes of position allocation. In applying this measure to the CSU's 19 campuses, we find that the budget formula does *not* result in a reasonable or equitable allocation of instructional deans.

We conclude that 5.5 is an adequate number of instructional deans for the three smallest campuses (Bakersfield, Stanislaus, and Sonoma). These campuses offer fewer courses and programs than do the large campuses, and generally are organized into a smaller number of departments and schools. Two of these campuses are organized into three academic schools, and the other campus has four schools. The budget allocation therefore provides deans for each of the campuses' schools and permits sufficient flexibility to cover additional "administrative overhead" functions such as dean of the graduate division.

We find no justification, however, for giving to the remaining 16 campuses almost twice the number of instructional deans. The weakness of the allocation formula is illustrated by reviewing the use of deans on the San Bernardino campus in 1985-86.

Prior to this fiscal year, San Bernardino was allocated 5.5 instructional dean positions. The campus assigned one dean to each of its five schools, and used the remaining 0.5 position to serve as dean of graduate programs. In 1985-86, San Bernardino went over the 4,499 FTE breakpoint. As a result, the budget funded an additional 4.0 instructional dean positions for the campus. Thus, even though there was virtually no increase in workload, the campus received a 73 percent increase in those positions.

The campus administration decided not to fill the new dean positions in 1985-86, choosing instead to use the funds for the purchase of instructional equipment. While the campus has not indicated whether it will fill the vacant positions in 1986-87, campus administrators have stated that there are no plans to expand the number of academic schools.

We also note that the other three campuses which are allocated 9.5 instruction deans—Dominguez Hills, Humboldt, and Hayward—have approximately the same number of academic schools as San Bernardino. This suggests that these campuses are similarly overbudgeted for instructional dean positions.

In sum, we conclude that while 5.5 instructional dean positions is a reasonable allocation for the three smallest campuses, 9.5 positions for the next group of campuses is excessive. While the number of positions should increase as the number of FTE rises, the increase should be more gradual. In order to determine what the appropriate rate of increase is, we turn first to the question of how many positions should be allocated to the largest of the CSU campuses.

Table 10 shows the enrollment and the number of academic schools and departments at the six largest campuses.

The enrollment-related budget formula provides 10.0 instructional dean positions to each of these campuses. (Four of the campuses receive an additional dean position for special programs.) As the table shows, the number of schools at these campuses ranges from five to eight, with four of the six campuses organized into eight schools. Thus, the budget formula permits these campuses to assign a dean to each of their schools, leaving

Table 10
Enrollment, Schools, and Departments at the
Six Largest CSU Campuses

<i>Campus</i>	<i>FTE</i> ^a	<i>Schools</i>	<i>Departments</i> ^b
San Diego.....	25,300	7	58
Long Beach.....	22,600	8	75
Northridge.....	20,200	8	49
San Jose.....	18,300	8	60
San Francisco.....	18,000	8	60
Sacramento.....	17,700	5	41

^a Proposed, 1986-87.

^b Includes other organizational units, such as divisions, if these units are comparable to departments.

at least two additional positions for such functions as dean of the graduate division. If a campus elects to organize into a relatively small number of schools—as Sacramento has done—it will have more positions to allocate to other functions. Most of the CSU campuses have a dean of graduate studies, but there is no clear pattern for the use of additional dean positions. Some campuses use these positions as deans of academic planning, for example, whereas others have deans of undergraduate studies.

There is no quantifiable workload measure of the need for dean positions to cover functions such as academic planning and administration of the graduate program. Our review indicates, however, that at some campuses, these functions are assumed by administrative personnel other than instructional deans—for example, vice presidents, associate deans, or academic planners. We also note that campuses such as Long Beach and Northridge—which have large enrollments, eight schools, and no additional instructional deans beyond the regular allocation—have not proposed a budget augmentation for additional dean positions, nor is there any indication that these campuses are managing their academic programs less effectively than those campuses that receive an extra allotment of instructional deans.

We therefore conclude that the existing regular allocation of 10.0 instructional dean positions is adequate for the large CSU campuses (over 17,500 FTE).

The remaining task, then, is to determine the rate at which the number of instructional dean positions should increase from the base allocation of 5.5 for the smallest campuses to the maximum of 10.0 for the largest campuses. Table 11 shows three alternative budget allocation formulas tying the number of positions to FTE. The first alternative is designed to achieve a gradual increase in the number of positions as enrollment increases. The second alternative is based on the framework of the existing formula. The last alternative is a hybrid of the first two formulas.

From an analytical basis, we believe the first alternative is justified. It provides a sufficient number of positions to provide deans for every school at every campus, and the increase in positions is closely linked to the growth in enrollment. Moreover, 17 of the 19 campuses would have at least one extra instructional dean position beyond the number required for deans of each academic school (the two exceptions are Chico and Fresno). On the other hand, this alternative would have a relatively significant effect on the campuses (a net loss of 21.0 dean positions and 21.0 clerical positions).

CALIFORNIA STATE UNIVERSITY—Continued

Table 11
 Alternatives to CSU Budget Formula for Regular Allocation of
 Instructional Deans

Enrollment (FTE)	Number of Schools per Campuses Campus		Alternative 1			
			Governor's Budget	Instructional Deans		
				LAO Alternative	Per Campus	Difference Total
Below 4,500	3	3-4	5.5	5.5	—	—
4,500-9,999	4	4-6	9.5	7.0	-2.5	-10.0
10,000-14,999	2	8	10.0	8.0	-2.0	-4.0
15,000-19,999	7	5-8	10.0	9.0	-1.0	-7.0
Above 19,999	3	7-8	10.0	10.0	—	—
Total Change						-21.0
Alternative 2						
Below 4,500	3	3-4	5.5	5.5	—	—
4,500-9,999	4	4-6	9.5	7.5	-2.0	-8.0
Above 9,999	12	5-8	10.0	10.0	—	—
Total Change						-8.0
Alternative 3						
Below 4,500	3	3-4	5.5	5.5	—	—
4,500-9,999	4	4-6	9.5	7.5	-2.0	-8.0
10,000-17,499	6	5-8	10.0	9.0	-1.0	-6.0
Above 17,499	6	5-8	10.0	10.0	—	—
Total Change						-14.0

The second alternative suffers from the same disadvantage as the existing formula: it is insensitive to enrollment changes once the campuses go over the 9,999 FTE breakpoint. Thus, a medium-size campus would receive the same allocation of instructional deans as a large campus. On the other hand, this alternative would address the specific cases of overbudgeting discussed earlier. It also recognizes the fact that some medium-size campuses have as many schools as the largest campuses, and has a lesser impact on the campuses (a net loss of 8.0 dean positions and 8.0 clerical positions).

The third alternative appears to incorporate the advantages of the first two alternatives, without the drawbacks. Specifically, it (1) provides a gradual increase in the number of deans as enrollment increases, (2) provides a sufficient number of positions to cover each academic school, plus at least one additional dean for the broader administrative functions, and (3) contains a maximum reduction of 2.0 dean positions per campus, which is the same maximum impact reflected in the second alternative.

Because of these factors, we recommend that the Legislature adopt the third alternative, for a net reduction of 14.0 dean positions and 14.0 clerical positions, and a General Fund savings of \$1,008,000.

Unallocated Budget Reductions. As part of the unallocated budget reductions enacted by the Legislature in 1979-80 and 1982-83, CSU reduced the number of positions allocated for campus administration. This resulted in a net loss of 3.7 instructional dean positions at eight campuses, as shown in Table 12.

Table 12
Unallocated Reductions in Instructional Dean
Positions (1979-80 and 1982-83)

<i>Campus</i>	<i>Instructional Dean Positions</i>
Sacramento.....	0.5
Fullerton.....	0.5
San Luis Obispo.....	0.4
Fresno.....	0.2
Hayward.....	0.5
Humboldt.....	0.5
Dominguez Hills.....	0.9
Bakersfield.....	0.2
Total.....	3.7

These reductions were—and still are—made independently of the regular budget allocation formula shown in Table 9. Consequently, if our formula for allocating instructional deans is adopted, these reductions should be restored so that the actual allocation of dean positions corresponds to the number shown under alternative 3 in Table 11. Accordingly, we recommend that, if 14.0 positions are eliminated from the regular budget allocation as we propose, the Legislature simultaneously restore the instructional dean positions which were eliminated as part of the unallocated budget reductions implemented in prior years. Restoration of the unallocated reductions would result in an increase of 3.7 instructional dean positions and 3.7 related clerical positions, at a General Fund cost of \$270,000.

Masters of Social Work Programs. The following CSU campuses receive additional funds to support a dean for Masters of Social Work (MSW) programs: Fresno, Sacramento, San Diego, San Francisco, and San Jose. Three positions were established in 1964-65; the remaining two positions were established in subsequent years as more campuses added MSW programs.

Our analysis indicates that the scope of the MSW programs does not justify the allocation of an additional dean position. This is evident by the fact that in four of the five campuses, the MSW program is organized as a department or division within a school, and is administered by a department chairperson or division director. The budgeted dean position, in other words, is not used as dean of the MSW program. Only at San Jose is there a dean of the School of Social Work, and the data indicate that, in terms of enrollment and number of faculty, the school is comparable to a relatively small department. In the fall semester of 1985, for example, the School of Social Work had 12.9 faculty positions and enrolled 160 students (FTE), whereas the *Department* of Psychology—which does not have its own dean—had 26 faculty positions and enrolled 590 FTE students.

It is evident that Social Work programs should be, and normally are, organized into units that are comparable to departments rather than schools and administered by chairpersons rather than deans. We therefore recommend that the 5.0 dean positions, and the associated 5.0 clerical positions, be deleted from the budget, for a General Fund savings of \$362,000.

Schools of Agriculture. Four CSU campuses—Chico, Fresno, Pomona, and San Luis Obispo—are allotted additional instructional dean and clerical positions for their agriculture programs. Unlike the MSW programs, the agriculture program at each of these campuses is organized as

CALIFORNIA STATE UNIVERSITY—Continued

a separate academic school which is comparable in scope to other schools at the campus. It is therefore appropriate that the schools of agriculture be administered by a dean. Our analysis indicates, however, that each of these campuses can fund this position from its regular allocation of instructional dean positions.

The regular budget allocation for instructional deans for each of the four campuses currently is 10.0 positions; under our proposal, it would be 9.0 positions. The number of schools at these campuses—including the schools of agriculture—ranges from six at Pomona to eight at Chico and Fresno. Our proposed complement of 9.0 instructional deans for these campuses, therefore, would be sufficient to provide a dean for each academic school within the campus and at least one additional dean for other responsibilities.

This analysis illustrates the problems that are unavoidable when an additional instructional dean is provided to campuses for specific programs. Each CSU campus differs in its curriculum, the manner in which enrollment is distributed among its programs, and the way in which it organizes these programs into administrative units such as academic schools. While some campuses have a large percentage of their students in an agriculture program, others have a corresponding emphasis in programs such as engineering, health sciences, or natural resources.

We conclude, therefore, that the allocation of instructional deans should be based on enrollment—with no supplements for special programs—and that the regular enrollment-generated allocation is sufficient for the campuses that have schools of agriculture. On this basis, we recommend elimination of 4.0 dean positions and 4.0 related clerical positions, for a General Fund savings of \$292,000.

Special Allowance for San Jose. The CSU budget also includes a "special allowance" of 1.0 instructional dean position, and a related clerical position, for San Jose State University. These positions were established in 1972 because the San Jose campus reorganized its School of Humanities and Arts into two schools—Humanities and Arts, and Social Sciences.

As in the case of allocating deans for special programs, we find no analytical justification for providing additional positions solely on the basis of a campus's decision to reorganize its academic departments into a different number of schools. Table 10 shows that the number of schools at the San Jose campus is no greater than the number at other campuses of comparable size. We concluded, therefore, that San Jose's *regular* budget allocation of 10.0 instructional deans is sufficient to meet the campus's administrative requirements. We also note, finally, that other CSU campuses (Los Angeles and Sacramento, for example) have added new schools through administrative reorganizations in past years, but have not received special allowances for this reason. Consequently, we recommend elimination of the special allowance of 1.0 instructional dean and 1.0 related clerical position for San Jose State University, for a General Fund savings of \$72,000.

Summary. To summarize our proposal, we recommend (1) a reduction in the regular budget allocation of instructional deans and related clerical support at 14 campuses because the size of the campuses does not justify the number of deans budgeted (—\$1,008,000), (2) restoration of instructional dean and related clerical positions which were eliminated at eight campuses due to unallocated budget reductions because these reductions would no longer be justified if the foregoing proposal is adopted

(+ \$270,000); (3) elimination of the dean of Masters of Social Work programs and related clerical support at five campuses because the scope of these programs does not justify a dean position (- \$362,000), (4) elimination of the dean of agriculture position and related clerical support at four campuses because this position can be funded from the regular budget allocation of instructional deans provided to these campuses (- \$292,000), and (5) elimination of the special allowance of one instructional dean and related clerical support at one campus because the regular budget allocation is sufficient to support the campus's administrative requirements (- \$72,000).

The net effect of adopting our recommendations would be a reduction of 20.3 instructional dean positions and 20.3 related clerical positions, for a General Fund savings of \$1,464,000. Our recommendation would reduce the number of deans (currently 180.8 budgeted positions) by 11 percent.

Table 13 summarizes the enrollment and the number of schools and departments in each CSU campus, and shows the impact of our recommendations on the number of instructional dean positions.

Table 13
Summary of Legislative Analyst's Recommendation
on Instructional Dean Staffing

Campus	FTE ^a	Schools	Departments ^b	Instructional Deans		
				Governor's Budget ^c	LAO Recommendation	LAO Proposed Change
San Diego	25,300	7	58	11.0	10.0	-1.0
Long Beach.....	22,600	8	75	10.0	10.0	—
Northridge.....	20,200	8	49	10.0	10.0	—
San Jose	18,300	8	60	12.0	10.0	-2.0
San Francisco	18,000	8	60	11.0	10.0	-1.0
Sacramento	17,700	5	41	10.5	10.0	-0.5
Fullerton	16,000	5	47	9.5	9.0	-0.5
San Luis Obispo.....	15,470	7	50	10.6	9.0	-1.6
Los Angeles.....	15,400	6	46	10.0	9.0	-1.0
Pomona	15,000	6	44	11.0	9.0	-2.0
Fresno.....	14,000	8	51	11.8	9.0	-2.8
Chico.....	13,100	8	37	11.0	9.0	-2.0
Hayward	9,810	4	36	9.0	7.5	-1.5
Humboldt	5,750	6	41	9.0	7.5	-1.5
Dominguez Hills	5,450	5	31	8.6	7.5	-1.1
San Bernardino	5,100	5	29	9.5	7.5	-2.0
Sonoma.....	4,220	3	43	5.5	5.5	—
Stanislaus	3,100	3	22	5.5	5.5	—
Bakersfield.....	2,875	4	24	5.3	5.5	+0.2
Totals.....				180.8	160.5	-20.3

^a Proposed, 1986-87.

^b Includes other organizational units, such as divisions, if comparable to a department.

^c Includes unallocated reductions of 1979-80 and 1982-83.

4. Appropriation for "Instructionally Related Activities" Is Unnecessary

We recommend elimination of state categorical support for "instructionally related activities" because these activities generally are supported by student fees and can also be supported by the campuses' regular budget allocations, for a General Fund savings of \$645,000. (Reduce Item 6610-001-001 by \$645,000.)

CALIFORNIA STATE UNIVERSITY—Continued

The budget proposes \$645,000 from the General Fund to supplement revenues from student fees which support instructionally related activities at CSU campuses. These activities are defined by statute as "activities and laboratory experiences which are at least partially sponsored by an academic discipline or department and which are . . . integrally related to its formal instructional offerings."

More specifically, instructionally related activities include:

- (a) Intercollegiate athletics.
- (b) Radio, television, and film, if related to basic "hands-on" experience.
- (c) Music and dance performance.
- (d) Drama and musical productions.
- (e) Student art exhibits, given in connection with degree programs.
- (f) Publications, including periodicals, basic to journalism and literary training.
- (g) Forensics, including debate programs.

General Fund support for instructionally related activities was initiated in 1974-75, in the amount of \$2.6 million. In the following year, the Legislature reduced from \$3.2 million to \$467,000 the amount budgeted for these activities with the expectation that nonstate sources would make up the difference. The Legislature also stipulated that the state funds may not be spent for intercollegiate athletics. Since then, an appropriation for "instructionally related activities" has been included in the Budget Act. The appropriation, which is increased each year to compensate for price increases, is allocated to all campuses, using a specified formula.

State support for these activities was initiated as a response to the inability of the students to raise additional revenue from student body fees due to a statutory limit on such fees (\$20 per year). Earlier, in fact, the Legislature passed (in 1972) a student-sponsored bill which would have raised the statutory limit, but the Governor vetoed the measure.

The circumstances which caused the Legislature to appropriate funds for instructionally related activities no longer exist. First of all, the Legislature has deleted the statutory limit on student body fees. Secondly, the Chancellor—with legislative authorization—has established a separate fee specifically for instructionally related activities. This fee may be implemented by the Chancellor, upon recommendation of a campus president, in an amount up to \$10, and may exceed \$10 if the students vote to approve the increase. As a result, the campuses now have the capacity to support instructionally related activities using revenue generated from fees.

We recommend elimination of General Fund support for instructionally related activities, for the following reasons:

- Activities of the type supported normally are funded by student fees. This is evident when one considers that the instructionally related activities fee generated nine times as much for these activities (\$4.6 million) as the state spent in 1984-85.
- The fee increase needed to fully replace the General Fund appropriation would be nominal—about \$2 per year. Currently, the instructionally related activities fee ranges from \$10 to \$24 per year at the CSU campuses, and there is no statutory limitation on this fee.
- By funding these activities from student fees, rather than from the General Fund, there is a greater assurance that the activities provide benefits that are commensurate with their cost.

- The campuses have the option of using funds in their regular budget allocations to support instructionally related activities, since these activities must be sponsored by an academic discipline or department and must be integrally related to the campus's instructional offerings.

On this basis, we recommend elimination of the General Fund allocation for instructionally related activities, for a savings of \$645,000.

5. Courses for Intramural Athletics and University/Library Orientation

We recommend that the Legislature adopt Budget Bill language to prohibit state funding for enrollment in CSU courses offering intramural athletics, student orientation to the university, and student orientation to the campus library, because these activities can be funded from the noninstructional component of CSU's budget.

The various course offerings which make up the curricula at CSU campuses are determined at the campus level. In our review of these curricula, we found that several campuses are offering courses that involve participation in activities which normally are supported by regular budget allocations for academic support or student services. These activities include intramural sports and orientation to the university and the campus library. Because the campuses are offering students credit toward the baccalaureate degree for taking these courses, the state ends up paying for them *twice*—once by providing General Fund support for the *noninstructional* component of the campuses' budget, and a second time by providing funds for the FTE enrollment in these courses.

Intramural Athletics. All 19 CSU campuses provide intramural sports programs. Five of the campuses—Chico, Dominguez Hills, Long Beach, Los Angeles, and San Luis Obispo—offer course credit for participation in intramural athletics. These one credit-unit courses, moreover, may be repeated.

Offering course credit and claiming General Fund support for student participation in intramural sports is clearly unjustified. Unlike physical education classes, intramural games are not supervised by instructors. The fact that 14 of the 19 campuses do not offer credit for intramural sports programs demonstrates that these programs can be—and usually are—supported from regular baseline resources, without recourse to enrollment-generated funding. Consequently, we recommend adoption of Budget Bill language prohibiting state funding for enrollment in such courses.

Orientation to the University and the Campus Library. All CSU campuses offer a variety of activities to orient, or familiarize, new students with (a) the university in general and (b) specific university services. Typically, this is accomplished through formal orientation sessions conducted prior to the first week of classes, supplemented by counseling, advising, and technical assistance provided on an ongoing basis by university staff.

We find that 15 of the CSU campuses further supplement these activities by offering regular session courses—ranging from one to three units of degree credit—for orientation of new students to the university or the campus library.

Obviously, it is important that new students receive proper orientation. It may even be appropriate to offer courses for this purpose. Enrollment in courses of this nature, however, should not be used to generate additional state funding since the campuses are already funded to perform these tasks. This funding is provided through the budgets for academic

CALIFORNIA STATE UNIVERSITY—Continued

support and student services. Each campus has a complement of counselors, librarians, and special program support staff (EOP, for example) who are responsible for providing orientation services. Faculty, moreover, may assist in orientation activities as part of their nonteaching responsibilities.

For this reason, we recommend that the Legislature adopt Budget Bill language prohibiting state funding for enrollment in courses of this nature.

Several CSU campuses—Northridge and San Bernardino, for example—provide comprehensive orientation for new students without resorting to the use of regular term courses. This demonstrates that noninstructional baseline budget resources are sufficient to fund these activities.

Conclusion. Based on 1984-85 data, we estimate that the equivalent of approximately 200 FTE students enroll in courses for intramural athletics and orientation to the university or the campus library. Because these activities can be funded without recourse to enrollment-generated budget support, we recommend that the Legislature adopt the following Budget Bill language:

“No funds shall be appropriated for enrollment in courses for participation in intramural athletics, student orientation to the university, or student orientation to the campus library.”

We are not recommending a corresponding reduction in CSU's budget because we assume that the proposed policy will result in a shift of student enrollment to other courses, rather than a decrease in FTE.

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

Table 14
The California State University
Academic Support Program Expenditures
1984-85 through 1986-87
(dollars in thousands)

Program Expenditures	Actual 1984-85	Estimated 1985-86	Proposed 1986-87	Change From 1985-86	
				Amount	Percent
Libraries	\$71,609	\$75,862	\$79,287	\$3,425	4.5%
Audiovisual services	15,594	16,057	16,779	722	4.5
Computing support	45,233	51,619	46,288	(5,331)	-10.3
Ancillary support	15,656	20,917	22,617	1,700	8.1
Totals, Expenditures	\$148,092	\$164,455	\$164,971	\$516	0.3%
Funding Source					
General Fund	\$147,933	\$159,716	\$162,077	\$2,361	1.5%
Continuing Education Revenue					
Fund	159	592	502	(90)	-15.2
Lottery Fund	—	4,147	2,292	(1,855)	-44.7
Environmental License Plate Fund ..	—	—	100	100	N/A
Personnel					
Libraries	1,583.1	1,498.6	1,531.9	33.3	2.2%
Computing support	688.5	609.3	608.6	(0.7)	-0.1
Other	820.6	781.1	790.2	9.1	1.2
Totals	3,092.2	2,889.0	2,930.7	41.7	1.4%

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 14 shows expenditures for the Academic Support program in the prior, current, and budget years.

A. COMPUTING SUPPORT

1. Instructional Computing

The budget proposes to continue the current-year level of support for instructional computing. This includes \$11.8 million for ongoing support of general campus instructional computing and \$677,000 for the Computer Assisted Design/Computer Aided Manufacturing (CAD/CAM) project at the San Luis Obispo campus.

Pursuant to the *Supplemental Report of the 1984 Budget Act*, the CSU has developed a new methodology for determining its needs for computing support. Using this methodology, CSU requires a total of 19,819 computer "workstations" (microcomputers or computer terminals) in 1986-87. This represents an increase of 11,619 workstations over the number available in the current year. The CSU has developed a four-year plan for securing the additional workstations, and has requested \$11.7 million to launch the plan in 1986-87. This amount would allow CSU to acquire 2,762 student workstations. The budget does not propose any funding specifically for this purpose.

In our analysis of the California Postsecondary Education Commission (CPEC), we recommend that the commission conduct a review of the instructional computing methodologies developed by CSU and the University of California in order to reconcile the differences between them. This review may alter the projected cost of acquiring the computer workstations needed by the CSU.

It is apparent that a significant increase in support for instructional computing is required if CSU's standards are to be met. One potential source of the needed funds is lottery revenue. As noted above, the budget projects that CSU will receive \$18.5 million in lottery revenues during 1986-87, including \$7.2 million which is not allocated for any program or activity in the budget.

2. Administrative Information Management System

The Budget Act of 1985 provided \$1 million from the General Fund to initiate a multi-year replacement and upgrade of campus administrative information management systems (AIMS), pending approval of a feasibility study by the Department of Finance. Subsequently, the CSU hired a consultant to assist the Division of Information Systems in developing a feasibility study and a plan to implement the AIMS. The consultant submitted this report in September, 1985.

The consultant recommended that CSU replace its existing administrative computing systems with a new integrated system. The new system would be phased in over a five-year period, at a total estimated cost of \$110 million (current prices). Taking into account the savings to be achieved by the upgrade, the consultant estimated that the new system would show a cumulative net benefit after 10 years (that is, it would have a 10-year payback period).

Generally, new computer systems must have a 5-year payback period in order to be funded. The consultant, however, indicated that the proposed

CALIFORNIA STATE UNIVERSITY—Continued

AIMS project would result in substantial service-level benefits, as well as savings. A dollar value cannot be placed on these benefits, and as a result, they are not reflected in the cost-benefit calculations.

The CSU has requested \$30.2 million in 1986-87 to fund the first phase of the AIMS project, and submitted a feasibility study to the Department of Finance for its approval. The department's Office of Information Technology (OIT), however, has rejected the feasibility study, and the budget does not include any funding for the project.

Subsequent to publication of the budget, the CSU revised the AIMS feasibility study and re-submitted it to the Office of Information Technology. The Department of Finance should be prepared to discuss the revised feasibility study during the budget hearings.

B. ANCILLARY SUPPORT**1. Special Allocation for Preschool Laboratories Is Unnecessary**

We recommend that the \$158,000 General Fund allocation for preschool child development laboratories at the San Diego and San Francisco campuses be eliminated because these programs can be supported from a combination of parent fees and regular campus budget allocations, as they are at other CSU campuses. (Reduce Item 6610-001-001 by \$158,000.)

Our review indicates that 14 CSU campuses operate preschool child development laboratories. These laboratories provide child development services to preschool children and are specially designed to provide (a) observation and teaching experiences for students and (b) research opportunities for students and faculty. Funding for the programs is derived from parent fees and, in most cases, the campus's regular enrollment-generated budget allocations.

The CSU budget includes a categorical appropriation of \$158,000 from the General Fund to support the preschool laboratories at two of the system's 19 campuses—San Diego State University (\$41,000) and San Francisco State University (\$117,000). These two programs, like their counterparts at the other CSU campuses, generate additional revenue by charging parents a fee. Unlike their counterparts, however, campus budget support for these two laboratories is relatively minor.

We recommend that the Legislature eliminate the General Fund allocation for the San Diego and San Francisco programs because the campuses can support the programs from their regular budget allocation and do not need a categorical appropriation for this purpose. We find little to differentiate the San Diego and San Francisco programs from preschool laboratories on other CSU campuses, in terms of either size or the type of services provided. Moreover, it is logical to assume that the campuses will provide this support since the preschool labs are part of the instructional program, and help to generate the regular budget allocations provided to the university. Although data are not available on FTE enrollment in these labs, program administrators at the San Diego and San Francisco campuses indicated that about 200 CSU students on each campus use the lab annually, as a component of their course requirements.

We also note that San Francisco State University receives a much larger allocation for its preschool lab program than does San Diego State University, and historically has not spent a large percentage of its allocation. In 1984-85, for example, the San Francisco campus failed to spend approximately \$40,000, representing 40 percent of its allotment for the program.

For these reasons, we recommend that the Legislature eliminate the General Fund allocation for the two preschool child development laboratories, for a savings of \$158,000.

2. Environmental Education (Item 6610-001-140)

We recommend approval.

The budget proposes an appropriation of \$100,000 from the Environmental License Plate Fund to the CSU in order to support the university's Ocean Studies Consortium in Long Beach. The funds would be used to help the consortium replace its existing research vessel with a newer and larger vessel.

Our analysis indicates that the proposed use of these funds is consistent with the statutory provisions governing the environmental education program, and will enhance the consortium's marine studies activities. Consequently, we recommend approval of the budget proposal.

III. STUDENT SERVICES

The Student Services program includes social and cultural development, supplementary educational services, counseling and career guidance, financial aid, and student support. Table 15 shows Student Services program expenditures and personnel for the prior, current, and budget years.

Table 15
The California State University
Student Services Program Expenditures
1984-85 through 1986-87
(dollars in thousands)

Program Expenditures	Actual 1984-85	Estimated 1985-86	Proposed 1986-87	Change From 1985-86	
				Amount	Percent
Social and cultural development	\$6,957	\$5,810	\$6,056	\$246	4.2%
Supplemental services—EOP	16,330	18,917	19,700	783	4.1
Counseling and career guidance	25,068	25,996	27,185	1,189	4.6
Financial aid	101,213	104,948	111,452	6,504	6.2
Student support.....	33,637	38,988	41,179	2,191	5.6
Totals, Expenditures	\$183,205	\$194,659	\$205,572	\$10,913	5.6%
Funding Source					
General Fund	\$104,241	\$111,097	\$115,704	\$4,607	4.1%
Continuing Education Revenue Fund	57	127	292	165	129.9
Dormitory Revenue Fund	4,660	5,295	5,728	433	8.2
Federal Trust Fund	64,766	68,962	74,960	5,998	8.7
Reimbursements	9,481	9,178	8,888	(290)	-3.2
Personnel:					
Social and cultural development	186.1	145.4	147.4	2.0	1.4%
Supplemental services—EOP	349.7	374.3	374.6	0.3	0.1
Counseling and career guidance	666.3	646.5	655.7	9.2	1.4
Financial aid	413.4	425.6	436.3	10.7	2.5
Student support.....	1,108.4	971.0	1,012.5	41.5	4.3
Totals	2,723.9	2,562.8	2,626.5	63.7	2.5%

CALIFORNIA STATE UNIVERSITY—Continued

A. TUITION AND FEES

Student Fees Should Be Set In Accordance With the Statutory Fee Policy

We recommend that the Legislature (1) adopt supplemental report language directing CSU to comply with the statutory fee policy enacted by the Legislature in 1985 by increasing student fees 10 percent in 1986-87, for an increase of \$16,330,000 in General Fund revenues, and (2) augment funding for the State University Grant program by \$2,447,000 in order to offset the effect of the fee increase on students with demonstrated need, for a net savings to the state of \$13,883,000. (Increase Item 6610-010-001 by \$16,330,000 and reduce Item 6610-001-001 by \$13,883,000.)

Chapter 1523, Statutes of 1985 (Senate Bill 195), provides a specific methodology for use in determining student fee increases at UC and CSU. Essentially, the methodology to be used in setting CSU fees adjusts the fees by the average increase in state appropriations per FTE (excluding financial aid) over the preceding three years, up to a maximum increase of 10 percent.

The statutory fee policy calls for student fees at both UC and CSU to be increased by 10 percent in 1986-87. Accordingly, the UC Regents and the CSU Trustees proposed, in their budget requests, to increase student fees by 10 percent. The budget, however, proposes no increase in student fees, and instead requests augmentations totaling \$16.3 million to maintain the fees at the current levels.

We find no reason to deviate from the fee policy approved by the Legislature and the Governor last year. We therefore recommend that the Legislature adopt the following supplemental report language directing the CSU to increase the State University Fee by 10 percent in 1986-87:

“CSU shall increase the State University Fee in accordance with the methodology set forth in Chapter 1523, Statutes of 1985.”

Table 16 shows fee levels at CSU in the current year, and compares the fee levels proposed in the budget for 1986-87 with the fee levels we recommend.

Table 16
The California State University
Student Fees
1985-86 and 1986-87

State University Fee	Actual 1985-86	Proposed in the Budget	1986-87	
			Recommended By LAO	Increase from Governor's Budget
Full-time.....	\$573	\$573	\$630	\$57
Part-time.....	333	333	366	33

The higher fees would increase General Fund revenues in 1986-87 by \$16,330,000. It would have no impact, however, on the budgeted level of expenditures within the CSU system or on the level of service provided to students.

We further recommended that the Legislature increase the amount budgeted for CSU's State University Grant by \$2,447,000, 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 savings to the General Fund of \$13,883,000.

B. PROGRAM SERVICES

Federal Trust Fund (Item 6610-001-890)

We recommend approval.

The budget proposes an appropriation of \$74,960,000 from the Federal Trust Fund for support of CSU. This is an increase of \$5,998,000, or 8.7 percent, over estimated current-year expenditures.

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 17 shows estimated personnel and expenditures for institutional support in the prior, current, and budget years.

Table 17
The California State University
Institutional Support Program Expenditures
1984-85 through 1986-87
(dollars in thousands)

Program Expenditures	Actual 1984-85	Estimated 1985-86	Proposed 1986-87	Change from 1985-86	
				Amount	Percent
Executive management	\$41,688	\$38,151	\$40,038	\$1,887	4.9%
Financial operations	34,616	30,015	32,312	2,297	7.7
General administrative services.....	51,593	55,423	59,794	4,371	7.9
Logistical services	63,752	63,191	66,704	3,513	5.6
Physical plant operations.....	154,417	169,799	167,719	(2,080)	-1.2
Faculty and staff services	8,225	33,774	27,100	—	—
Community relations	7,417	6,131	6,895	764	12.5
Totals, Expenditures.....	\$361,708	\$396,484	\$400,562	\$10,752	1.0%
Funding Source					
General Fund.....	\$319,587	\$338,461	\$342,099	\$3,638	1.1%
Special Account for Capital Outlay	—	13,716	—	(13,716)	-100.0
Capital Outlay Fund for Public Higher Education	1,103	—	10,716	10,716	N/A
Continuing Education Revenue Fund	17,764	15,410	16,406	996	6.5
Dormitory Revenue Fund.....	14,287	18,891	20,707	1,816	9.6
Parking Account, Dormitory Fund..	7,388	8,326	8,677	351	4.2
Special Projects Fund.....	283	123	18	(105)	-85.4
Reimbursements	1,296	1,657	1,939	282	17.0
Personnel:					
Executive management	794.5	720.2	732.6	12.4	1.7%
Financial operations	924.9	874.8	881.5	6.7	0.8
General administrative services.....	1,541.8	1,497.0	1,515.8	18.8	1.3
Logistical services	1,211.7	1,091.8	1,105.4	13.6	1.2
Physical plant operations.....	3,127.6	3,405.1	3,418.4	13.3	0.4
Community relations	131.2	89.5	94.9	5.4	6.0
Totals	7,731.7	7,678.4	7,748.6	70.2	0.9%

CALIFORNIA STATE UNIVERSITY—Continued**A. THE CHANCELLOR'S OFFICE**

The Chancellor is the chief executive officer of the CSU Board of Trustees and is responsible for the implementation of all policies enacted by the board. Table 18 shows the major divisions in the Chancellor's Office, as well as the expenditures proposed for these divisions in the current and budget years. The budget includes \$35.7 million for the Chancellor's Office in 1986-87, an increase of \$1.0 million, or 2.9 percent, over estimated current-year expenditures.

Table 18
Chancellor's Office Expenditures
(dollars in thousands)

	Estimated 1985-86		Proposed 1986-87		Change		
	Positions	Amount	Positions	Amount	Positions	Amount	Percent
Chancellor's Office							
Executive Office.....	7.0	\$439	7.0	\$439	0.0	—	
Administration	72.3	2,429	74.3	2,479	2.0	\$50	
Academic Affairs	69.6	3,531	69.6	3,627	0.0	96	
Business Affairs.....	65.9	3,011	67.9	3,110	2.0	99	
Faculty and Staff Relations	42.4	2,024	42.4	2,061	0.0	37	
Legal Services.....	21.5	1,117	21.5	1,152	0.0	35	
Faculty and Staff Services	0.0	952	0.0	961	0.0	9	
Totals, Personal Services	278.7	\$13,503	282.7	\$13,829	4.0	\$326	
Operating Expense and Equip- ment	—	\$8,252	—	\$8,081	—	-\$171	
Totals, Chancellor's Office.....	278.7	\$21,755	282.7	\$21,910	4.0	\$155	0.7%
Trustees Audit							
Personal Services	10.0	\$569	10.0	\$581	0.0	\$12	
Operating Expense and Equip- ment	—	134	—	154	—	20	
Totals, Trustees Audit.....	10.0	\$703	10.0	\$735	0.0	\$32	4.6%
Information Systems							
Personal Services	129.0	\$5,585	129.0	\$5,725	0.0	\$140	
Operating Expense and Equip- ment	—	6,679	—	7,351	—	672	
Totals, Information Systems ..	129.0	\$12,264	129.0	\$13,076	0.0	\$812	6.6%
Special Funds							
Operating Expense and Equip- ment	—	\$23	—	\$24	—	\$1	
Totals, Special Funds	0.0	\$23	0.0	\$24	0.0	\$1	4.3%
Grand Totals	417.7	\$34,745	421.7	\$35,745	4.0	\$1,000	2.9%

B. SYSTEMWIDE OPERATIONS**1. Minority Underrepresentation and Teaching Improvement Program**

We recommend elimination of the proposed Minority Underrepresentation and Teaching Improvement program because its objectives can be achieved within the CSU's baseline budget or by less costly alternatives, for a General Fund savings of \$1,250,000. (Reduce Item 6610-001-001 by \$660,000, reduce Item 6100-001-001 by \$48,000 and reduce Item 6100-191-001 by \$542,000.)

The budget proposes \$1,250,000 from the General Fund to support a

joint program to be conducted by CSU and the State Department of Education (SDE). The purpose of this program is to improve teacher education and address minority underrepresentation in higher education, particularly in teacher education. The proposed program, which is separate from the minority underrepresentation initiative implemented by CSU in the current year, consists of the following three components:

a. **Intermediate School Program to Improve College Readiness.** The budget proposes \$500,000 (\$360,000 for CSU and \$140,000 for SDE) for this program component, in which CSU undergraduate students who are interested in teaching careers will tutor pupils in 20 intermediate schools that have high minority enrollments.

b. **Comprehensive Teacher Institutes.** The budget proposes \$250,000 for the Department of Education to establish two teacher institutes. These institutes will provide grants for CSU and school district personnel to use in developing plans to integrate academic and professional teacher preparation with classroom experience.

c. **Retention of New Teachers in Inner City Schools.** The budget proposes \$500,000 (\$300,000 for CSU and \$200,000 for SDE) for this program component, in which first-year teachers in selected urban schools will receive a reduced teaching load and additional support services from CSU faculty and mentor teachers in the school district.

Based on our analysis, we recommend elimination of funding for the proposed program. While we fully support the objectives of the program, we find that these objectives can be achieved without augmenting the CSU's baseline budget or through less costly alternatives.

Intermediate School Program to Improve College Readiness. Under this component of the program, CSU undergraduate students who are interested in teaching careers would tutor pupils in English and mathematics in 20 intermediate schools that have a high proportion of minorities. Funds are provided for stipends to the tutors and for personnel to coordinate the program, train the tutors, and monitor the tutoring.

We recommend deletion of the \$500,000 requested for this component because a comparable program can be supported within the CSU's baseline budget. University campuses can offer regular-term courses designed to both train students for tutoring elementary and secondary school pupils and provide the tutoring itself. Courses of this nature already exist on the CSU campuses at Chico, Northridge, and Sacramento. The program at Chico, for example, enrolls from 200 to 300 students each year.

As an alternative to the use of course credit, the Work-Study program could be used to pay student tutors who are eligible for financial aid. The CSU budget includes \$10 million for this program in 1986-87, which is comprised of \$8 million in federal funds, \$1.5 million from CSU's baseline budget, and \$0.5 million in private contributions.

Comprehensive Teacher Institutes. Under this component, two teacher institutes would be established. At these institutes, CSU and school district personnel would develop plans to improve the teacher education curriculum. Initial-year funding would be for "planning grants," followed by larger "implementation grants" in three succeeding years. These grants would be used primarily to support an institute director and part-time assistant director, and to fund release time for university and school personnel to develop curriculum materials and procedures.

According to the CSU and SDE, the teacher institutes would address problems in the teacher education curriculum which result from the "fragmentation of responsibility" among the academic departments of the

CALIFORNIA STATE UNIVERSITY—Continued

university, the university's schools of teacher education, and the public schools. The segments indicate that inadequate attention is given to integrating teacher preparation with the methods of teaching specific subject matter courses and with public school curriculum frameworks and textbooks.

Our analysis indicates that these problems can be addressed without an augmentation, through the use of existing resources. These resources include:

- *The California Academic Partnership Program.* This program is designed specifically to support intersegmental projects jointly conducted by postsecondary institutions and secondary schools. Grants are awarded annually by the CSU Chancellor for such projects. The budget proposes \$1.5 million from the General Fund for the program in 1986-87.

- *The Academic Improvement Program.* Under this program, the Chancellor allocates grants for a variety of activities, primarily in the areas of curriculum development, teacher education, and education of students having special needs. The budget proposes \$1.1 million from the General Fund to support the program in 1986-87.

- *Instructionally Related Activities by CSU Faculty.* Generally, 20 percent of each CSU full-time faculty member's workload responsibilities is available for instructionally related activities. These activities can include curriculum development. We also note that faculty members who choose to develop curriculum materials and procedures in teacher education can consult with curriculum specialists at the State Department of Education, county offices of education, and school districts.

Any of these resources can be used to achieve the objectives of the proposed teacher institutes without incurring additional administrative costs. On this basis, we recommend deletion of this program component, for a General Fund savings of \$250,000.

Retention of New Teachers in Inner City Schools. This component is intended to assist approximately 40 first-year teachers who are assigned to inner city schools that have a high proportion of minority students. The goals of the program are:

- to increase the likelihood that these teachers will remain in the teaching profession, thereby increasing the supply of teachers; and
- to enhance the effectiveness of these teachers, thereby improving the quality of education for students in the predominantly minority schools.

In order to accomplish these goals, the program would provide additional support for the beginning teachers—primarily from university faculty supervisors and school district mentor teachers—and a reduced teaching load.

In support of the proposals, the proponents point out that:

- California appears to be facing a shortage of teachers over the next decade.

- New teachers employed in urban school districts frequently are assigned to schools that have predominantly minority enrollments, often without having had any training in this type of environment.

- The CSU and SDE indicate that approximately 50 percent of all new teachers leave the teaching profession within the first five years of employment.

This program is similar to a proposal made by the California Commis-

sion on the Teaching Profession ("Commons Commission"), which calls for a one-year "residency" for new teachers prior to when they receive their teaching credential. Unlike the Commons Commission's proposal, however, the budget proposal (1) would not change existing credentialing procedures and (2) would be targeted only to first-year teachers in urban schools.

Although we do not have an analytical basis for assessing the potential effectiveness of this proposal, our analysis indicates that there are less-costly alternatives for addressing the problem:

- *Teacher Assignment Policy.* The CSU and SDE indicate that the retention problems exist largely because school districts generally assign the least experienced teachers to the inner city schools that have the highest concentration of minorities. It would appear, then, that the problem could be addressed more directly by giving school districts incentives to change these assignment practices.

The Legislature, for example, could establish a program providing incentive funds to school districts that negotiate the payment of "bonuses" to experienced teachers who agree to serve in hard-to-staff inner city schools. The amount of the incentive would be based on a specified percentage of the amount of the bonus provided. Students in these schools would benefit from being taught by more experienced teachers, while new teachers could be given less demanding assignments elsewhere in the district.

This option should not be dismissed, as the CSU and SDE have done in their budget request, simply on the basis that "salary is a local collective bargaining matter." Procedures established by collective bargaining can be changed by the same means. Moreover, SB 813 (Ch 498/83) provides that, at the request of either party, a school district and the collective bargaining representative shall bargain over the issue of paying additional compensation based upon criteria other than years of training and years of experience.

In this connection, we note that Los Angeles Unified School District has implemented a program whereby teachers are provided a salary supplement—in the amount of \$2,000 per teacher per year—if they agree to serve in specified, hard-to-staff schools. In contrast, what the budget proposes would cost about \$12,500 per teacher, and result in *less* experienced teachers being assigned to inner-city schools.

- *Teacher Training.* Teacher training programs can be modified so as to include components designed to prepare students to teach in inner city schools. The universities can increase their emphasis on multicultural awareness programs and, where possible, place students in inner city schools for their student teaching assignments.

- *Mentor Teacher Program.* The existing Mentor Teacher program already provides funding for stipends to mentor teachers, and can assist new teachers in the inner city schools. There is no reason school districts could not allocate a relatively high proportion of their mentor teacher positions to those schools having high minority enrollments in order to provide additional support to new teachers in these schools. During the current year, \$44.8 million is available from the General Fund to support this program.

We conclude, therefore, that the CSU and SDE have not given adequate consideration to alternatives for achieving the objectives of the budget proposal which could be implemented at less cost to the state. On this basis, we recommend deletion of the proposed funding for the "Retention

CALIFORNIA STATE UNIVERSITY—Continued

of New Teachers in Inner City Schools” program, for a General Fund savings of \$500,000.

2. Impact of New Admission Requirements at CSU Needs Study

We recommend that the Legislature adopt supplemental report language requiring the California Postsecondary Education Commission (CPEC) to submit a report on the potential impact that the CSU’s new admission requirements (1988) will have on CSU as well as on the K-12 and community college segments.

Currently, first-year students are admitted to the California State University based on a combination of their high school grade point averages and specified achievement test scores. In addition, students must have completed four years of English and two years of mathematics in high school.

In November, 1985, the CSU Trustees adopted new admission standards, to take effect in the fall of 1988. The new standards expand the high school subject matter requirements to include: an additional year of mathematics; one year of science, visual and performing arts, and U. S. history and government; two years of foreign language; and three years of additional “elective” courses.

As shown in Table 19, this change in admission requirements at CSU closely parallels the new high school graduation requirements which, pursuant to Ch 498/83 (SB 813), become effective in 1986-87.

Table 19
Summary of Subject Requirements for
High School Graduation (1986) and
CSU Admission (1988)

<i>Subject</i>	<i>High School Graduation</i>	<i>CSU</i>
English	3 years	4 years (current requirement)
Mathematics	2 years	3 years
History and Government.....	3 years	1 year
Science	2 years	1 year
Foreign Language	1 year in foreign language	2 years
Visual and Performing Arts....	or visual or performing arts	1 year
Physical Education.....	2 years	—
Electives	—	3 years

Table 19 illustrate that CSU’s new admission standards will require prospective CSU applicants to take an additional year of mathematics and up to two additional years of foreign language beyond what is required for high school graduation. Thus, the new standards could have a significant effect not only on CSU enrollment but also on the type of curriculum—or course offerings—in the high schools, requiring school districts to change the composition of their teaching staffs.

Because schools are already experiencing severe shortages of teachers in mathematics, these changes could have a significant programmatic as well as fiscal impact at the school district level. These effects would be particularly acute in small districts, because of their limited flexibility in making personnel adjustments.

The CSU’s new admission requirements could also lead to an increase in enrollment at the community colleges. Although the new standards provide for the “conditional admission” of applicants who are missing one

or more of the required high school subjects, it is likely that many prospective applicants who do not meet the subject matter requirements will choose to attend a community college.

It appears, therefore, that the new admission standards at CSU could have major program and fiscal impacts not only on CSU, but also on both the K-12 and community college segments. The Legislature needs additional information in order to properly assess these impacts. Accordingly, we recommend that the California Postsecondary Education Commission (CPEC) study the programmatic and fiscal impact of CSU's new standards and report its findings to the Legislature by March 15, 1987. Our recommendation can be implemented by adoption of the following supplemental report language in Item 6420-001-001:

"CPEC shall prepare a report on the programmatic and fiscal impact of CSU's new admission standards (1988) on CSU as well as on the K-12 and community college segments. This report shall be submitted to the legislative fiscal and education policy committees, and the Joint Legislative Budget Committee, by March 15, 1987."

3. Public Safety Activities

We withhold recommendation on \$2,111,000 budgeted for support of public safety supervisory positions, pending submission of a report on funding for these positions.

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. Currently, public safety director and lieutenant positions are supported entirely by the General Fund. Lower-level supervisory and dispatcher positions are supported by the Parking Account of the Dormitory Revenue Fund to the extent that their duties are related to parking enforcement.

Pursuant to a recommendation made by our office, the Legislature, in the *Supplemental Report of the 1985 Budget Act*, directed CSU to review the workload of all public safety supervisory positions and to estimate (1) the proportion of such workload associated with parking enforcement activities and (2) the costs associated with these positions that should be borne by the Parking Account of the Dormitory Revenue Fund. This report was due on December 15, 1985.

The CSU Chancellor's Office has indicated that the final report will not be available until March 15, 1986. Consequently, we withhold recommendation on the \$2,111,000 budgeted for support of public safety directors and lieutenants, pending submission and review of CSU's report.

4. Student Housing (Item 6610-006-001)

We recommend approval.

The budget proposes to transfer \$350,000 from the General Fund to the Affordable Student Housing Revolving Fund in 1986-87, the same amount appropriated in the current year. These funds are used to subsidize interest costs in connection with bond financing for construction of affordable student housing at the CSU Fullerton and Hayward campuses.

Our analysis indicates that the amount proposed in the budget is consistent with the Legislature's intent in establishing the subsidy. Accordingly, we recommend that the request be approved as budgeted.

CALIFORNIA STATE UNIVERSITY—Continued**5. Deferred Maintenance and Special Repairs (Item 6610-021-146)**

We recommend approval.

The budget proposes \$10,716,000 from the Capital Outlay Fund for Public Higher Education for deferred maintenance and special repairs at the CSU in 1986-87. This is a reduction of \$3 million, or 22 percent, from the amount appropriated in the current year for this purpose. (In the current year, funding for deferred maintenance and special repairs is being provided from the Special Account for Capital Outlay.)

In 1984, the Chancellor's Office projected that the *ongoing* special repair requirements for the system would amount to \$6.1 million in 1986-87. Consequently, using this projection, the \$10.7 million proposed for 1986-87 would permit a reduction in the estimated \$15 million backlog of deferred maintenance.

Recently, the CSU revised its estimate of ongoing requirements for special repairs, based on an audit of its facilities. It now estimates that \$14 million will be required in 1986-87 to fund ongoing special repair requirements. Thus, according to CSU's latest estimate, the budget proposal will increase, rather than reduce, the deferred maintenance backlog.

The *Supplemental Report of the 1984 Budget Act* directed the University of California and the California State University to develop common maintenance standards for similarly used facilities and equipment. The two segments subsequently hired a consultant to develop the standards. Although the consultant's final report is due in January, 1986, the CSU has indicated that it will not be completed until May of 1986.

The consultant's study should include an estimate of CSU's ongoing special repair requirements. This estimate, however, will be based on a methodology which differs from the one used by the CSU in estimating the amount of funds needed for special repairs in the budget year.

6. Reappropriation (Item 6610-490)

We recommend approval.

The 1986 Budget Bill contains language reappropriating unexpended balances in excess of \$5 million from CSU's 1985 Budget Act appropriation (main support item). Funds reappropriated by this language may be used only for instructional equipment, deferred maintenance and special repairs, or the concurrent enrollment program.

The Budget Act of 1985 also contained a reappropriation item, but under its provision, *all* unexpended balances from the prior year's main support item are reappropriated. This resulted in the reappropriation of \$4.9 million that otherwise would have reverted to the General Fund at the end of 1984-85.

We recommend approval of the reappropriation item, as proposed for 1986-87, because an open-ended reappropriation reduces the Legislature's flexibility in allocating available funds based on its priorities.

V. SALARY INCREASE

(Items 6610-001-001 and 6610-031-001)

A. 1986-87 CSU SALARY INCREASE PROPOSAL

The Governor's Budget requests \$79,382,000 for CSU employee compensation increases in 1986-87. Of this amount, \$4,509,000 would be used to fund employee benefits, while the balance—\$74,873,000—would be used to provide salary increases averaging 6.8 percent for faculty and 5 percent for other CSU employees, as shown in Table 20.

Table 20
The California State University
Proposed Salary Increases
1986-87
(dollars in thousands)

Group	Amount	Percent
Faculty.....	\$49,463	6.8% ^a
All Other Employees.....	25,410	5.0 ^b

^a 1 percent increase would cost \$7,139,000.

^b 1 percent increase would cost \$4,936,000.

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 proposed increase for other employees is consistent with existing collective bargaining agreements covering these employees.

1. Collective Bargaining Agreements for the 1985-86 Fiscal Year

The 1985-86 Memoranda of Understanding (MOU) between the CSU and the nine bargaining units that represent CSU employees, together with the employee compensation increases provided to managerial, supervisory, and other personnel not covered by collective bargaining, resulted in an allocation of \$86,162,000 for salary and benefit increases in the current year. The compensation program for 1985-86 is shown in Table 21. Because the Budget Act of 1985 appropriated \$86,618,000 for this purpose, \$456,000 was not required and will revert to the General Fund at the end of the current year.

Faculty. CSU and its faculty signed an MOU which provides all faculty with a 4.2 percent salary increase for the full year, an additional increase of 3.1 percent on January 1, 1986, and an additional increase of 1.7 percent on June 1, 1986. The MOU also provides (1) stipends for department chairpersons, (2) continuing costs of the 1984-85 adjustment to place librarians on the faculty salary schedule, (3) awards for exceptional merit service, (4) a salary supplement for faculty in disciplines where recruitment and retention problems exist, and (5) extension of health benefit insurance to lecturers. In total, the faculty compensation increase for 1985-86 will amount to 10.6 percent—9.0 percent for across-the-board increases and 1.6 percent for the other compensation increases specified above. On an annualized basis, this amounts to 7.5 percent.

Table 21
The California State University
1985-86 Employee Compensation Program

	<i>Unit 1</i>	<i>Unit 2</i>	<i>Unit 3</i>	<i>Unit 4</i>	<i>Unit 5</i>	<i>Unit 6</i>	<i>Unit 7</i>	<i>Unit 8</i>	<i>Unit 9</i>	<i>Subtotals.</i>
	<i>Physicians</i>	<i>Health Care</i>	<i>Faculty</i>	<i>Academic Support</i>	<i>Operations Support</i>	<i>Crafts</i>	<i>Clericals</i>	<i>Public Safety</i>	<i>Technical Support</i>	<i>All Units</i>
A. MOU Agreements										
Number of Positions	120.9	308.1	14,787.4	1,299.0	1,889.1	845.8	5,776.8	262.8	2,385.5	27,675.4
1. Salary Increase	\$563,026	\$830,137	\$37,539,530	\$2,963,558	\$2,654,057	\$1,602,463	\$9,680,176	\$550,017	\$5,504,288	\$61,887,252
Percent	7.4%	9.3%	5.9%	7.1%	6.8%	6.3%	7.4%	7.4%	7.4%	
2. Benefits	5,841	6,854	480,263	31,202	29,998	19,394	97,227	6,758	54,510	732,047
Percent1%	.1%	.1%	.1%	.1%	.1%	.1%	.1%	.1%	
3. Other			14,033,169	131,288		28,578				14,193,035
a. Department Chairs			(1,175,102)							
b. Librarian Salary Adjustment			(506,686)							
c. Outstanding Professor Awards			(5,830,381)							
d. Hard-to-Hire Supplement			(3,175,000)							
e. Temporary Faculty: Health		(3,346,000)								
f. Enhanced Dental Plan				(131,288)						
g. Shift Differentials						(28,578)				
Totals	\$568,867	\$836,991	\$52,052,962	\$3,126,048	\$2,684,055	\$1,650,435	\$9,777,403	\$556,775	\$5,558,798	\$76,812,334

	<i>Executive, Management & Supervisory</i>	<i>Confidential</i>	<i>Excluded & Unclassified & Miscellaneous</i>	<i>Subtotals, Nonrepresented</i>
B. Nonrepresented				
Number of Positions	2,263.7	5.5	628.4	2,897.6
1. Salary Increase	\$8,157,617	\$10,823	\$645,034	\$8,813,474
Percent	7.4%	7.4%	N/A	
2. Benefits	80,312	60	6,385	86,757
Percent1%	N/A	N/A	
3. Other	8,400			8,400
4. Life Insurance	439,632	1,403		441,035
Subtotal	<u>\$8,685,961</u>	<u>\$12,286</u>	<u>\$651,419</u>	<u>\$9,349,666</u>
C. Total Allocated				\$86,162,000
D. Total Appropriated				<u>\$6,618,000</u>
E. Total Appropriated But Not Allocated				\$456,000

CALIFORNIA STATE UNIVERSITY—Continued

Executive, Management and Supervisory Raises. The 2,264 non-represented executive, management and supervisory personnel received a 7.5 percent employee compensation increase in 1985–86, based on the average increase granted to represented employees.

Cost Elements of 1985–86 MOU to Be Funded From 1986 Salary Increase Funds. All of the salary and benefit increases contained in the MOU are reflected in the CSU's base budget in 1986–87. The budget includes an additional \$21,967,000 to continue the partial-year salary increases provided to faculty employees in 1985–86.

2. Comparison Institution Methodology for CSU Faculty Salaries

Pursuant to SCR 51 of 1965, each year CPEC submits an analysis of faculty salaries and fringe benefits at those higher education institutions that UC and CSU have agreed to use as a basis for comparing the adequacy of the faculty salaries they provide. As we noted in last year's *Analysis of the Budget Bill*, CPEC changed the composition of CSU's comparison institutions in 1985–86. Four of the institutions on that list, however, have not agreed to provide the necessary data. Consequently, the comparison group has again been revised. The new list of institutions is shown below:

- | | |
|------------------------------------|--|
| Arizona State University | North Carolina State University |
| University of Bridgeport | Reed College |
| Bucknell University | Rutgers University (Newark) |
| Cleveland State University | SUNY-Albany |
| University of Colorado (Denver) | University of Southern California |
| Georgia State University | University of Texas (Arlington) |
| Loyola University of Chicago | Tufts University |
| Mankato State University | Virginia Polytechnic Institute |
| University of Maryland (Baltimore) | Wayne State University |
| University of Nevada (Reno) | University of Wisconsin
(Milwaukee) |

Budget Proposes Salary Increase to Achieve Parity

Because of delays in receiving 1985–86 salary data from some of the comparison institutions, both CPEC and CSU relied on partial data in calculating the salary increase required to achieve parity for CSU faculty. The analysis submitted by the Chancellor's Office, which is summarized in Tables 22 and 23, indicates that a faculty salary increase of 6.85 percent would be needed to achieve parity with CSU's new list of comparison institutions in 1986–87. CPEC's analysis indicates that the increase needed could be revised downward to 6.7 percent or upward to 7.1 percent, depending on what the final data show.

Table 22
The California State University
Average Faculty Salaries by Rank
1985–86

Faculty Rank	Number of Faculty	Average Salary 1985–86 ^a
Professor	7,378 (63.0%)	\$45,280
Associate Professor	2,660 (22.7)	35,383
Assistant Professor	1,493 (12.8)	28,558
Instructor	175 (1.5)	24,955
Total Faculty and Average Salary	11,706 (100%)	\$40,935

^a As of June 30, 1986 (excluding merit awards).

Table 23
The California State University
Faculty Salary Increase Required to Achieve Parity
With Comparison Institutions
1986-87

	CSU	Comparison Group		Percentage
	Average Salaries 1985-86 ^a	Salaries 1985-86	Salaries 1986-87 ^b	Increase Required in CSU Salaries 1986-87
All-Ranks Average:				
Using CSU staffing pattern	\$40,935	\$41,825	\$44,652	9.08%
Using comparison institutions' staffing pattern	36,780	37,427	39,805	8.22
Average: Both staffing patterns				8.65%
Technical Adjustments:				
Law faculty				-0.80%
Turnover and promotions				-0.20%
Merit awards				-0.80%
Adjusted salary parity deficiency				6.85%

^a Excluding merit awards.

^b Comparison group salaries were projected by the CSU Chancellor's Office, based on data available on December 3, 1985.

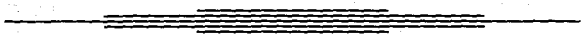
The 6.8 percent increase proposed in the budget for faculty salary increases is, essentially, consistent with the parity concept and would allow CSU to be competitive with its comparison institutions. Consequently, we recommend approval of the funds needed to provide the increase. As discussed below, however, the amount of funds budgeted for this purpose exceeds the amount needed.

3. Proposed Salary Increases Are Overbudgeted

We recommend that the amount budgeted for employee salary increases be reduced to correct for overbudgeting, for a net General Fund savings of \$1,648,000. (Reduce Item 6610-031-001 by \$918,000 and reduce Item 6610-001-001 by \$730,000.)

As shown in Table 20, the budget proposes \$49,463,000 to fund the proposed 6.8 percent salary increase for CSU faculty, and \$25,410,000 to fund the proposed 5.0 percent increase for nonfaculty employees. The budget is based on CSU's preliminary cost estimate.

The Chancellor's Office has revised its estimate of the amounts required to fund these salary increases. These revisions indicate the need for reductions of \$918,000 in the amount budgeted for faculty and \$730,000 in the amount budgeted for nonfaculty employees. Accordingly, we recommend a technical adjustment to reflect the revised estimate, for a net General Fund savings of \$1,648,000.



CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY

Item 6610-301 from various funds

Budget p. E 122

Requested 1986-87	\$106,024,000
Recommended approval	8,032,000
Recommended reduction	4,068,000
Recommendation pending	93,924,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Systemwide Enrollment Increase. Recommend that prior to budget hearings, the CSU provide the Legislature with either the information needed to justify a departure from the existing policy on redirection or a revised enrollment allocation plan and capital outlay program that is consistent with established legislative policy on redirection. 1439
2. COFPHE-Funded Projects. Withhold recommendation on \$14,376,000 requested for seven projects (Table 3, page 1443) pending receipt of additional information. 1443
3. *Women's Gymnasium Rehabilitation—San Diego. Reduce Item 6610-301-146(16) by \$143,000.* Recommend that the Legislature delete funds for working drawings because the proposed alterations for program improvements have not been justified. 1445
4. *Remodel Old Science Building—San Jose. Reduce Item 6610-301-146(20) by \$390,000.* Recommend that the Legislature delete funds for preliminary plans and working drawings because the project would result in excess instructional space on the campus, based on state space guidelines. 1446
5. *Renovate Ayers Hall—Chico. Reduce Item 6610-301-146(5) by \$80,000.* Recommend that the Legislature delete working drawing funds because the proposed upgrading to meet program needs has not been justified. 1447
6. *Founders Hall Rehabilitation—Humboldt. Reduce Item 6610-301-146(10) by \$143,000.* Recommend that the Legislature delete working drawing funds because the request is premature. Further, recommend that the Legislature adopt supplemental report language directing CSU to apply value engineering techniques to this project. 1448
7. *North Campus Library Addition—Long Beach. Reduce Item 6610-301-146(11) by \$166,000.* Recommend that the Legislature provide funds for preliminary plans only, because the request for working drawings is premature. 1449
8. *Library II—Sacramento. Reduce Item 6610-301-146(13) by \$559,000.* Recommend that the Legislature (1) revise the project scope to provide space that is justified on consistent statewide library standards, and (2) provide funds for preliminary plans only, because the request for working drawings is premature. 1449

9. **Library II—Northridge. Reduce Item 6610-301-146(17) by \$611,000.** Recommend that the Legislature (1) revise the project scope to provide space that is justified on consistent statewide library standards, and (2) provide funds for preliminary plans only, because the request for working drawings is premature. 1449
10. **Arts and Industry Remodel and Addition—San Francisco. Reduce Item 6610-301-146(19) by \$518,000.** Recommend that the Legislature delete preliminary plans and working drawing funds because the proposed project would provide space in excess of the amount needed based on state space guidelines. 1455
11. **Remodel Engineering East—San Luis Obispo. Reduce Item 6610-301-146(23) by \$160,000.** Recommend that the Legislature delete working drawing funds because the request would provide space in excess of the amount needed based on state guidelines. 1456
12. **Dairy Science I: Instructional Center—San Luis Obispo. Reduce Item 6610-301-146(24) by \$240,000.** Recommend that the Legislature reduce preliminary planning and working drawing funds to (1) delete the working drawing portion (\$180,000) and (2) reduce preliminary planning funds (\$60,000) to reflect a revised project scope to meet high priority facility needs. 1456
13. **Storm Drains—Dominguez Hills.** Recommend that prior to legislative action on \$25,000 requested for preliminary plans and working drawings, the CSU provide additional project scope and cost information utilizing statewide planning funds available in the current year. 1457
14. **Student and Business Services Building—Humboldt. Reduce Item 6610-301-146(8) by \$228,000.** Recommend that the Legislature reduce preliminary planning and working drawing funds because the size of the project needs to be reduced and the working drawing portion of the request is premature. 1458
15. **Signal Line Distribution System—Humboldt. Reduce Item 6610-301-146(9) by \$56,000.** Recommend that the Legislature delete preliminary plans and working drawings funds because the work associated with installation of a new telecommunications system should be included in the support budget. 1459
16. **Preliminary Planning—Statewide. Reduce Item 6610-301-146(1) by \$400,000.** Recommend that the Legislature reduce preliminary planning funds for 1987-88 projects because the funding level proposed in the budget is not justified. 1460
17. **Architectural/Engineering Services—Statewide. Reduce Item 6610-301-146(2) by \$200,000.** Recommend that the Legislature delete funds for architectural/engineering planning and studies because the CSU should continue to use existing support budget resources to fund this effort. 1461
18. **Bond-Funded Projects.** Withhold recommendation on \$74,731,000 requested for nine projects, pending receipt of additional information (Table 12, page 1462). 1461

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

19. *Physical Sciences Building Rehabilitation—San Diego.* 1462
Reduce Item 6610-301-525 (5) by \$174,000. Recommend that the Legislature delete equipment funds for building alterations because the proposed project was intended to upgrade existing facilities to eliminate seismic deficiencies and therefore existing equipment should be adequate to support the academic programs to be housed in the building.
20. Projects from Federal Trust Fund. Withhold recom- 1463
 mendation on \$4,792,000 requested for two projects, pending receipt of additional information (Table 13, page 1463).

ANALYSIS AND RECOMMENDATIONS

The budget includes \$106,024,000 for capital outlay for the California State University (CSU) in 1986-87. Funding for the program is proposed from several sources, including \$26,327,000 from the Capital Outlay Fund for Public Higher Education (COFPHÉ), \$62,338,000 from High Technology Education Revenue Bond funds, \$12,567,000 from the Public Building Construction Fund (using revenue derived from sale of library revenue bonds) and \$4,792,000 from the Federal Trust Fund. The Federal Trust Fund amount would come from receipts *anticipated*, but not yet received, under Section 8(g) of the federal Outer Continental Shelf Lands Act. The Budget Bill appropriates a total of \$45.2 million in "8(g)" revenue, which would be on top of the \$356.3 million already appropriated. It is not clear at this time that the state will receive sufficient funds to finance either the amount already appropriated or the amount included in the Budget Bill.

For discussion purposes, we have divided the CSU program into three parts, based on the proposed funding source for each project. In addition, the projects within each part are divided into six descriptive categories: (A) Structural, Health and Safety Code Corrections, (B) Equipment Requests, (C) Working Drawings and/or Construction for Previously Approved Projects, (D) New/Remodel Facilities for Instructional Programs and Libraries, (E) New/Remodeled Facilities for Support Facilities and Utilities and (F) Systemwide Projects.

The CSU's request is summarized, by fund and project category, in Table 1.

Table 1
California State University
1986-87 Capital Outlay Program
Funding Summary
(dollars in thousands)

<i>Funding Source/Project Category</i>	<i>Budget Bill Amount</i>	<i>Future Project Cost^a</i>	<i>Future Debt Service Cost^b</i>
I. Capital Outlay Fund for Public Higher Education—			
Item 6610-301-146	\$26,327	\$79,605	\$98,435
A. Structural, Health and Safety Code Corrections.....	\$533	—	—
B. Equipment for Previously Approved Projects	256	—	—
C. Working Drawings and/or Construction for Previously Approved Projects	14,636	—	—
D. New/Remodeled Facilities—Instruction/Libraries	3,145	—	—

E. New/Remodeled Facilities—Support/Utilities	410	—	—	—
F. Systemwide Projects	7,347	—	—	—
II. Revenue Bond Funds:				
Item 6610-301-525—High-Technology Education Revenue Bond Fund		62,338	7,324	142,442
B. Equipment for Previously Approved Projects	\$309	—	—	—
C. Working Drawings and/or Construction for Previously Approved Projects	62,029	—	—	—
Item 6610-301-660—Public Building Construction Fund, Library Revenue Bonds		12,567	1,495	28,753
C. Working Drawings and/or Construction for Previously Approved Projects	12,567	—	—	—
III. Federal Trust Fund—Item 6610-301-890		4,792	341	—
C. Working Drawings and/or Construction for Previously Approved Projects	4,792	—	—	—
Totals		\$106,024	\$88,765	\$269,630

^a CSU estimate for completion of project if funded from COFPHE.

^b Estimated total cost if eligible projects are financed with bonds assuming 7.9 percent interest over 15 years.

Systemwide Enrollment Increase Drives Building Plan

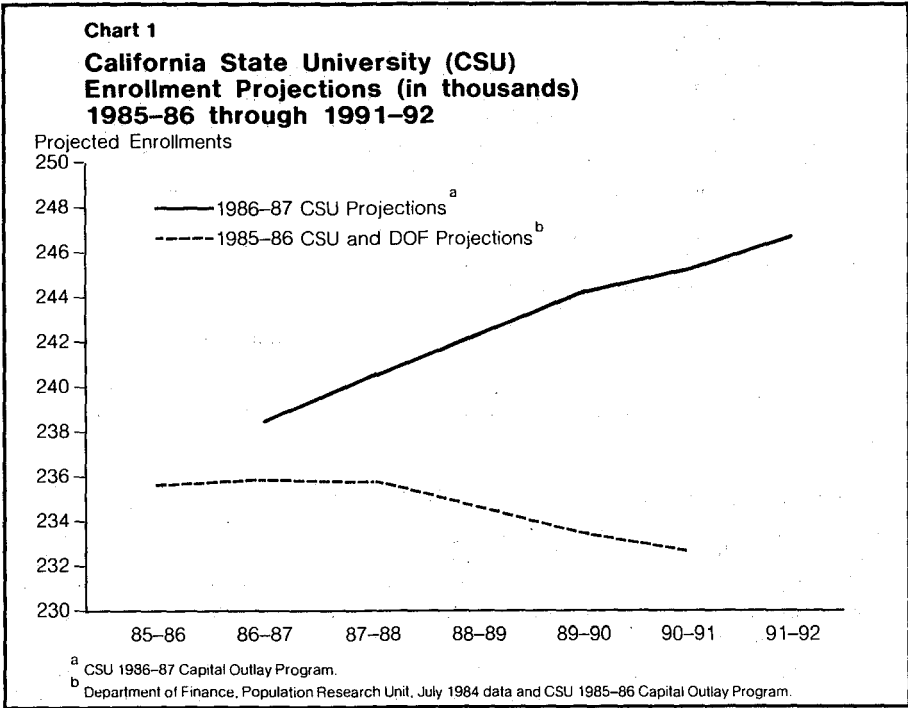
We recommend that prior to budget hearings, the CSU provide the Legislature with either the information needed to justify a departure from the existing policy on redirection or a revised enrollment allocation plan and capital outlay program that is consistent with the established legislative policy on redirection.

The 1986–87 capital outlay budget for the CSU is based on the five-year capital improvement program adopted by the Trustees for the period 1986–87 through 1990–91. This program is based on enrollment projections prepared by the state Department of Finance, Population Research Unit, and reflects the CSU's allocation of projected systemwide enrollment among the 19 campuses.

Systemwide Enrollment Expected to Grow. The 1986–87 capital outlay program differs substantially from the plan prepared for 1985–86. The enrollment projections for 1985–86 reflected a “steady-state” enrollment through 1987–88, with a modest *decline* projected for the years 1988–89 through 1990–91. The current program, however, shows a steady *increase* in enrollment over these years, resulting in a projected enrollment of 245,222 full-time equivalent students (FTE) for 1990–91. This is 12,442 FTE, or 5.3 percent, more than what the 1985–86 capital outlay program anticipated. Chart 1 compares the enrollment plans included in the two programs.

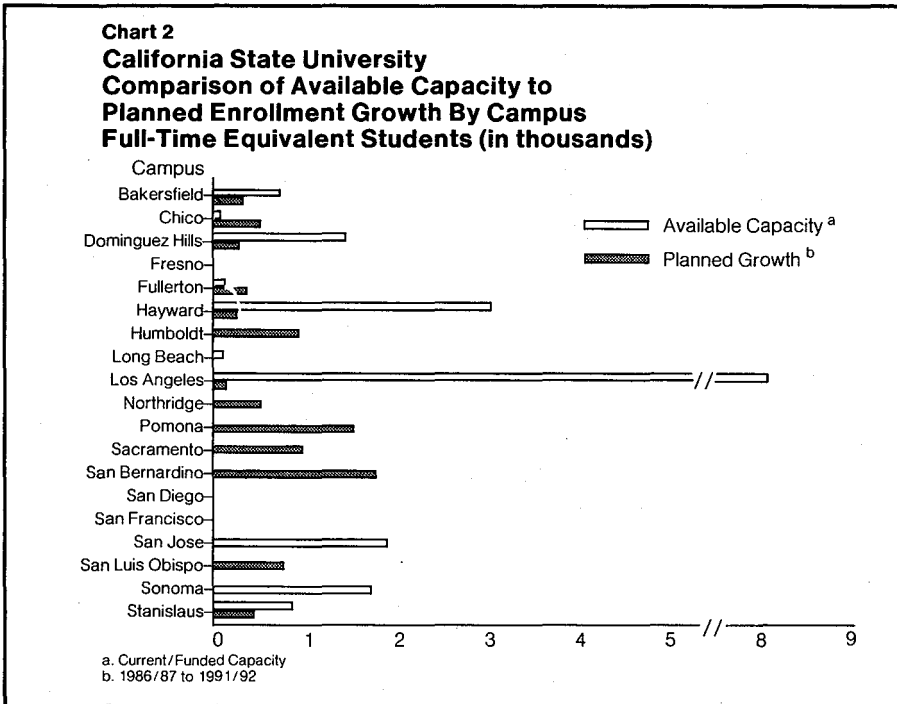
The CSU has not provided any information to indicate the basis for the increase in projected enrollment. Without this information, it would be difficult for the Legislature to evaluate the need for specific capital outlay projects that are proposed based on the increases in systemwide enrollment anticipated by the 1986–87 plan. We therefore recommend that, prior to budget hearings, the CSU provide the Legislature with its rationale for increasing enrollment projected for the period 1986–87 through 1990–91.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued



Enrollment Growth by Campus. Chart 2 compares the CSU's plan for distributing the higher enrollments projected by the Department of Finance among the 19 campuses with the amount of instructional capacity space available on each of these campuses. The campus capacity shown in Chart 2 includes all existing buildings *plus* all new buildings that have been approved by the legislature.

Chart 2 reveals that most of the projected growth is planned at seven campuses—Chico, Fullerton, Northridge, Pomona, Sacramento, San Bernardino and San Luis Obispo. As the chart shows, however, these campuses have little or no physical instructional capacity to accommodate the proposed increase. In contrast, the CSU plans only modest enrollment increases at those campuses that have a significant amount of existing capacity which could be used to accommodate enrollment growth. In fact, we find that six of these campuses—Dominguez Hills, Hayward, Humboldt, Los Angeles, San Jose and Sonoma—could accommodate *all* of the planned enrollment increases projected by CSU. *It is evident from Chart 2 that the CSU has not allocated the planned enrollment growth to take advantage of excess capacity available to accommodate the planned additional students.*



Existing Legislative Policy. The Legislature has previously addressed the issue of whether new instructional capacity space should be provided to meet "enrollment growth," while excess instructional capacity space exists within the system:

- In the *Supplemental Report of the 1976 Budget Act*, the Legislature included language directing the Chancellor's office to determine procedures necessary to facilitate better utilization of existing CSU physical facilities while continuing to meet programmatic and geographic needs of students. Specifically, the Legislature called for the CSU to develop procedures for (a) sustaining and reducing enrollments on selected CSU campuses which currently have a shortage of needed physical facilities, (b) redirecting some students in particular program areas from a campus with insufficient facilities when comparable programs and under-utilized facilities are available at alternative campuses and (c) reducing the five-year capital outlay program to reflect implementation of the first two measures.
- In the *Supplemental Report of the 1977 Budget Act* (Item 419), the Legislature reaffirmed its position on this issue and directed the CSU to submit a report to the Legislature by October 15, 1977, in compliance with the redirection policy expressed in the prior year's supplemental report.
- Finally, in the *Supplemental Report of the 1978 Budget Act*, the Legislature directed that:

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

“No new capital outlay for general instructional capacity space shall be requested (by the CSU) until it is justified on the basis of system-wide needs or enrollment pressures not amenable to redirection or diversion. The addition of specialized facilities plus directly related general instructional space and remodeling of facilities is appropriate when justified. Campuses with a current deficit in general instructional space shall not request such space unless directly related to specialized facilities.”

The capital outlay programs prepared by the CSU from 1979–80 to 1985–86 were consistent with the legislative policy established by this language. The 1986–87 program, however, deviates from this as Chart 2 confirms.

We acknowledge that no policy ought to be immune from review and reconsideration. In this regard, we do not fault the CSU for seeking a review of the existing policy toward the utilization of available space. The CSU, however, should seek such a review directly rather than quietly abandon the policy. In describing its capital outlay program for 1986–87, the CSU makes no mention of the proposed policy change. Nor does it provide any information of the type which the Legislature indicated was needed to justify a departure from this policy in the 1978 supplemental report.

We therefore recommend that prior to budget hearings, the CSU provide the Legislature with either the information needed to justify a departure from the existing policy or a revised enrollment allocation plan and capital outlay program to accommodate this enrollment that is consistent with established legislative policy on redirection.

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

Projects Recommended for Approval

Our review of the CSU request for 1986–87 indicates that three projects, totaling \$7,428,000 are reasonable in scope and cost, and accordingly we recommend that the Legislature approve the requested amounts. The projects, which are summarized in Table 2, include equipment funds for two previously approved projects and construction funds for a classroom/faculty office/student service building on the San Diego campus.

Table 2
California State University
1986–87 Major Capital Outlay
Projects Recommended for Approval
Item 6610-301-146
(dollar in thousands)

Category Subitem/Project Title	Campus	Phase ^a	Budget Bill Amount	Estimates Future Cost ^b
B. Equipment Projects				
(14) Faculty Office Building.....	San Bernardino	e	\$19	—
(21) Remodel Old Library for Administration	San Jose	e	265	—
C. Previously Funded for Plans/Drawings				
(15) Classroom/Faculty Office/Student Services Building	San Diego	c	7,144	\$72
Totals			\$7,428	\$72

^a Phase symbols indicate: c = construction and e = equipment.

^b CSU estimate.

Projects for Which Recommendation is Withheld

We withhold recommendation on \$14,376,000 requested for seven projects, pending receipt of additional project scope and cost information for the requested projects.

The budget includes \$14,376,000 for seven projects on which we withhold recommendation. Two requests include equipment funds for previously approved projects. The CSU, however, has not provided equipment lists that are consistent with the amounts requested in the budget. Two other requests—for minor capital outlay projects—also seek lump sum appropriations for which no detailed justification has been provided. Finally, the budget requests working drawings or construction funds to continue three previously approved projects for which the CSU has not completed preliminary plans.

Pending receipt and review of the necessary additional information, we withhold recommendation on the \$14,376,000 requested for these projects, which are summarized in Table 3.

Table 3
California State University
1986-87 Capital Outlay Program
Projects for Which Recommendation is Withheld
Item 6610-301-146
(dollars in thousands)

<i>Category Subitem/Project</i>	<i>Campus</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Future Project Cost^b</i>	<i>Reasons for Withholding Recommendation</i>
B. Equipment Projects					
(6) Complete Unfinished Space in Library	Chico	e	\$202	—	Pending receipt of equipment list for budgeted amount.
(18) Remodel Business Building	San Francisco	e	35	—	Pending receipt of equipment list for budgeted amount.
C. Projects Previously Funded for Plans/Drawings					
(4) Gymnasium.....	Bakersfield	c	4,449	\$177	Pending receipt of preliminary plans.
(12) Remodel Fine Arts Building.....	Los Angeles	c	1,670	90	Pending receipt of preliminary plans.
(22) Engineering Facility	San Jose	w	1,373	—	Pending receipt of preliminary plans.
F. Statewide Projects					
(3a) Minor Capital Outlay	Statewide	pwc	4,147	—	Pending receipt of project list for budgeted amount.
(3b) Asbestos Abatement	Statewide	pwc	2,500	—	Pending receipt of project list for budgeted amount.
Totals			\$14,376	\$267	

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

^b CSU estimate.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

Recommended Project Changes/Deletions

Our review of the CSU capital outlay request indicates that the amount budgeted for 15 projects should be reduced or deleted. Our recommendations on the individual projects are summarized, by category, in Table 4.

Table 4
California State University
1986-87 Capital Outlay Program
Summary of Legislative Analyst's Recommended Changes
Item 6610-301-146
(dollars in thousands)

<i>Project Category</i>	<i>Number of Projects</i>	<i>Budget of Bill Amount</i>	<i>Analyst's Recommendation</i>	<i>Future Project Cost^a</i>	<i>Future Debt Service Cost^b</i>
A. Structural, Health and Safety Code Corrections	2	\$533	—	\$9,022	—
D. New/Remodeled Facilities—Instruction/Libraries	8	2,880	\$403	62,362	\$98,435
E. New/Remodeled Facilities—Support/Utilities	3	410	101	7,882	—
F. Systemwide Projects.....	2	700	100	—	—
Totals	15	\$4,523	\$604	\$79,266	\$98,435

^a CSU estimates.

^b Estimated debt service costs assuming 7.9 percent interest rate and 15 year term.

A. Projects to Meet Health and Safety Code Deficiencies

The budget includes two projects for correcting structural, health and safety code deficiencies that we recommend be deleted or reduced. The requests and our recommendation on each are summarized in Table 5.

Table 5
California State University
1986-87 Capital Outlay Program
Item 6610-301-146
A. Projects to Meet Structural, Health and Safety Code Requirements
(in thousands)

<i>Sub-item/Project</i>	<i>Campus</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>	<i>Est. Future Cost^b</i>
(16) Women's Gymnasium Rehabilitation...	San Diego	w	\$143	—	\$3,031
(20) Renovate Old Science Building	San Jose	pw	390	—	5,991
Totals			\$533	—	\$9,022

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

^b CSU estimate

Women's Gymnasium Rehabilitation—San Diego

We recommend that the Legislature delete Item 6610-301-146(16), \$143,000 for working drawings for the women's gymnasium rehabilitation project on the San Diego campus, because the proposed alterations for program improvements have not been justified (future savings: \$3,031,000).

The budget includes \$143,000 to fund the working drawing portion of the women's gymnasium rehabilitation project on the San Diego campus. The CSU indicates that funds (\$72,000) available in the current year for statewide planning will be allocated to prepare preliminary plans for this project. According to the CSU's project schedule, however, the preliminary plans will *not* be available prior to budget hearings.

The project would include stiffening overhead structural elements, rebuilding floors, and upgrading the electrical system and the heating, ventilation and air conditioning system. The project *also* includes remodeling of interior spaces to provide 35 additional faculty office stations, and a 50-station self-instruction computer laboratory. A physical education teaching laboratory, indoor physical education areas and a lecture room presumably would be modernized. The estimated total project cost is \$3,246,000.

The women's gymnasium was constructed in 1933 and is number 48 on the Seismic Safety Commission statewide priority list for structural rehabilitation. Therefore, the gymnasium probably should undergo some modifications to improve structural stability. The CSU, however, has not provided any information on the specific structural deficiencies in the building. In fact, the urgency of this proposal is questionable, given that other projects, such as the remodeling of Founders Hall on the Humboldt Campus, are higher in the commission's *statewide* priority for seismic correction, but are not included under this category in the CSU program.

Moreover, the project provides for program improvements for which the CSU has provided no justification. These improvements are as follows:

- The remodeling would increase from 15 to 50 the number of faculty office stations. According to the current physical master plan for the San Diego campus, there already is a projected *surplus* of 67 faculty offices on the campus. Thus, the additional offices proposed in this project would increase the surplus to 102.
- The request includes a 50-station self-instruction computer laboratory for use by physical education students. The CSU has provided no justification for the amount of space or number of stations planned.

Our review indicates that based on similar projects of this type, most of the cost to remodel the women's gymnasium would be attributable to program improvements, *not* to structural upgrading (which is the basis for the Trustees assigning a high priority to this project). Accordingly, we cannot recommend approval of the project and must, instead, recommend that the Legislature delete the working drawing funds requested in Item 6610-301-146(16), for a savings of \$143,000. We believe, however, that a revised proposal addressing the need for structural upgrading and *providing for the remodeling needed to satisfy justifiable program requirements* would warrant legislative consideration.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**Remodel Old Science Building—San Jose**

We recommend that the Legislature delete Item 6610-301-146(20), \$390,000 for preliminary plans and working drawings for renovation of the Old Science building on the San Jose campus, because the project would result in excess campus capacity (future savings: \$5,991,000).

The budget includes \$390,000 to finance preliminary planning and working drawings for renovating the old science building on the San Jose campus. The proposed project includes major renovation of the building's interior, including seismic reinforcement and replacement of interior partitions, doors, ceilings, lights, and the mechanical/electrical systems. The project also includes installation of fire sprinklers and an elevator. Upon completion, an additional 44,100 assignable square feet (asf) would be available to house various programs (the building currently is unoccupied). The estimated total cost of the project is \$6,381,000.

Based on state space guidelines, the San Jose campus has sufficient space to meet current and projected enrollments *without occupying the old science building*. Upon completion of the recently approved engineering building, the campus will have lecture and laboratory capacity amounting to 110 percent of the space need, based on the state's guidelines, and a surplus of 24 faculty offices. Thus, there is no need to spend more than \$6 million to renovate this unoccupied building. If the campus needs to alter space in order to accommodate changes in student demands, it should reassign and/or alter other occupied space.

Proposed Solution Too Expensive. Even if additional space were needed on the San Jose campus, the proposed remodeling of the science building is too expensive.

The CSU proposes that this building be renovated to provide:

- 13,600 asf for storage.
- 7,500 asf for the dance program.
- 3,700 asf for computer laboratories.
- 14,000 asf for offices and laboratories related to various social sciences and humanities disciplines.
- 3,900 asf for general classrooms.

In total, the new building will provide approximately 44,000 asf of additional instruction and support space at a cost of \$6.4 million. Based on the CSU cost guidelines, however, it would cost \$7.1 million to construct a new building in order to meet these needs. Therefore, the proposed remodeling would cost *90 percent* of what a new facility would cost. If additional space on the San Jose campus were justified, construction of a new efficient building, designed specifically to meet program needs of the various disciplines, would be a more cost-effective solution than remodeling the old science building.

For these reasons, we recommend that the Legislature delete Item 6610-301-146(20), for a savings of \$390,000 (Future savings: \$5,991,000).

D. New/Remodeled Facilities for Instructional Programs and Libraries

The budget includes \$2,880,000 under Item 6610-301-146 for new/remodeled facilities to meet instructional programs and library space needs. The projects, and our recommendations on each, are summarized in Table 6.

Table 6
California State University
1986-87 Capital Outlay Program
Projects for New/Remodeled Instructional Space
and Libraries
Capital Outlay Fund for Public Higher Education
(in thousands)

Sub-Item	Project	Campus	Phase	Budget Bill Amount	Analyst's Recommendation	Est. Future Cost
(5)	Renovate Ayres Hall	Chico	w	880	—	\$1,590
(10)	Founders Hall Rehabilitation	Humboldt	w	143	—	2,991
(11)	North Campus (Library) Addition	Long Beach	pw	249	883	5,334
(13)	Library II	Sacramento	pw	724	165	17,760
(17)	Library II	Northridge	pw	736	125	16,264
(19)	Arts and Industry Remodel and Addition	San Francisco	pw	518	—	9,679
(23)	Remodel Engineering East ..	San Luis Obispo	w	160	—	4,094
(24)	Dairy Science I: Instructional Center	San Luis Obispo	pw	270	30	4,650
TOTALS				\$2,880	\$403	\$62,362

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

^b CSU estimate, does not include financing costs if funded from bonds.

Renovate Ayres Hall—Chico

We recommend that the Legislature delete Item 6610-301-146(5), working drawing funds to renovate Ayres Hall on the Chico campus, because the proposed upgrading to meet academic program requirements has not been justified, for a savings of \$80,000.

The budget includes \$80,000 for the working drawing portion of a project to renovate Ayres Hall which houses the art department on the Chico campus. The CSU indicates that \$39,000 in statewide planning funds available during the current year will be used to prepare preliminary plans for this project. The work includes new lights, floors, ceilings, windows, heating, ventilation and air conditioning system, and plumbing/electrical systems. The remodeled building would (1) maintain 29 faculty office stations, (2) maintain 510 FTE lecture capacity, (3) increase laboratory capacity from 241 to 255 FTE and (4) maintain 12 graduate research laboratory stations. The estimated total project cost is \$1,709,000. Based on this estimate the alteration cost is about 30 percent of what a new building would cost.

There may be a need to upgrade this building in order to eliminate building system deficiencies. Such work, however, normally is budgeted in the special repairs portion of the support budget.

With respect to the portion of this project that is intended to upgrade building spaces to meet program needs, the CSU has not provided any specific information to justify either the need for or cost of the program improvements. Moreover, at the time this analysis was prepared, CSU had only recently requested allocation of the statewide planning funds for this project. Thus, it is unlikely that the plans will be available prior to budget hearings.

We therefore recommend the Legislature delete Item 6610-301-146(5), for a savings of \$80,000.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**Founders Hall Rehabilitation—Humboldt**

We recommend the Legislature delete Item 6610-301-146(10), \$143,000 for working drawings for Founders Hall renovation, because the request is premature. Further, we recommend that the Legislature adopt supplemental language directing CSU to apply value engineering techniques to this project.

The budget includes \$143,000 for the working drawing portion of a project to remodel Founders Hall on the Humboldt campus. Founders Hall, completed in 1922, was the initial building on the Humboldt campus. The building houses six instructional departments and includes 35 percent of the campus' lecture space and about 20 percent of the faculty office stations. The proposed project would upgrade and modernize instructional and office spaces as well as improve building systems such as structural elements, plumbing, electrical, heating, ventilation and air conditioning. The estimated total project cost is \$3,134,000. This represents approximately 60 percent of what it would cost to construct a new building in order to house the programs located in Founders Hall.

The information provided in support of this project indicates that substantial improvements are needed in this building if it is to meet today's academic program requirements. The campus has completed a thorough assessment of the building's deficiencies and has identified such problems as inadequate acoustics, lack of telecommunication and computer access, inadequate faculty offices/departmental suites and code deficiencies.

The campus has compiled an excellent document that clearly and concisely demonstrates what the existing deficiencies are, and what the campus plans to do to rectify the situation. This is in sharp contrast to the information provided in support of similar projects on other campuses. In fact, the CSU Chancellor's office should use the justification provided for the Founders Hall project as an example for all future project requests of this type.

While our analysis confirms the need for major renovations to Founders Hall, it also finds the request for working drawings funds to be premature. According to the schedule provided for this project, schematic plans for the proposed renovations will not begin until July 1986, and preliminary plans are not expected to be completed until March 1987. Consequently, at this point, the Legislature has no information identifying what work will be done to solve the problems identified by the campus, nor is there an architectural/engineering assessment of the associated costs.

We recommend that the system proceed with the preliminary planning phase utilizing funds available in the current year for statewide planning. When completed in March 1987, these plans should provide the information needed to substantiate a request for working drawings *and construction* in the 1987-88 budget.

We also believe that the CSU should allocate sufficient planning funds to enable the use of "value engineering" techniques while preparing the plans. This technique has proven to result in a more thorough assessment of needs and provides cost/benefit analyses on all elements of the project.

In sum, we recommend the Legislature (1) delete the \$143,000 requested for working drawings in Item 6610-301-146(10), and (2) adopt supplemental language directing the CSU to proceed with preliminary plans

using value engineering and provide completed plans to the Legislature prior to budget hearings on the 1987-88 Budget Bill.

New Library Facilities—Northridge, Long Beach and Sacramento

We recommend that the Legislature revise the project scope for construction of additional library facilities on the Northridge and Sacramento campuses to provide the amount of additional library space that is justified based on a systemwide library plan. Further, we recommend that preliminary plans and working drawings funds for the three projects be revised to (1) provide preliminary planning funds only for the revised project scope and (2) delete funds for working drawings. (Reduce Item 6610-301-146(11) by \$166,000 (Long Beach), Item 6610-301-146(13) by \$559,000 (Sacramento) and Item 6610-301-146(17) by \$611,000 (Northridge) (total future savings: \$13.2 million).

The budget includes funds for three projects that are intended to provide additional library facilities on three CSU campuses. Specifically, the budget requests:

- \$249,000 to fund preliminary planning and working drawings for a new 35,000 assignable square foot (asf) library building on the Long Beach campus. The project would partially offset a library space deficit of 82,000 asf. The estimated future cost for construction and equipment is \$5,334,000.
- \$724,000 to fund preliminary plans and working drawings for a 118,216 asf addition to the existing library on the Sacramento campus. The project would add sufficient space to meet 100 percent of the 1991-92 library space needs, plus 28,760 asf for multimedia services. The estimated future cost for construction and equipment is \$17,760,000.
- \$736,000 to fund preliminary plans and working drawings for a 90,023 asf addition to the existing library on the Northridge campus. The project would include installation of an automated retrieval system capable of storing 950,000 library volumes. The combined library storage system would be sufficient to meet library needs projected for the year 2002. The estimated future cost for construction and equipment is \$16,264,000.

Recent Library Planning. The CSU included several proposals for additional library space in its 1984-85 capital outlay program. These requests were based on space guidelines patterned after standards developed in 1966 by the California Postsecondary Education Commission (at the time, the Coordinating Council for Higher Education). Given the technological changes in how library materials are processed and stored, the Legislature determined that the CSU library space guidelines needed to be reassessed. Consequently, the Legislature appropriated \$92,000 in the 1984 Budget Act for a study to evaluate the library standards, and assess the campus library needs throughout the CSU system.

1985 Systemwide Library Space Study. The consultants study was completed in January 1985. The study concluded that the CSU library space guidelines for reader stations and general stack space were reasonable. The consultant recommended a reduction in the formula for library staff and technical processing from 225 square feet to as low as 175 square feet per library staff. Using the proposed standard, the consultant identified a library space shortage of 420,000 asf at the nine campuses studied. The consultant suggested that the CSU begin a review of specific space needs and continue studying long-term solutions to space problems, including automated storage/retrieval systems.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

Finally, the consultant indicated that the CSU needs to improve its policy with regard to assigning library space in order to make maximum use of existing libraries. The consultant pointed out that over 100,000 asf in the nine libraries surveyed was assigned to "tenant functions" that had little or no organizational relationship to the library.

CSU Evaluation of Study. The Chancellor's office, in transmitting the completed report (including the California Postsecondary Education Commission comments) to the Legislature, concluded that the standards in effect for reader stations, and volumes were reasonable. The Chancellor's office also agreed with the consultant's conclusions regarding "tenant functions" and stated the CSU intended to study this issue with the objective of relocating the activities to other space, before requesting new space. The Chancellor's office, however, disagreed that technical processing/public service space guidelines could be reduced from 225 asf, to 175 asf per staff person.

Finally, with regard to overcoming space deficiencies, the Chancellor's office stated that, "In view of the CSU approach to developing library facilities to substantially control construction and program costs, CSU should be permitted to include at CSU Northridge the prototype high-density library facility with the view toward developing a systemwide library program."

Where Is The Systemwide Library Program? Despite the effort made to validate existing program formulas, assess existing facilities and study alternative technologies, the individual projects submitted for legislative consideration in the 1986-87 budget *do not embrace a consistent systemwide library space plan*. Instead, the proposals represent three independent solutions to the same problem—a shortage of available library space.

Table 7 outlines the basic space guidelines/policies used to justify the three new library projects at Long Beach, Northridge and Sacramento.

The following is a brief description of the major inconsistencies that emerge from a review of the CSU's library proposals.

How Many Volumes? The CPEC's 1966 standards established a policy of 40 volumes per FTE as the goal for the library collection on CSU campuses. The CSU's planning manual, issued in 1976, included the 40 volumes per FTE planning goal. Subsequent revisions to that manual, however, call for the size of the collection in the future to be based on (1) the size of the existing collection and (2) the number of volumes expected to be acquired at the current acquisition rate approved in the support budget. The projects currently before the Legislature reflect this policy.

As Table 7 shows, the *current* number of volumes per FTE at each campus exceeds the 40 volume per FTE guideline. Based on planned *growth* in collection size and FTE enrollment, the number of volumes to be accommodated in the new libraries ranges from a low of 50 volumes per FTE on the Long Beach campus to 72 volumes per FTE at Northridge.

Table 7
California State University
Current and Projected Library Space Needs

		Northridge	Sacramento	Long Beach
CURRENT NEEDS:	1a. Current FTE (1985-86 Budgeted)	19,500	17,100	22,100
	1b. (1985-86 Budgeted)			
	2a. Current Volumes	872,445	800,000	900,000
	2b. (Volumes per FTE)	45	47	41
	3a. Space Needed (no storage)	252,830	231,275	270,974
	3b. Current Space (asf)	194,299	158,559	197,527
	3c. Space deficiency	58,531	72,716	73,447
PLANNED GROWTH:	4a. Growth in FTE	865	1,650	100
	4b. Planned FTE (1991-92)	20,365	18,750	22,200
	5a. Growth in Volumes/yr	37,000	28,101	27,500
	5b. (Volumes per FTE)	1.9	1.6	1.2
	6a. Total Capacity for			
	6b. Volumes in 1991-92	1,470,000 ^a	968,611	1,100,000
	6c. (Volumes per FTE)	72	52	50
	7a. Space for Growth (asf)	79,192	29,656	25,520
7b. (stacks and reader stns)				
PROPOSED SOLUTION:	8a. Volumes in Stacks	520,000(35%)	774,880(80%)	880,000(80%)
	8b. (Stack Volumes per FTE)	25	42	40
	9a. Volumes in Storage	950,000(65%)	193,710(20%)	220,000(20%)
	9b. (Storage Volumes / FTE)	47	10	10
	10. Total ASF Proposed	221,273	267,045	280,115
	11. Less: Existing (Retained)	131,150	148,829	197,527
	12. Space Relinquished	63,149	9,730	0
	13. Additional Space Needed	90,123	118,216	82,588
	14. New Space Requested	90,123	118,216	35,000
	15. Percent of Space Need at Occupancy	100%	100%	83%

^a Planned capacity for the year 2002.

How Are the Volumes to be Housed? CSU's 1976 planning manual called for *all* volumes to be in conventional open stack space, at a rate of ten volumes per square foot. In July 1985 the CSU revised this standard, indicating that "as an option, campuses may consider providing compact storage for *at least 20 percent* of the volumes." This planning option would indicate that at least 20 percent of the CSU library collection is seldom used and therefore eligible to be stored in the more economical compact storage without impairing user access.

Table 7 (lines 8a through 9b) compares the proposed number of volumes to be located in open stack and in storage, for the projects funded in the budget. The table reveals that the Sacramento and Long Beach proposals place 80 percent of the collection in stack areas and 20 percent in storage facilities. This results in 40 or 41 volumes per FTE available in stack areas. The Northridge proposal offers a significant deviation from this guideline. This project proposes that *only 35 percent of the ultimate collection (25 volumes per FTE) be located in stack space; the other 65 percent of the collection would be kept in storage (47 volumes per FTE).*

What Kind of Storage is Appropriate for Library Materials? The CSU plans for storage of library material on these three campuses are also inconsistent. The storage systems vary from conventional compact shelving units at Sacramento and Long Beach to a computer-operated automat-

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

ed storage/retrieval system (ASRS) at Northridge. The CSU indicates that the use of an ASRS for storage of library materials will be less costly in the long run than conventional on-site storage of materials. Despite this conclusion, *neither of the other two proposals provides for an ASRS.*

One reason for this may be the assertion by the Chancellor's office that an ASRS is *not* economical if fewer than 950,000 are stored. This may also explain why the Northridge proposal provides (1) a higher rate of volumes per FTE than the other campuses (38.5 percent higher than the next campus—Sacramento) and (2) storage to accommodate growth for 10 years beyond the other two projects.

Can Northridge Provide Library Services Using Two Buildings? The proposals at Northridge, Sacramento and Long Beach also differ with respect to where the new library space will be provided. The Northridge proposal includes construction of additional conventional library space (including stack, reader station and administrative space) to be *added* to the existing Oviatt Library building. This space would *replace* existing library space available in the South Library. The campus cites *the inefficiencies of operating two library facilities* as justification for including this replacement space in the program. On the Long Beach campus, however, the CSU proposes construction of a new library building located some distance from the existing library building, even though an addition to the existing library is feasible. The inefficiencies of operating two libraries apparently can be overcome at Long Beach, but not at Northridge.

Our analysis indicates that proper management of the library collection could alleviate any problems with operation of two library buildings. On this basis, we conclude that the proposed replacement space at Northridge is not justified, and should be deleted from the project.

What is the Policy on Tenant Functions/Multimedia Space? No information accompanies these three proposals to indicate that the CSU has evaluated tenant space on these campuses. Consequently, there may be a means of increasing the amount of available library space *at no additional cost* by relocating existing tenant functions. A specific policy on multimedia space, consistent with the recommendations made by the CSU consultant is *not* included in the proposals.

Legislative Analyst's Proposal. Given the inconsistent policy and planning premises on which the three proposals are based, we recommend that the Legislature establish policy/planning guidelines for developing library systems within the CSU. Specifically, we recommend the Legislature adopt the following guidelines:

- (1) ***Provide large (in numbers of students) campuses with sufficient library space to accommodate 52 volumes/FTE.*** This is the highest ratio in the CSU's plan (excluding Northridge). In view of the increase in library materials and resource requirements since 1966 when the CPEC adopted 40 volumes per FTE collection standard, this increase would certainly be reasonable. Moreover, the CSU's large campuses currently have library collections that vary from 33 to 47 volumes per FTE. Thus, adoption of a 52 volume/FTE standard for *total* collection allows the campuses to expand.

While this would justify an increase in the number of volumes at Long Beach, it would require that the number for Northridge be reduced. (We note that the CSU has provided no justification for allowing Northridge to have a more enriched library than the other campuses.)

- (2) **Provide sufficient space for housing 36 volumes per FTE in stack space and 16 volumes per FTE in on-campus storage.** The CSU has determined that *at least* 20 percent of the library collection can be housed in compact storage units. A policy to house a portion of the collection in compact storage recognizes that within the collection are less frequently used volumes. These volumes, therefore, do not need to be immediately accessible. Using the CPEC's original standards of 40 volumes per FTE as the basis for a "readily" accessible collection and allowing for only 10 percent low-use volumes, we suggest that 36 volumes per FTE student be housed in open stacks. The balance of the collection (16 volumes per FTE), consisting of the less frequently used volumes, would be in compact housing, *on campus*, where it can be made available to the user in less than four hours.
- (3) **Provide space for special materials at a rate equal to 25 percent of the space programmed for book stacks.** This is consistent with current planning standards.
- (4) **Provide reader stations equivalent to the current CSU standard.** All available information indicates that the current planning standard for reading stations is adequate to meet reader station needs.
- (5) **Provide space for personnel and technical processing space consistent with current CSU space guidelines.** While the CSU's recent library study indicated that the current guideline for technical processing could be reduced, the consultant offers no substitute process or procedure for evaluation. The existing planning guideline appears to be adequate in addressing the space needed for this function.
- (6) **Provide no additional library space to replace existing library space occupied by tenant functions.** The CSU has not addressed the relocation of tenant functions as suggested by its own library consultants. Until this is accomplished, the Legislature should not approve additional space to *replace* library space now housing these functions.
- (7) **Provide no additional multimedia space in libraries until CSU develops a consistent policy in this area.** The CSU's consultant indicated specific circumstances in which it would be appropriate to provide multimedia space within the library. The CSU, however, has not adopted any specific policy in this area. Until this is accomplished, no additional multimedia space should be provided.
- (8) **Direct the CSU to implement a comprehensive plan that would eliminate the need for future library space at these campuses.** Once the Legislature has provided sufficient space to accommodate library needs, it is up to the CSU to develop the operational strategy to insure that the future growth will not result in the need for additional space. This can be accomplished by establishing state-wide policies using a three-tiered storage scheme to include (a) on-site storage, (b) off-site storage and (c) discarding of materials that are no longer needed.
 - **On-site storage** would be used for less frequently used materials that need to be available on a fairly urgent basis, in a few hours.
 - **Off-site storage.** CSU should take advantage of the availability of storage at the state's regional library storage facilities in Richmond and Los Angeles. These facilities can house the most seldom used materials that warrant retention. The material would be available to users within 24 hours of the request.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

• *Discarding outdated material.* Currently, CSU's library space needs grow each year by an amount equal to the space needed to house the new volumes acquired. To counter this unbridled growth, CSU indicates that the systemwide library collection will be "stabilized" at 21 million volumes in about 10 years. Once a stable collection size is reached, the CSU must *discard* as many volumes as it acquires each year. CSU must develop a systematic method of accomplishing the "no growth" goal.

Table 8 shows the amount of square footage that would be needed on the Northridge, Sacramento and Long Beach campuses to provide space consistent with our suggested planning guidelines.

Table 8
California State University
Recommended Library Space
Selected Campuses

	Northridge	Sacramento	Long Beach
1. Planned Enrollment.....	19,500	17,100	22,100
2. Volumes per FTE.....	52	52	52
3. Total Collection.....	1,014,000	889,200	1,149,200
4. Required Space (asf):			
A. Stacks.....	70,200	61,560	79,560
Volumes per FTE.....	36	36	36
B. Storage.....	10,400	9,120	11,787
Volumes per FTE.....	16	16	16
C. Special material (25 percent of stacks)	17,550	15,390	19,890
D. Reader Stations.....	126,750	111,150	143,650
E. Personnel/processing.....	30,375	32,625	33,750
Total asf.....	255,275	229,845	288,637
5. Less: existing	194,299	148,829	197,527
6. Recommended Additional space:			
(stack/study/pers.).....	60,976	81,016	91,110
(storage).....	(50,576)	(71,896)	(79,323)
Total.....	(10,400)	(9,120)	(11,787)
7. CSU proposal.....	90,123	118,216	82,588
8. Recommended change	-29,147	-37,200	+8,522

Adoption of the proposal would reduce the amount of space planned for additions on the Northridge and Sacramento campuses. *For the Long Beach campus, the CSU proposal does not meet the identified space needs even if one uses the CSU planning guidelines.* Instead, it provides only 35,000 square feet of the 82,588 square feet needed, thereby paving the way for a second project to eliminate *current* space deficiencies. We have no basis to determine whether program requirements warrant an addition to the proposed north library or alteration and/or additions to the existing library. We suggest, therefore, that the CSU provide the Legislature with a comprehensive plan for the Long Beach campus that is consistent with the suggested planning guidelines.

Whether or not the Legislature approves these planning guidelines, only preliminary planning funds should be approved for the three projects in 1986-87. This will allow the CSU to develop needed plans for submission to the Legislature in support of a request for working drawings *and construction* in the 1987-88 budget. The CSU should also utilize value engineering in the development of the preliminary plans.

In *summary*, we recommend that the Legislature:

- Modify the library projects as shown in Table 8.
- Reduce Item 6610-301-146(11) by \$166,000 to provide \$83,000 for preliminary plans and eliminate the working drawing portion of the Long Beach request.
- Reduce Item 6610-301-146(13) by \$559,000 to provide \$165,000 for preliminary planning for a library addition containing 81,000 assignable square feet at Sacramento.
- Reduce Item 6610-301-146(17) by \$611,000 to provide \$125,000 for preliminary planning for a 61,000 assignable square foot addition at the Northridge campus.

Remodel Arts and Industry Building and Additions—San Francisco

We recommend that the Legislature delete Item 6610-301-146(19), preliminary plans and working drawings for remodeling Arts and Industry Building and additions on the San Francisco campus, because the amount of space proposed exceeds the amount needed based on state space guidelines, for a savings of \$518,000.

The budget includes \$518,000 for preliminary plans and working drawings to remodel and add to the Arts and Industry Building on the San Francisco campus. The project would provide additional space for creative arts disciplines including Art, Design and Industry, Film, Broadcast Communications and Dance. The project provides for (1) two additions to the Arts and Industry Building totaling 47,050 asf for instructional space and 29 faculty offices, (2) a 3,800 asf addition to the Physical Education Building for the dance program and (3) remodeling 51,412 asf in the Arts and Industry Building to modernize facilities and convert space to new uses. The estimated total project cost is \$10,197,000.

Table 9 compares the existing and proposed space to the amount of space needed to support these programs based on state space guidelines.

Table 9
California State University
1986-87 Capital Outlay Program
San Francisco State University
Space Plan For Remodel Arts and Industry
Building and Additions

Discipline	Existing Space	Proposed New	Remodelled/ Retained	Total Space	Need per Guidelines	Over (+) Under (-) Guideline
Art	23,559	14,000	28,859	42,859	32,341	10,518
Design and Industry	22,619	2,350	20,750	23,100	18,796	4,304
Film	4,135	18,500	—	18,500	7,312	11,188
Broadcast Communications	11,781	—	15,916	15,916	13,531	2,385
Dance	6,888	3,800	6,888	10,688	14	10,674
Faculty Offices	9,239	8,200	(869)	7,331	10,845	(3,514)
Totals, Capacity Space	78,221	46,850	71,544	118,394	82,839	35,555
Art Gallery	n/a	4,000	—	4,000	n/a	n/a
Totals	78,221	50,850	71,544	122,394	82,839	35,555
Remodeled			(51,412)	—	—	—
Retained (not remodeled)			(20,132)	—	—	—

n/a = not applicable. Art gallery space is classified as non-capacity and is to be justified outside the space guidelines.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

Table 9 reveals that (1) there is a current deficit of 4,618 asf (6 percent) in the amount of space assigned to these disciplines and (2) the proposed project would provide 35,555 asf in excess of the state space guidelines. Consequently, the full scope of the project cannot be justified based on state space guidelines. We therefore recommend that the Legislature delete Item 6610-301-146(19), for a savings of \$518,000.

A project to modernize the facilities in order to meet current program needs, however, would warrant legislative consideration. Such a project should include alterations to upgrade/replace the existing art gallery.

Remodel Engineering East—San Luis Obispo

We recommend that the Legislature delete Item 6610-301-146(23), working drawing funds to remodel Engineering East on the San Luis Obispo campus, because the project would provide space in excess of the amount needed, based on state space guidelines, for a savings of \$160,000.

The budget includes \$160,000 for working drawings to remodel the Engineering East building on the San Luis Obispo campus. The project includes construction of a 5,003 assignable square foot (asf) addition to the existing building to provide space for 29 faculty offices and related administrative space. Existing faculty offices and laboratories in the Engineering East Building would be remodeled to provide additional laboratory space, self-instruction computer laboratories and space for student projects. The estimated total cost of the project is \$4.3 million, including \$1.4 million for new construction and \$2.9 million to remodel the existing building.

The CSU indicates that it will allocate \$80,000 of the funds appropriated in the 1985 Budget Act for statewide planning to prepare preliminary plans for this project. Based on the current project schedule, however, the preliminary plans will not be available prior to legislative hearings on the budget.

The existing space assigned to those disciplines that would benefit from the proposed project already is sufficient based on space guidelines. Consequently, a project intended to increase space by over 5,000 asf is not justified. We therefore recommend that the Legislature delete Item 6610-301-146(23), for a savings of \$160,000.

Our analysis indicates that a portion of the request related to remodeling/upgrading existing instructional spaces to meet *current* program requirements warrants legislative consideration. The CSU should prepare a revised request which reflects remodeling of existing space so as to provide state-of-the-art laboratories in support of these disciplines. Moreover, alteration costs should be minimized by (1) retaining existing faculty offices in the Engineering East building, and (2) limiting remodeling to only the laboratory/senior project (high-technology) spaces.

Dairy Science I: Instructional Center—San Luis Obispo

We recommend that the Legislature reduce Item 6610-301-146(24), preliminary plans and working drawings for Dairy Science I on the San Luis Obispo campus, by \$240,000 in order to reflect (1) a reduction in scope to provide essential facilities for the dairy program and (2) deletion of working drawings funds (future savings: \$1.9 million).

The budget includes \$270,000 for preliminary planning and working drawing for the Dairy Science I instructional center on the San Luis

Obispo campus. The project includes a new milk production unit (9,845 asf) and new animal facilities (108,100 asf), including new stall space, bull pens, pavilion area, feed storage and waste disposal facilities. In essence, the CSU proposal would replace all milk production and animal units. The estimated total cost of the project is \$4,920,000.

The CSU indicates that the Dairy Science program at San Luis Obispo needs to be modernized if students are to receive instruction consistent with current-day dairy management practices. The existing milking facilities do not reflect current technology, and the university's advisory group has recommended that the facilities be replaced.

Our review indicates that the project should be modified to provide the new facilities needed to meet the program objective without abandoning the use of other ancillary facilities. If this were done, the only new facility required would be a modern milk production unit. Based on the cost of constructing a similar, state-of-the-art, dairy unit at the Fresno campus, we believe \$30,000 would be sufficient to fund preliminary plans for this facility, which would cost approximately \$3 million.

On this basis, we recommend that the Legislature reduce Item 6610-301-146(24) by \$240,000 to provide \$30,000 for preliminary planning funds for the new dairy. (Future savings: \$1.9 million).

E. UTILITY AND SUPPORT SERVICE PROJECTS

The budget includes three projects from the COFPHE for utility and support service facilities for the CSU. The projects, which we recommend be deleted or changed, are summarized in Table 10.

Table 10
California State University
1986-87 Capital Outlay Program
Item 6610-301-146
New/Remodeled Support Facilities and Utility Projects
(in thousands)

sub item	Project	Campus	Phase ^a	Budget Bill Amount	Analyst's Recom- mendation	Estimated Future Cost ^b
(7)	Storm Drains	Dominguez Hills	pw	\$25	pending	\$403
(8)	Student and Business Services Building	Humboldt	pw	329	\$101	6,576
(9)	Signal Line Distribu- tion System.....	Humboldt	pw	56	—	903
	Totals.....			\$410	pending	\$7,882

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

^b CSU estimate.

Storm Drains—Dominguez Hills

We recommend that prior to legislative action on Item 6610-301-146(7), \$25,000 requested for preliminary plans and working drawings to install additional storm drains on the Dominguez Hills campus, the CSU provide additional project scope information and preliminary plans and costs estimates for the proposed project. Pending receipt of this information, we withhold recommendation on this item.

The budget includes \$25,000 for preliminary plans and working draw-

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

ings to install additional storm drains on the Dominguez Hills campus. The project would provide approximately 1,300 linear feet of 36-inch diameter storm drain, earth waterways and dykes, and low-maintenance landscaping to prevent further erosion. The estimated total cost of the project is \$428,000.

The university indicates that the proposed modifications would eliminate the flow of debris and silt onto the city street south of the campus. The campus, however, has not provided information to indicate (1) why the existing drainage system is inadequate, (2) how the proposed modifications will eliminate the problem and (3) whether or not the state is solely responsible for correcting the problem. Until we receive this information, we withhold recommendation on the requested funds.

We note that the 1985 Budget Act appropriated funds to finance the preparation of preliminary plans for projects to be included in the 1986-87 Budget. This appropriation is intended to provide the CSU with the flexibility to initiate preparation of preliminary plans for relatively small projects. It also is intended to assure that the Legislature receives the information it needs to identify the proposed work and substantiate the requested amount, prior to budget hearings. In the case of less costly/complex projects, this information would allow the Legislature to consider including construction funds in the budget year.

We believe the CSU should use the 1985 Budget Act funds to develop preliminary plans and supporting information to substantiate the work and cost of this project. Given the nature of this project, the Legislature may want to consider accelerating the project by appropriating construction funds in the budget year, assuming information to justify the project is forthcoming.

Student and Business Services Building—Humboldt

We recommend that the Legislature reduce Item 6610-301-146 (8), \$329,000 for preliminary plans and working drawings for a student and business services building on the Humboldt campus, by \$228,000, because (1) the project needs to be reduced in scope and (2) the working drawing portion of the request is premature (future savings: \$523,000).

The budget includes \$329,000 to finance preliminary plans and working drawings for a new student and business services building on the Humboldt campus. The project would provide a total of 34,250 asf to house various administrative functions, including the Vice President for Administrative Affairs, testing, procurement, duplicating center, public safety, personnel, financial aid, continuing education, fiscal affairs and accounting. These functions currently occupy 14,066 asf of leased space adjacent to the campus and 7,732 asf in temporary buildings that are scheduled for demolition. Upon completion of the new building, the existing space will be vacated, the lease terminated and the temporary buildings torn down. Thus, the proposal provides a 12,442 asf (57 percent) expansion in permanent space for these functions. The estimated total cost of the project is \$6,905,000.

Our review indicates that new permanent space to house these administrative functions is needed to provide on-campus services to student and campus administration. The proposed project, however, is overbudgeted because a portion of the proposed space is not justified. We recommend that the project be reduced 2,640 asf in order to delete/reduce:

- 1,100 asf for a university conference room and disaster control center. According to CSU guidelines, adequate space for conferences is available, and it is unclear why the Humboldt campus needs a specialized disaster control center.
- 340 asf in the reception area for the financial aids department. This would provide an amount of space that is comparable to what recently was provided at the Chico campus.
- 200 asf for male and female holding cells in the campus police department. Detainees should be transported to appropriate law enforcement facilities; jail facilities should not be built on campus.
- 440 asf proposed for the Humboldt Foundation. These positions are not state-funded and new space should not be constructed for them at state expense.
- 560 asf requested to house various positions where the amount of requested space exceeds the state space guidelines.

With these reductions, the project would be reduced to 31,610 asf, for an overall project savings of \$532,000.

In addition, the request for the working drawing funds portion of this project is premature. Preliminary plans for this project will not be completed until February 1987, at which time the Legislature can consider an appropriation for working drawings and construction in the 1987-88 budget. This will give the Legislature the opportunity to review preliminary plans and cost estimates prior to fully funding the project.

In sum, we recommend that Item 6610-301-146(8) be reduced by \$228,000 to reflect the revised project scope and to delete funds requested for the working drawing portion of the project (future savings: \$523,000).

Signal Line Distribution System—Humboldt

We recommend that the Legislature delete Item 6610-301-146(9), \$56,000 for preliminary plans and working drawings for installing a new signal line distribution system on the Humboldt campus, because work associated with installation of a new telecommunication system should be included in the support budget.

The budget includes \$56,000 for preliminary plans and working drawings to install a new distribution system for telephone cables on the Humboldt campus. The project would include installation of over two miles of communication conduit and installation of cables to support the campus' new telephone system and computer data transmission network. The estimated total project cost for the distribution system is \$959,000.

The CSU currently is converting all campuses to a new telephone system. Beginning with the 1984 Budget Act, funds for this conversion have been included in the CSU's support budget. To date, the Humboldt campus has received funds for consultant services to oversee telecommunication system conversions. The proposed capital outlay project to *install a new distribution system* is not needed because *any proposed distribution system must be constructed in concert with the future telecommunication system* to be installed by a vendor/contractor. In fact, other campuses have included the conduit/cable distribution system as part of the vendor's responsibility.

Moreover, the project, as proposed, would include installation of new conduit/cables to buildings which the university indicates *will be demolished* once the new student and business services building is completed. Given the current construction schedule for the new building, *the new*

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

lines would be completed about the time demolition would be accomplished. Problems of this nature can be averted through proper planning and coordination when the telephone system is converted.

In view of the statewide conversion plan already in progress, the CSU should include the entire plan for conversion of the Humboldt campus telecommunications system in a future support budget request. We therefore recommend that the Legislature delete the funds requested in Item 6610-301-146(9), for a savings of \$56,000.

F. STATEWIDE PROJECTS

The budget includes two statewide projects from the COFPHE that we recommend be deleted or reduced. The projects are summarized in Table 11.

Table 11
California State University
1986-87 Capital Outlay Program
Item 6610-301-146
Statewide Projects

<i>Project</i>	<i>Campus</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>	<i>Estimated Future Cost^b</i>
(1) Preliminary Planning 1987-88 Projects.....	Statewide	p	\$500	\$100	—
(2) Architectural and Engineering Campus Master Planning and Studies	Statewide	p	200	—	—
Totals			\$700	\$100	—

^a Phase symbol indicates: p = preliminary plans.

^b CSU estimate

Preliminary Planning—1987-88 Projects

We recommend that the Legislature reduce Item 6610-301-146(1), \$500,000 for preliminary planning of 1987-88 projects, by \$400,000, because the funding level proposed in the budget is not justified.

The budget includes \$500,000 to provide funds for advanced planning of projects that are expected to be included in the Governor's Budget for 1987-88. Traditionally, the budget includes preliminary planning funds so that the CSU can develop preliminary plans for projects which are expected to be funded either for working drawings or for working drawings and construction in the upcoming Governor's Budget. 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 1985-86 budget appropriated \$200,000 for preliminary planning, including energy-related projects. At the time this analysis was prepared, however, the CSU had only recently requested allocation of the funds, and the Department of Finance had not authorized expenditure of any funds.

The CSU indicates that the \$500,000 requested under this item would be used to fund preliminary planning for several projects included in the current five-year capital outlay program. The amounts to be allocated for

preliminary plans vary from \$7,000 for a utility project on the San Bernardino campus to \$233,000 for a science building alteration project on the Fullerton campus. In several instances, the amount proposed for allocation would indicate that the preliminary planning could not be accomplished between approval of the project in the Governor's Budget and legislative hearings on the budget. Consequently, allocation of the proposed funds for these projects would not accomplish the purpose intended by the Legislature.

Our review indicates that \$100,000 should be sufficient to fund preliminary planning for projects that are likely to be included in the 1987-88 budget and are of a size and nature so as to allow completion of the plans prior to legislative hearings on the 1987-88 budget. We therefore recommend that Item 6610-301-146(1) be reduced to \$100,000, for a savings of \$400,000.

Architectural/Engineering Services—Statewide

We recommend the Legislature delete Item 6610-301-146(2), \$200,000 for architectural/engineering planning and studies, because the CSU should continue to use existing support budget resources to fund this effort.

The budget includes \$200,000 for architectural/engineering planning and studies on the 19 campuses. The CSU indicates that the proposed funds would be allocated by the Chancellor's office for revisions to master plans and general studies such as traffic, utilities and lighting studies.

During the last two years, the CSU has used funds available in its support budget to fund special studies and master plan revision for the various campuses. Consequently, there should be sufficient funds available in the CSU support budget for 1986-87 to fund any high priority needs in this area. The CSU has not provided any information to justify a contingency appropriation in the capital outlay budget to fund this effort. We therefore recommend that the Legislature delete Item 6610-301-146(2), for a reduction of \$200,000.

II. BOND FUNDED PROJECTS

We withhold recommendation on \$74,731,000 requested for nine bond-funded projects, pending receipt of preliminary plans for eight projects, and a revised equipment list for one project.

The budget includes a total of \$74,905,000 to be financed from revenue bonds. (We have included a discussion of the implications of bond financing under the University of California's Capital Outlay budget, Item 6440-301.) This amount includes \$62,338,000 from High Technology Education Revenue Bond proceeds to finance construction and equipment of various high technology related projects and \$12,567,000 from the Public Building Construction Fund to finance two library projects. The requests and our recommendations are each summarized in Table 12.

We have withheld recommendation on all but one requested project pending (1) receipt of preliminary plans for all construction requests, and (2) a detailed list of equipment items consistent with the amount budgeted for the Humboldt Science Building project.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

Table 12
California State University
1986-87 Capital Outlay Program
Bond Funded Projects
(dollars in thousands)

Item Category Subitem/Project	Campus	Phase ^a	Budget Bill Amount	Analyst's Recom- mendation	Future Project Cost ^b	Future Debt Service Cost ^c
Item 6610-301-525 (High-Tech Revenue Bond Fund)						
B. Equipment Projects						
(2) Remodel Science Building	Humboldt	e	8135	pending	—	\$276
(5) Physical Science Building Rehabilitation	San Diego	e	174	—	—	356
C. Projects Previously Funded for Plans/Drawings						
(1) Engineering Addition	Fullerton	c	7,203	pending	81,216	17,215
(3) Renovate Chemistry Labs	Long Beach	c	2,454	pending	—	5,018
(4) Engineering/Computer Science Building	Sacramento	c	10,895	pending	1,700	25,754
(6) Life Science Building Rehabilitation	San Diego	c	3,511	pending	282	7,756
(7) Science Addition and Remodel	Northridge	c	12,850	pending	4,126	34,712
(8) Engineering Facility	San Jose	c	25,116	pending	—	51,356
Totals, Hi-Tech Bonds			862,338	pending	87,324	142,442
Item 6610-301-660 (PBCF Library Revenue Bonds)						
C. Projects Previously Funded for Plans/Drawings						
(1) Library II	Stanislaus	c	86,195	pending	8639	813,974
(2) Library Addition	Pomona	c	6,372	pending	856	14,780
Totals, PBCF			812,567	pending	81,495	828,753
Totals, Bond Funded Projects			874,905	pending	88,819	8171,195

^a Phase symbols indicate: c = construction and e = equipment.

^b CSU estimate.

^c Estimated total debt service costs assuming 7.9 percent interest rate and 15 year term.

Physical Sciences Building Rehabilitation—San Diego

We recommend the Legislature delete Item 6610-301-525(5), \$174,000 for equipment funds for the Physical Sciences Building rehabilitation on the San Diego campus, because the project was intended to improve the structural integrity of the building and additional equipment for programs in the building should not be necessary.

The budget includes \$174,000 to fund moveable equipment for programs housed in the remodeled Physical Sciences Building on the San Diego campus. The \$2.3 million remodel project upgraded the building to meet current building standards, including seismic requirements and modernized instructional space and faculty offices.

Our review of this request indicates that additional equipment funding for the programs housed in this building is not justified. The remodel project modernized the building but did not create new instructional capacity space. Consequently, there is no basis for providing additional equipment in the capital outlay portion of the budget to equip "new" program space. Additional and replacement equipment to support existing programs is financed through the CSU's support budget. We therefore recommend that the Legislature delete Item 6610-301-525(5), for a savings of \$174,000.

III. PROJECTS FROM FEDERAL TRUST FUND

We withhold recommendation on \$4,792,000 requested for two projects, pending receipt of preliminary plans for the projects.

The budget includes \$4,792,000 from the Federal Trust Fund to finance two projects for the CSU. The funds in question are anticipated pursuant to the federal Outer Continental Shelf Lands Act (Section 8(g)). As indicated previously, it is not clear at this time that the state will receive sufficient funds under the act to finance all previous and proposed appropriations from this source.

Table 13 summarizes the requests. We have withheld recommendation on the request pending receipt of preliminary plans.

Table 13
California State University
1986-87 Capital Outlay Program
Projects from the Federal Trust Fund
Item 6610-301-890
(dollars in thousands)

Category Subitem/Project	Campus	Phase ^a	Budget Bill Amount	Future Project Cost ^b
C. Projects Previously Funded for Plans/Drawings				
(1) Faculty Office Addition to Science Building..	San Francisco	c	\$1,429	\$13
(2) Music Addition	Pomona	c	3,363	328
Totals, Federal Trust Fund			\$4,792	\$341

^a Phase symbol indicates: c = construction.

^b CSU estimate.

Supplemental Report Language

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



CALIFORNIA MARITIME ACADEMY

Item 6860 from the General
Fund and various other funds

Budget p. E 130

Requested 1986-87	\$8,088,000
Estimated 1985-86.....	7,774,000
Actual 1984-85	6,751,000
Requested increase \$314,000 (+4.0 percent)	
Total recommended reduction	None

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6860-001-001—CMA, support	General	\$6,068,000
6860-001-314—CMA, support	CMA Trust (Lottery)	30,000
Reimbursements	—	1,990,000
686-001-590	Continuing Education	(284,000)
6860-001-890	Federal Trust	(401,000)
Total		\$8,088,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

Analysis page

1. Student Fee Policy. Recommend adoption of supplemental report language stating legislative intent that the CMA student fee policy be consistent with the policy enacted by the Legislature for the University of California and the California State University.

1466

GENERAL PROGRAM STATEMENT

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

The CMA is governed by an independent seven-member board appointed by the Governor for four-year terms. The academy has 405 students and 135.7 authorized positions in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget requests an appropriation of \$6,068,000 from the General Fund for support of the CMA in 1986-87. This amount is \$237,000, or 4.1 percent, higher than estimated General Fund expenditures in the current year. In addition, the budget estimates that the academy will receive \$30,000 in lottery revenues and \$401,000 in federal funds during 1986-87. Federal funds are provided primarily for student financial aid.

Table 1 summarizes expenditures and funding sources for the academy in the prior, current, and budget years.

Table 1
California Maritime Academy
Summary of Expenditures and Funding Sources
1984-85 through 1986-87
(dollars in thousands)

<i>Program</i>	<i>Actual 1984-85</i>	<i>Estimated 1985-86</i>	<i>Proposed 1986-87</i>	<i>Percent Change from 1985-86</i>
Instruction	\$2,967	\$3,375	\$3,611	7.0%
Academic Support	1,816	1,875	1,877	0.1
Student Services	3,006	3,204	3,285	2.5
Administration (distributed)	(3,076)	(3,027)	(2,980)	(-1.6)
Totals	\$7,789	\$8,454	\$8,773	3.8%
Funding Source				
<i>General Fund</i>	\$4,727	\$5,831	\$6,068	4.1%
<i>Continuing Education Revenue</i>				
<i>Fund</i>	183	279	284	1.8
<i>Federal Trust Fund</i>	855	401	401	—
<i>Reimbursements</i>	2,024	1,919	1,990	3.7
<i>Lottery Fund</i>	—	24	30	25.0
Personnel-years	134.2	135.7	135.7	—

Table 2 shows the factors that account for the change in the CMA's planned expenditures between the current and budget years. The table shows that the proposed General Fund augmentation is for new equipment.

Table 2
California Maritime Academy
Proposed General Fund Budget Adjustments
(dollars in thousands)

1985-86 Expenditures (Revised)		\$5,831
A. Changes to Maintain Existing Budget		60
1. Salary increase	\$291	
2. Merit salary adjustment (faculty)	125	
3. Enrollment shift (reimbursement shortfall)	105	
4. Nonrecurring costs	-450	
5. Miscellaneous	-11	
B. Budget Change Proposals		177
1. Instructional equipment	140	
2. Noninstructional equipment	37	
1986-87 Expenditures (Proposed)		\$6,068
Change From 1985-86:		
Amount		\$237
Percent		4.1%

Merit Salary and Price Increases Not Fully Funded

The budget does not include additional funding for merit salary adjustments (\$43,000) or inflation adjustments to operating expenses and equipment (\$60,000). We estimate that the department will have to absorb a total of \$103,000 in such costs.

CALIFORNIA MARITIME ACADEMY—Continued**ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the following proposed program changes which are not discussed elsewhere in this analysis:

- \$140,000 for instructional laboratory equipment; and
- \$37,000 for noninstructional equipment.

Student Fees

Table 3 shows the student fees at CMA in effect or proposed for the period 1983-84 through 1986-87.

Table 3
California Maritime Academy
Student Fees
1983-84 through 1986-87

	1983-84	1984-85	1985-86	Percent Increase	
				Proposed 1986-87	1986-87 over 1985-86
Education/student services	\$645	\$645	\$645	\$710	10.1%
Medical	159	162	162	178	9.9
Nonresident Tuition	1,818	1,818	1,818	2,000	10.0

The budget proposes increases of approximately 10 percent in student fees. As discussed below, this increase is in conformance with the student fee policy proposed by the California Postsecondary Education Commission.

Student Fee Policy Should Be Revised

We recommend that the Legislature adopt supplemental report language stating its intent that the CMA student fee policy be based on increases in per-student, rather than total, state appropriations for the academy, in conformity to the policy enacted by the Legislature for UC and CSU.

The *Supplemental Report of the Budget Act of 1984* directed the California Postsecondary Education Commission (CPEC) to conduct a study of student fees at CMA and to recommend a policy to the Legislature by March 15, 1985. In response, CPEC recommended that annual increases in resident student fees at CMA be based on the average increase in total state appropriations for the academy's support budget (excluding special repairs) over the prior three-year period, provided that the fee increase shall not exceed 10 percent. Under this methodology, the three-year average shows an increase of 11.4 percent. In conformance with the policy, the budget proposes a 10 percent increase in resident student fees.

CPEC's recommended policy is similar, in most respects, to the fee policies established for the University of California (UC) and the California State University (CSU) by Chapter 1523, Statutes of 1985 (SB 195). There is, however, one difference which could have a significant effect on the fee levels proposed in subsequent years: The policy recommended for CMA is based on past increases in *total* state appropriations for the academy, whereas the corresponding policies for both UC and CSU are based on past increases in *per-student* (FTE) appropriations. (This difference has no fiscal significance in 1986-87 because the policy would limit the fee increase to 10 percent in either case.)

The underlying rationale for the UC and CSU fee policies is that the fee paid by each student should be related to the amount the state spends on the typical student. Basing fee increases on changes in total state appropriations could weaken the connection between these two variables. For example, if total state funding increases solely as a result of enrollment increases, student fees would increase even though funding per student remains unchanged.

We find the fee methodology approved by the Legislature for UC and CSU to be more analytically sound than one that ties changes in student fees to changes in total funding. On this basis, we recommend that the Legislature adopt the following supplemental report language expressing legislative intent that the fee policy covering CMA students be made more consistent with the policy established by SB 195:

"It is the intent of the Legislature that CMA's student fee policy methodology shall be the policy proposed by the California Postsecondary Education Commission, modified so that it is based on changes in state appropriations per student rather than total state appropriations."

Adoption of this language would not affect the fees proposed for CMA in 1986-87.

CMA Trust Fund—Lottery Revenues (Item 6860-001-814)

We recommend approval.

The budget proposes \$30,000 in expenditures of lottery funds for CMA in 1986-87, an increase of 25 percent over estimated current-year expenditures. The budget allocates these funds to the academy's instruction program, and Budget Bill language requires CMA to report to the Legislature, by September 1, 1987, on how the lottery funds were expended in 1986-87. Because these procedures are in accordance with current state policy, we recommend approval.

Continuing Education (Item 6860-001-519)

We recommend approval.

The budget proposes expenditures of \$284,000 from the Continuing Education Revenue Fund to support the academy's continuing education program in 1986-87. This program, which was established in 1974, offers courses to adults in maritime vocational education and technical training. These courses are funded by student fees.

Our analysis indicates that the proposed expenditures are justified.

Federal Trust Fund (Item 6860-001-890)

We recommend approval.

The budget proposes an appropriation of \$401,000 from the Federal Trust Fund, to be used primarily for 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
 Higher Education

Budget p. E 135

Requested 1986-87	\$365,000
Recommended reduction	335,000
Recommendation pending	30,000

ANALYSIS AND RECOMMENDATIONS**Minor Capital Outlay**

We recommend that the Legislature reduce Item 6860-301-146 by \$330,000 to delete funds for two projects which have not been justified. We withhold recommendation on \$30,000 requested for two projects, pending receipt of additional project scope and cost information.

The budget includes \$365,000 under Item 6860-301-146 for four minor capital outlay projects for the California Maritime Academy (CMA). The request consists of (1) \$157,000 to install a new 10-inch domestic water main, (2) \$178,000 to install an irrigation system, (3) \$20,000 to relocate one door and install an outside door for the President's conference room and (4) \$10,000 to install a supplemental heating system in the dining room.

Upgrade of Water Main Not Justified. The budget requests \$157,000 to replace the existing six-inch water main serving the CMA with a new 10-inch pipeline. This pipeline would carry domestic water from the point of connection with the city water system to the institution. The CMA indicates that several leaks have occurred in the existing 30-year old cast iron pipe and replacement would improve the reliability of the system.

There may be a need to replace the existing water line. *Replacement* of the line, however, should be financed from the Academy's support budget, given its priority relative to other repair needs, as required by the State Administrative Manual.

The CMA has not provided any information to substantiate its request to *upgrade* the line from six inches to 10 inches. This upgrading would increase substantially the carrying capacity of the line.

For these reasons, we recommend that the Legislature delete \$157,000 requested for this project.

Irrigation System Installed in 1978. The budget requests \$178,000 to install piping to a well at the CMA in order to obtain water for irrigation. According to the CMA, a separate irrigation system would reduce use of domestic water by 30 percent. This would reduce charges for both sewer and water service, because city charges for these services are based solely on the metered domestic water usage.

The 1978 Budget Act appropriated funds for drilling a well and connecting the well to the existing irrigation system. The 1978 project was justified on the basis that water and sewer charges would be reduced. Consequently, the Legislature has already funded the improvements contemplated by this project, and for this reason we recommend that the Legislature delete the \$178,000.

Project Information Not Adequate. The remaining two projects proposed for the CMA are based on estimates provided by the CMA and contain no information showing how the amounts were derived. The CMA

indicates that the Office of State Architect (OSA) is to prepare plans and estimates for these projects, which would provide improvements to facilities designed recently by the OSA.

The OSA should determine why the existing OSA-designed heating system in the dining area is not adequate to meet the Academy's needs and why the existing exits are not adequate. Pending receipt of detailed cost estimates from OSA and its assessment of the problems identified by the CMA, we withhold recommendation on the balance of funds requested in Item 6860-301-146.

CALIFORNIA COMMUNITY COLLEGES

Item 6870 from the General
Fund and various funds

Budget p. E 136

Requested 1986-87	\$1,344,625,000
Estimated 1985-86.....	1,268,648,000
Actual 1984-85	1,122,716,000
Requested increase \$75,977,000 (+6.0 percent)	
Total recommended reduction	49,067,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6870-001-001—CCC Board, support	General	\$7,480,000
6870-001-165—CCC Board, support	Credentials	637,000
6870-001-890—CCC Board, support	Federal	186,000
6870-101-001—Local assistance	General	1,250,299,000
6870-101-146—Local assistance	COFPHE	35,000,000
6870-101-814—Local assistance	Lottery	50,300,000
6870-101-909—Local assistance	Instructional Improvement	723,000
6870-490—Reappropriation	General	—
6870-491—Reappropriation	General	—
Total		\$1,344,625,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

- | | |
|--|------|
| <p>1. Apportionments. Reduce Item 6870-101-001 by \$25.5 million. Recommend reduction because the amount requested for 1986-87 has not been adjusted for a 1985-86 baseline change in average daily attendance.</p> | 1479 |
| <p>2. Equalization Aid. Reduce Item 6870-101-001 by \$9,052,000. Recommend deletion because the current funding mechanism does not promote equalization of district apportionments per ADA.</p> | 1480 |
| <p>3. Board Financial Assistance Program. Reappropriate \$8 million and revert \$12.5 million from Ch 1xx/84 to the General Fund. Recommend (1) reappropriation of unencumbered balance from current-year appropriation (\$8,000,000) and (2) reversion of \$12.5 million from the budget-year appropriation, because the funds to be revert-</p> | 1484 |

CALIFORNIA COMMUNITY COLLEGES—Continued

- ed will not be needed to finance the amount anticipated for awards in 1986-87.
4. **Transfer Centers.** Recommend that the Chancellor's Office report on the status of a computerized course articulation system to promote community college transfer. 1486
 5. **Foster Parent Training Program.** Reduce Item 6870-101-001 by \$900,000 and Item 6870-001-001 by \$100,000. Recommend reduction because an alternate revenue source will finance these programs. 1489
 6. **Deferred Maintenance.** Reduce Item 6870-101-001 by \$740,000. Recommend reduction because the amount proposed exceeds locally-identified needs. 1490
 7. **Chancellor's Office Staff.** Reduce Item 6870-001-001 by \$40,000. Recommend reduction because the amount requested for operating expenses and equipment is not justified. 1492
 8. **Education Code Revision.** Reduce Item 6870-001-001 by \$35,000. Recommend deletion because funding to revise the education codes is premature. 1492
 9. **Staff Development Study.** Reduce Item 6870-001-001 by \$100,000. Recommend reduction in Chancellor's Office support and a corresponding increase for the California Postsecondary Education Commission to coordinate a study of staff development programs. 1493
 10. **Local Budget Development.** Reduce Item 6870-001-001 by \$100,000. Recommend deletion because the administration's proposal is not viable. 1494

GENERAL PROGRAM STATEMENT

In 1986-87, 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 143.4 full-time equivalent positions for the current year.

Headcount Enrollment and Average Daily Attendance

Table 1 shows headcount enrollment and average daily attendance (ADA) in the community colleges since 1978-79, as reported by the Chancellor's Office. (Headcount enrollment is a count of the number of students actually in attendance on a given day. The survey is taken each year in the fall. One ADA, on the other hand, is equal to one student under the immediate supervision of a certificated instructor for a total of 525 hours per year.)

The table shows that total headcount enrollment in the current year is approximately the same as reported in 1978-79. Between these two years, headcount grew by nearly 300,000 and then declined. Headcount enrollment in credit courses has declined since 1981-82, while headcount enrollment in noncredit courses has increased by approximately 12,500 students since 1983-84 after declining in the three previous years.

The table also shows that community college ADA in 1986-87 is *budgeted* at 662,267, an increase of 1.6 percent over 1985-86.

Table 1
California Community Colleges
Headcount Enrollment
And Average Daily Attendance
1978-79 through 1986-87

	Credit Courses		Noncredit Courses		Totals	
	Headcount	ADA	Headcount	ADA	Headcount	ADA
1978-79	1,048,756	596,370	111,063	39,002	1,159,819	635,372
1979-80	1,100,681	615,209	147,778	55,414	1,248,459	670,623
1980-81	1,189,976	654,421	193,260	71,093	1,383,236	725,514
1981-82	1,254,360	686,019	177,164	64,696	1,431,524	750,715
1982-83	1,192,920	665,358	162,062	63,498	1,354,982	728,856
1983-84	1,090,857	612,112	158,059	53,054	1,248,916	665,166
1984-85	1,008,995	583,772	167,226	60,647	1,176,221	644,419
1985-86 (est.)	982,725	592,845	170,570	58,836	1,153,295	651,682
1986-87 (prop.)	N/A	602,331 ^a	N/A	59,936 ^a	N/A	662,267 ^a

^a As proposed in the Governor's Budget.

OVERVIEW OF THE BUDGET REQUEST

As shown in Table 2, total funding for the community colleges, including support for the Chancellor's Office, is projected at \$2,389 million in 1986-87. This is an increase of 5.8 percent (\$132 million) over estimated revenues in the current year. Of the total, \$1,319 million (55 percent) would come from state funding sources; the remainder would come from local revenues (\$551 million), federal funds which flow directly to community college districts (\$124 million), mandatory student fees (\$72 million), state lottery revenues (\$50.3 million), and other sources—combined state/federal grants, county income, food service revenues, fees for community service courses, and nonresident tuition revenues, and other miscellaneous revenues—(\$273 million).

CALIFORNIA COMMUNITY COLLEGES—Continued

Table 2
California Community Colleges
Total Support From All Sources
1984-85 through 1986-87
(dollars in millions)

	Actual 1984-85	Est. 1985-86	Prop. 1986-87	Percent Change From 1985-86
1. State Support:				
State operations	\$9.1	\$10.4	\$10.7	2.9%
Categorical programs	65.9	109.9	125.6	14.3
Apportionments	1,051.2	1,111.4	1,182.4	6.4
Subtotals, State	\$1,126.2	\$1,231.7	\$1,318.7	7.1%
2. Local Support:				
Property taxes	\$417.3	\$476.5	\$513.4	7.7%
Subventions	14.9	14.9	14.9	—
Local debt	23.4	23.1	22.8	-1.3
Subtotals, Local	\$455.6	\$514.5	\$551.1	7.1%
Subtotals, State and Local	\$1,581.8	\$1,746.2	\$1,869.8	7.1%
3. Federal Support	\$136.8	\$130.0	\$123.5	-5.0%
4. Other Revenues	273.2	273.2	273.2	0.0
5. Mandatory Fee	68.0	71.3	72.4	1.5
6. Lottery Revenues	0.0	37.0	50.3	35.9
Totals	\$2,059.8	\$2,257.7	\$2,389.2	5.8%
Funding Source				
General Fund	\$1,117.7	\$1,188.5	\$1,271.7	7.0%
COFPHE	0.0	6.1	35.0	473.8
Other State/Reimbursements	8.5	37.1	12.0	-67.7
Local	455.6	514.5	551.1	7.1
Federal	136.8	130.0	123.5	-5.0
Other/Fees/Lottery	341.2	381.5	395.9	3.8

Summary of Changes From 1985-86 to 1986-87

Table 3 shows the components of the \$132 million increase in community college support proposed for 1986-87, by funding source.

Baseline Adjustments. Table 3 shows that baseline adjustments will result in a net reduction of \$58 million. This reduction primarily reflects elimination of "one-time" funding provided in the 1985 Budget Act for (1) a revenue adjustment on behalf of districts experiencing ADA declines in 1985-86 (\$31.8 million) and (2) equipment replacement and deferred maintenance (\$31.1 million). In addition, federal support is expected to decline \$6.5 million. These baseline reductions will be partially offset by an anticipated increase in lottery revenues of \$13.3 million.

Local revenues are budgeted to increase \$36.6 million, reflecting an increase in property tax revenues (\$35.5 million) and mandatory student fees (\$1.1 million). The increase in local revenues results in a corresponding reduction in General Fund requirements.

Budget Change Proposals. The budget for 1986-87 requests funds for program changes totaling \$190 million. This amount consists of \$155 million from the General Fund and \$35 million from the Capital Outlay Fund for Public Higher Education (COFPHE). (Each proposed change is discussed later in this analysis.)

The budget does not include additional funding for Merit Salary Adjustments (\$58,000) or inflation adjustments to Operating Expenses and Equipment (\$65,000) in the Chancellor's Office. The office will have to absorb these costs.

Table 3
California Community Colleges
Summary of Changes from 1985-86 to 1986-87
By Funding Source
(dollars in thousands)

	Funding Sources					Totals
	General Fund	Lottery Fund	Federal Funds	Local Revenues	Other	
1985-86 Expenditures						
(Revised)	\$1,188,504.0	\$37,000.0	\$130,000.0	\$514,500.0	\$387,696.0	\$2,257,700.0
A. Baseline Adjustments:						
Office Automation	-243.0	—	—	—	—	-243.0
Lottery	—	13,300.0	—	—	—	13,300.0
Declining Enrollment	-31,844.0	—	—	—	—	-31,844.0
Fee Revenues	-1,100.0	—	—	1,100.0	—	0.0
Property Tax Revenues	-35,500.0	—	—	35,500.0	—	0.0
Equipment/Deferred Maint	—	—	—	—	-31,100.0	-31,100.0
Other	-2,560.0	—	-6,500.0	—	942.0	-8,118.0
Subtotals, baseline	-871,247.0	\$13,300.0	-86,500.0	\$36,600.0	-830,158.0	-858,005.0
B. Budget Change Proposals:						
Various Studies	\$270.0	—	—	—	\$50.0	\$320.0
Declining Enrollment	22,000.0	—	—	—	—	22,000.0
Staff Development	100.0	—	—	—	—	100.0
Instructional Improvement Fund	250.0	—	—	—	—	250.0
Accountability	100.0	—	—	—	—	100.0
Information System	250.0	—	—	—	—	250.0
Financial Aid Staff	60.0	—	—	—	—	60.0
ADA Growth/CARE	19,637.0	—	—	—	—	19,637.0
Equipment/Deferred Maint.	5,600.0	—	—	—	35,000.0	40,600.0
Cost-of-Living Adjustments	106,002.0	—	—	—	—	106,002.0
Information Center	151.0	—	—	—	—	151.0
Education Code Revision	35.0	—	—	—	—	35.0
Subtotals, changes	\$154,455.0	\$0.0	\$0.0	\$0.0	\$35,050.0	\$189,505.0
1986-87 Expenditures (proposed)	1,271,712.0	50,300.0	123,500.0	551,100.0	392,588.0	2,389,200.0
Change from 1985-86						
Amount	\$83,208.0	\$13,300.0	-\$6,500.0	\$36,600.0	\$4,892.0	\$131,500.0
Percent	7.0%	35.9%	-5.0%	7.1%	1.3%	5.8%

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following program change proposals which are not discussed elsewhere in this analysis:

- *Apportionments*—An increase of \$75.9 million is requested from the General Fund to fully fund the statutory requirements for community college apportionments, including a cost-of-living adjustment of 5.84 percent, and ADA growth of 1.6 percent;
- *Categorical Cost-of-Living Adjustments*—An increase of \$1,682,000 is requested from the General Fund to provide a two percent COLA for programs that do not have an annual inflation adjustment specified in statute;
- *Equipment Replacement*—A one-time increase of \$35 million is requested from the Capital Outlay Fund for Public Higher Education to finance the purchase of instructional equipment, with local districts required to provide a 25 percent match;
- *Declining Enrollment Adjustment*—A one-time increase of \$22 million is requested from the General Fund to offset revenue losses in (1) those districts that lost average daily attendance (ADA) in 1985-86 (\$15.9 million), and (2) those districts that will lose ADA in 1986-87 (\$6.1 million);

CALIFORNIA COMMUNITY COLLEGES—Continued

- *Instructional Improvement Fund*—An increase of \$250,000 is proposed from the General Fund to restore half of the money cut from this program in 1985–86;
- *Financial Aid Staff*—An increase of \$60,000 is proposed from the General Fund for one professional plus associated expenses in the Chancellor's Office to meet increased workload in the financial aid unit;
- *CARE Program Growth*—An increase of \$233,000 is proposed from the General Fund to fund increased workload in the Cooperative Agency Resources for Education (CARE) program;
- *Chancellor's Office Information System, Phase II*—An increase of \$250,000 is proposed from the General Fund to implement Phase II of a plan to integrate various data bases in the Chancellor's Office; and
- *Various Studies*—An increase of \$320,000 is proposed from various sources to conduct studies on community college credentials, transfer centers, a common course numbering system, and capital outlay planning.

Master Plan Review Commission

Chapter 1505, Statutes of 1985 (SB 1570) established the Commission for the Review of the Master Plan for Higher Education. The 16-member commission is charged with reporting on (1) California's postsecondary educational needs through the year 2000, (2) basic and lower division instruction, (3) strategies to promote access and success of students, particularly those from underrepresented groups, (4) the appropriateness of existing educational delivery systems, and (5) the costs of attending California postsecondary institutions. The commission's report will be the second comprehensive review of the state's higher education system since the 1960 Master Plan for Higher Education, and should provide a framework for setting higher education policy through the end of this century.

A companion measure, Ch 1506/85 (SB 2064), directed the commission to set as its highest priority a review of the California Community Colleges. The commission is charged with reassessing the mission of the community college system and its relationship to the other two segments of higher education. The act specifically requires the commission to:

- Compare what current law requires of the community colleges and what programs and activities are offered by the colleges in fulfillment of these requirements;
- Assess and make recommendations regarding various programs of the community colleges including transfer programs, vocational programs, the associate degree, certificate programs, and remedial programs;
- Assess the socioeconomic composition of students attending the community colleges;
- Recommend policies to improve the academic quality of community college programs; and
- Provide other recommendations deemed appropriate.

Toward this end the commission has conducted a series of public hearings throughout the state on the role and mission of the community colleges. The commission has issued three draft outlines of the Community College Reassessment Study. The final report is due to the Legislature by February 28, 1986.

The fiscal committees may wish to consider the findings of the Master Plan Review Commission as they review this budget request for the California Community Colleges.

I. LOCAL ASSISTANCE FOR COMMUNITY COLLEGES

(Items 6870-101-001, 6870-101-146, and 6870-101-909)

A. Ten-Year Funding History

Table 4 and Chart 1 display total funding for the California Community Colleges, by funding source, for the 10 years 1977-78 to 1986-87. 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.

Total Community College Revenues. Table 4 and Chart 1 show that total funding for the California Community Colleges increased from \$1.5 billion in 1977-78 to \$2.4 billion in 1986-87, an increase of \$863 million, or 57 percent, over the ten-year period. Of the five revenue sources, state aid—the General Fund and other state special funds—has shown a 149 percent increase, to \$1,308 million, while the amount of support derived from the property tax has declined 29 percent to \$551 million. This decline in local revenue and the increase in state support are due, in part, to the effects of Proposition 13.

Over the ten-year period, revenues from "other" sources have shown the greatest increase of the five funding sources, increasing 235 percent to \$324 million. This increase reflects, in large part, interest income earned by community colleges on invested balances, and, since 1985-86, revenues anticipated from the state lottery.

Table 4 also shows that community college average daily attendance (ADA) over the ten-year period is projected to fall 7.8 percent, from 718,303 in 1977-87 to 662,267 budgeted for 1986-87. When compared to the current-year level of ADA, the Governor's Budget provides for a 1.6 percent increase (10,585 ADA) in 1986-87.

Table 4
California Community Colleges
Total Revenues^a
(dollars in millions)

	Local Property Tax ^b	State Aid ^c	Federal Aid	Mandatory		Total Funding	Average Daily Attendance	Total Funding		1977-78 Dollars ^d	
				Student Fees	Other ^e			Per ADA	Percent Change	Per ADA	Percent Change
1977-78	\$778.1	\$524.7	\$115.7	—	\$96.7	\$1,515.2	718,303	\$2,109	—	\$2,109	—
1978-79	360.8	839.8	99.5	—	120.9	1,421.0	635,372	2,236	6.0%	2,065	-2.1%
1979-80	295.4	1,027.0	121.8	—	164.6	1,608.8	670,623	2,399	7.3	2,019	-2.2
1980-81	347.8	1,119.5	138.3	—	201.4	1,807.0	725,514	2,491	3.8	1,915	-5.2
1981-82	416.4	1,104.3	116.0	—	228.0	1,864.7	750,715	2,484	-0.3	1,770	-7.6
1982-83	413.8	1,086.5	104.5	—	230.2	1,835.0	728,856	2,518	1.4	1,682	-5.0
1983-84	423.4	1,080.9	99.8	—	258.8	1,862.9	665,166	2,801	11.2	1,762	4.8
1984-85 (Estimated)	455.6	1,117.1	136.8	68.0	273.2	2,050.7	644,419	3,182	13.6	1,887	7.1
1985-86 (Estimated)	514.5	1,221.3	130.0	71.3	310.2	2,247.3	651,682	3,448	8.4	1,936	2.6
1986-87 (Proposed)	551.1	1,307.9	123.5	72.4	323.5	2,378.4	662,267	3,591	4.1	1,907	-1.5
Cumulative Change											
Amount	-\$227.0	\$783.2	\$7.8	\$72.4	\$226.8	\$863.2	-56,036	\$1,482	—	-\$202	—
Percent	-29.2%	149.3%	6.7%	—	234.5%	57.0%	-7.8%	70.3%	—	-9.6%	—

Source: *Financial Transactions of School Districts, Governor's Budget* (various years).

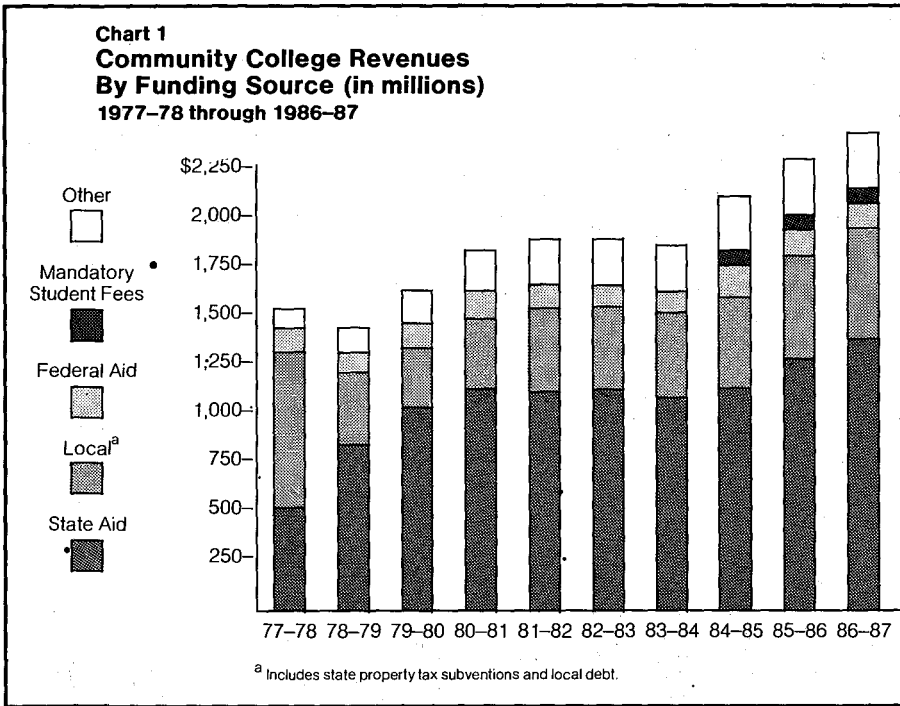
^a Excludes funding for the Chancellor's Office.

^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.

^e Includes Board Financial Assistance Funds.



Revenues Per ADA. Table 4 and Chart 2 display per-ADA funding levels over the ten-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 that per-ADA funding in current dollars increased by \$1,482 during the ten-year period, from \$2,109 to \$3,591—an increase of 70 percent.

When per-ADA expenditures are adjusted for the effects of inflation, however, it can be seen that community colleges have actually lost purchasing power over the ten-year period. For 1986-87, the proposed per-ADA expenditure level, as measured in constant dollars, is \$1,907—\$202, or 9.6 percent, below the amount available ten years ago. We estimate that if the Governor’s Budget is adopted as proposed, per-ADA support for the community colleges, after adjusting for inflation, will be 1.5 percent below the current-year level.

B. Apportionments and Categorical Funding for 1986-87

The local assistance portion of the budget for the community colleges has two components—community college apportionments to support the general operating expenses of the colleges, and categorical funding to support programs for specified target populations or purposes. The major categorical aid programs include Extended Opportunity Programs and Services (EOPS), Handicapped Students Programs and Services (HSPS), deferred maintenance, and student financial aid. In addition, special funding is available in the current and budget years for equipment replacement.

CALIFORNIA COMMUNITY COLLEGES—Continued

Table 5 shows the amounts appropriated for local assistance in the prior and current years, as well as the amounts proposed for the budget year. The table shows that total support for local assistance is proposed at \$1.3 billion in 1986-87, an increase of 7.1 percent (\$86.6 million) over current-year expenditures.

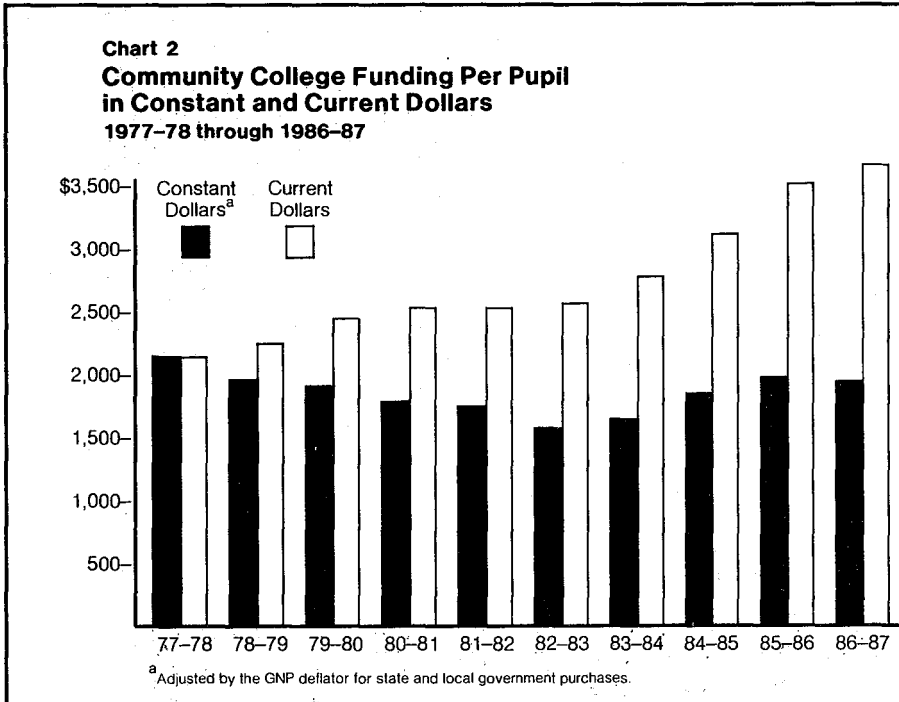


Table 5
California Community Colleges
Appropriations for Local Assistance
1984-85 through 1986-87
(dollars in thousands)

	<i>Actual</i> 1984-85	<i>Est.</i> 1985-86	<i>Prop.</i> 1986-87	<i>Percent Change</i> From 1985-86
A. General Apportionments.....	\$1,042,029	\$1,096,614	\$1,168,024	6.5%
B. Categorical Support:				
1. Apprenticeship	\$7,275	\$10,890	\$10,455	-4.0%
2. EOPS	25,813	27,682	28,678	3.6
3. HSPS	23,634	25,597	26,091	1.9
4. Financial Aid	5,205	10,000	15,000	50.0
5. Foster Parent Training	900	900	900	0.0
6. Transfer Centers.....	—	1,800	1,836	2.0
7. Academic Senate	70	73	111	52.1
8. Instructional Improvement	647	255	562	120.4
9. Voc. Ed. Special Projects	1,612	3,476	3,476	0.0
10. Voc. Ed. Inservice	—	2,000	1,050	-47.5

11. Employer-Based Training	1,900	3,900	3,978	2.0
12. Deferred Maintenance	8,006	12,000	12,740	6.2
13. Equipment Replacement	—	26,100	35,000	34.1
Subtotals, Categorical	\$75,062	\$124,673	\$139,877	12.2%
Totals	\$1,117,091	\$1,221,287	\$1,307,901	7.1%
Funding Source:				
General Fund	\$1,111,504	\$1,181,226	\$1,264,232	7.0%
Instructional Improvement Fund	-169	-28	23	N/A
COFPHE	6	6,100	35,000	473.8
State School Fund	5,005	3,613	4,170	15.4
Reimbursements	1,645	4,476	4,476	—
SAFCO	—	25,000	—	-100.0
Foster Parent Training Fund	-900	-900	—	-100.0

Base Apportionments. The budget requests a total of \$1,168 million from the General Fund for base apportionments to community college districts in 1986-87. This is an increase of 6.5 percent, or \$71.4 million, over the current-year amount. The amount requested would provide sufficient funds to meet the statutory requirements for community college apportionments, 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 following:

- Base apportionments (\$1,624 million);
- The statutory cost-of-living adjustment of 5.84 percent (\$95.1 million);
- "Equalization II" to reduce funding disparities among districts (\$9.1 million); and
- Average daily attendance growth at 1.6 percent (\$19.4 million).

In addition to the general education apportionments required by SB 851, the budget requests \$22 million as "one-time" funding to restore, in part, revenue losses experienced by districts that will lose average daily attendance in 1986-87. Although funds provided for this adjustment would not be continued as part of the district's base revenues, they would be available as unrestricted support.

Categorical Funding. The budget also proposes \$139,877,000 to support 13 categorical programs in 1986-87. This is an increase of 12 percent (\$15.2 million) over estimated current-year expenditures for these programs. The major categorical aid funding changes proposed in the budget include:

- an \$8.9 million augmentation from the Capital Outlay Fund for Public Higher Education to replace worn or obsolete instructional equipment;
- a \$1 million augmentation from the General Fund for EOPS programs;
- a \$740,000 augmentation from the General Fund for deferred maintenance projects; and
- a \$435,000 General Fund reduction in apprenticeship funding.

1. Baseline Adjustment Warranted

We recommend that the Legislature reduce the amount budgeted for community college apportionments by \$25.5 million, because the budget proposal does not reflect a baseline adjustment based on the most-recent estimates of current-year average daily attendance. (Reduce Item 6870-101-001 by \$25.5 million.)

As discussed previously, the budget requests a total of \$1,168 million from the General Fund to fund community college apportionments in 1986-87. This amount is based on the requirements of SB 851, estimated local revenues, and estimated average daily attendance (ADA).

CALIFORNIA COMMUNITY COLLEGES—Continued

Our analysis indicates that the amount proposed exceeds the amount required to fully fund community college apportionments. This is because the administration's baseline budget has not been adjusted to reflect the most-recent estimates of current-year ADA.

Such an adjustment was made in preparing the budgets for 1984-85 and 1985-86. Specifically, the Governor's Budget for 1984-85 reflected a baseline reduction of \$53.1 million. The Governor's Budget for the following year reflected a similar adjustment of \$47.8 million. In both cases, the adjustments were made to reflect the decline in community college attendance between the current year and the budget year. As explained below, a similar adjustment should have been made in preparing the 1986-87 budget.

The Governor's Budget for 1986-87 estimates current-year ADA for the community colleges at 651,682. This is the same figure used in the 1985 May Revision for making the final adjustment to the 1985-86 budget. This figure, however, should have been adjusted to reflect the most-recent data on community college attendance.

A survey conducted by the Chancellor's Office in connection with the Fee Impact Study indicates that community college enrollment for Fall 1985-86 is below the enrollment level of one year ago. The survey indicates that enrollment in credit courses is off by approximately three percent, or 17,800 ADA. This reduction is partially offset by enrollment growth in noncredit courses ranging from 5 to 10 percent, or approximately 4,400 ADA. Taken together the net reduction of 13,300 ADA translates into a baseline reduction in community college apportionments of \$25.5 million.

In order to reflect the most-recent estimates of current-year ADA, we recommend that the Legislature reduce the amount budgeted for community college apportionments by \$25.5 million. *Adoption of this recommendation would not reduce apportionments to the community colleges.* Instead it would properly adjust the appropriation from the General Fund to meet the statutory requirements for community college apportionments. Failure to make this correction would needlessly tie up resources that otherwise could be used to fund legislative initiatives.

2. Equalization Aid Not Effective

We recommend that the Legislature delete \$9,052,000 budgeted from the General Fund for "Equalization II" apportionment aid, because the current community college funding mechanism does not promote equalization. (Reduce Item 6870-101-001 by \$9,052,000.)

The budget requests \$1,168 million for general education apportionments for the California Community Colleges in 1986-87. Included within this amount is \$9,052,000 for "Equalization II" apportionment aid. These funds are requested for the purpose of reducing disparities in revenues per ADA among the community college districts.

Background. In the *Serrano v. Priest* case, the California Supreme Court's decision held that the state's K-12 school finance system—under which the amount of educational spending per pupil was largely determined by a district's property tax wealth—was unconstitutional. The court directed the Legislature to devise a school finance system which would reduce the amount of wealth-related disparities to "insignificant differences" of less than \$100 per pupil by 1980.

Although the court's decision did not apply to the finance mechanism used to allocate revenues to the state's community colleges, the Legislature has sought to reduce per-pupil funding disparities in this system as

well. In Assembly Bill 8 (Ch 282/79) the Legislature indicated that the elimination of wealth-related expenditure differences among the community college districts was a policy goal. The funding model established for community colleges in that measure provided for the gradual equalization of per-ADA revenues through the use of cost-of-living adjustments. This equalization mechanism was continued in the successor to AB 8, AB 1626 (Ch 103/81).

Equalization Under Senate Bill 851. The current community college finance system established by SB 851 (Ch 565/83), also adjusts per ADA revenues to reduce funding disparities among the districts. The SB 851 mechanism, however, abandoned the use of differential cost-of-living adjustments to achieve equalization. Instead, the model provides low revenue districts with additional state aid through two equalization devices, referred to as Equalization I and Equalization II. Equalization funding is provided only for ADA generated in credit courses.

Equalization I adjusts district funding levels by bringing all districts below the statewide average funding level per ADA to 91 percent of the prior-year statewide average. Districts above the statewide average are not affected by the "leveling up" adjustment. Equalization I has been achieved—for 1986–87, no district will receive less than 91 percent of the 1985–86 average, and the budget requests no funds for this adjustment.

Equalization II provides additional revenue to the lowest revenue districts after the first adjustment is made. Funding under Equalization II is allocated to raise the revenue per ADA of the poorest districts "to the highest common level possible" in relation to district size—large or small—as measured by ADA (small districts are defined as having less than 3,000 ADA). In the current year, Equalization II brought the lowest revenue districts to within 94 percent of the 1984–85 statewide average funding level.

Legislative Analyst's Findings. Our analysis indicates that Equalization II does little to promote equalization of revenues among community college districts. There are three reasons for this: (1) districts may receive equalization funds because of changes in ADA, rather than because of historically low revenues, (2) cost-of-living adjustments are provided equally to all districts whose per-ADA revenue is above the statewide average, and (3) the mechanism never allows equalization to occur.

a. **Equalization and Changes in ADA.** Although the intent of providing a district with additional equalization funds is to correct for historically low expenditures that are wealth-related, the current community college finance system often provides additional funding merely because of changes in a district's ADA that are unrelated to district wealth. This is because the Equalization II mechanism interacts with the mechanism that adjusts apportionment aid for changes in ADA. Equalization II and marginal funding often work at cross purposes (as discussed below), thus frustrating progress toward reducing funding disparities that are wealth related.

Under current law, a district receives funding for both increases and decreases in ADA at the marginal rate equal to two-thirds of the district's revenues per ADA. Because declining enrollment districts retain two-thirds of the per-ADA revenue associated with ADA declines, all else being equal, these districts appear relatively "richer" than districts whose enrollment is either increasing or stable. Thus, a declining enrollment district receiving Equalization II aid in one year may not qualify for the adjustment in the following year since the funding associated with the lost ADA increases the district's per-ADA average funding rate. This, in turn, makes the district appear "richer", relative to the other districts. Thus, a

CALIFORNIA COMMUNITY COLLEGES—Continued

district's ability to qualify for Equalization II aid may, in fact, bear no relation to its property tax wealth.

In recent years, statewide ADA has fallen. Between 1983-84 and 1984-85, funded ADA statewide declined 5.52 percent. Our analysis indicates that:

- Five districts that did not receive Equalization II funds in 1983-84—presumably because they were not low wealth districts—nevertheless, received \$1.2 million in 1984-85.
- Eleven districts lost Equalization II aid in 1984-85. The average loss was 39 percent, and the total amount lost by the group was \$2 million. This reduction was, in large part, the result of the group's greater-than-average decline in ADA, which in turn made the districts appear richer because of the marginal funding provision.
- Conversely, eight districts received an increase in equalization funding in 1984-85. These districts received an additional \$2.2 million, an increase of 100 percent over the 1983-84 level. This increase in funding is largely a function of their stable population when measured against the overall decline in ADA statewide.

These findings illustrate the fact that under SB 851, Equalization II aid is not always allocated to districts in order to reduce expenditure differences that are wealth related. Instead funding often is provided because of the interaction between the marginal funding provision of SB 851 and changes in district ADA.

b. Equalization and Cost-of-Living Adjustments. The allocation of cost-of-living adjustments under the SB 851 finance mechanism also exacerbates the disparity between the highest and lowest revenue districts, thus working at cross purposes to the equalization mechanism.

Under the current formulas, a district receives a COLA equal to the percentage change in the Implicit Price Deflator multiplied by (1) the statewide average revenue per-ADA or (2) the district's own revenue per-ADA, whichever is *greater*. Thus, a high revenue district receives a *percentage* COLA equal to the COLA provided to districts whose funding per-ADA equals the statewide average. In terms of *dollars*, however, the high revenue district receives considerably more. Similarly, although a low revenue district (one that is below the statewide average) receives a higher percentage COLA than districts at or above the statewide average, the district still receives a smaller dollar adjustment. Equalization thus, is thwarted under the COLA adjustment provided in SB 851 because the COLA ensures that the high revenue districts will continue to benefit from their comparative wealth advantage.

c. Mechanism Never Allows Equalization to Occur. Under the current system, high revenue districts will *always* receive above-average revenues because the Equalization II mechanism considers only those districts *below* the statewide average for the prior year.

The mechanism, thus, causes the per-ADA revenues for half of the districts to cluster around the prior-year statewide average, while allowing the other half of the districts to maintain their funding advantage. In effect, the current system provides equalization aid to "chase the prior-year average." Because the statewide average is adjusted upward each year, low-revenue districts will, at best, keep up with the district at the average, while high revenue districts maintain the relative advantage in percentage terms and increase their advantage in terms of spendable dollars.

d. **Conclusion.** Our analysis indicates that the Equalization II mechanism is weak at best in furthering the goal of community college revenue equity. It is very responsive to a factor that is unrelated to wealth—changes in ADA. And by constantly chasing the prior-year average, the mechanism will never achieve equalization of community college revenue.

Consequently, we recommend that the Legislature eliminate \$9,052,000 in Equalization II aid requested by the Governor, for an equivalent General Fund savings. Consistent with this recommendation, we also recommend that the Legislature adopt the following Budget Bill language in Item 6870-101-001:

“Notwithstanding Sections 84703 and 84705 of the Education Code, or any other provision of law to the contrary, the Board of Governors of the California Community Colleges shall not provide funding for equalization aid to community college districts in 1986–87.”

3. Board Financial Assistance Program

Assembly Bill 1xx (Ch 1xx/84) requires community college districts to charge students enrolled in credit courses a general fee of \$50 per semester, or \$5 per unit if the student is enrolled in less than six semester units. Authorization for the fee expires on January 1, 1988.

The Legislature in adopting the fee policy also appropriated \$52.5 million from the General Fund in order to provide financial aid to needy students who cannot afford to pay the fee. This appropriation, which was contained in Ch 1xx, provides \$15 million per year for 1984–85, 1985–86, and 1986–87, and \$7.5 million, or half-year funding, for 1987–88. In addition, the measure required the Chancellor to develop a plan for allocating the aid funds.

The Chancellor's office submitted its plan to the Legislature's fiscal and educational policy committees for review, and on June 1, 1984, the Board of Governors adopted regulations governing the financial aid program. The Chancellor's aid program, referred to as the Board Financial Assistance Program (BFAP), originally consisted of three types of awards:

- **Board of Governors Grants (BOGG's)** for students who carry six or more semester units and demonstrate financial need based upon a standard needs analysis methodology;
- **Fee Waivers** for students who receive support from the Aid to Families with Dependent Children program, the Supplemental Security Income program, or the General Assistance program; and
- **Fee Credits** for students who carry fewer than six units and meet income ceiling standards established by the board.

As shown in Table 6, a total of 147,931 awards carrying a total General Fund cost of \$5 million were made under the BFAP program in 1984–85.

Financial Aid Program Restructured. During January 1985, the Chancellor's Office conducted a survey of the community colleges to determine whether or not the financial aid program was working effectively. The survey found that students and financial aid staff viewed the Board Financial Assistance Program as inordinately complex. The three types of awards confused students, thus discouraging them from completing applications. Financial aid officers indicated that the program was hard to explain, which in turn made efforts to publicize it more difficult.

CALIFORNIA COMMUNITY COLLEGES—Continued

Table 6
California Community Colleges
Board Financial Assistance Program
1984-85 through 1986-87
(dollars in thousands)

	<i>Actual</i> 1984-85	<i>Est.</i> 1985-86	<i>Prop.</i> 1986-87	<i>Percent Change</i> From 1985-86
<i>Awards and Expenditures</i>				
1. Awards				
Number	147,931	151,853	206,520	36.0%
Dollar Value	\$4,980	\$6,803	\$9,253	36.0
2. Administration				
Local	—	—	1,050	—
State	175	200	200	0.0
Total Expenditures	\$5,155	\$7,003	\$10,503	50.0%
Revenue:				
Ch 1xx/84	\$15,000	\$15,000	\$15,000	—
Balance unexpended	\$9,845	\$7,997	\$4,497	—

Source: Chancellor's Office of the California Community Colleges.

At its meeting on July 12, 1985, the Board of Governors voted to endorse regulation changes proposed by the Chancellor that were intended to consolidate the three awards into one. In addition, the board delegated authority to the Chancellor to make changes relating to (1) the provision of financial aid during the summer session, (2) the determination of BOGG awards in relation to federal Pell grants, (3) the use of the Student Aid Application for California (SAAC) for BOGG awards, and (4) the income ceiling in determining eligibility of students taking fewer than six semester units.

These changes are expected to simplify the Board Financial Assistance Program and provide aid to more students.

Statutory Appropriation Exceeds Projected Utilization

We recommend that the Legislature:

1. *Revert to the General Fund \$12.5 million of the \$15 million appropriated in AB 1xx (Ch 1xx/84) for 1986-87, because the funding requirements for the Board Financial Assistance Program in the current year are less than the amount available, thus allowing part of the current-year appropriation to be used for support of the program in the budget year; and*

2. *Reappropriate the unencumbered balance of the current-year appropriation in Ch 1xx (\$8,000,000). (Establish Item 6870-492 for reappropriation and Item 6870-495 for reversion to the General Fund.)*

The budget reflects the \$15 million appropriated by Ch 1xx/84 for the Board Financial Assistance Program in 1986-87. It is highly unlikely, however, that all of these funds will be needed. Our review of information provided by the Chancellor's Office (Table 6) indicates that the appropriations in Ch 1xx/84 have exceeded, and will continue to exceed, the amount needed to meet the program's costs of financial aid awards and administration.

As shown in Table 6, expenditures for the Board Financial Assistance Program in 1984-85 totaled only \$5.2 million—\$5 million for awards and

\$175,000 for state administrative expenses. A survey conducted by the Chancellor's Office in December 1985 indicates that in the current year only \$7 million will be needed—\$6.8 million to fund almost 152,000 awards and \$200,000 to fund state administrative costs.

For 1986-87, the Chancellor's Office estimates that the program will require \$10.5 million—\$9.3 million to fund 206,520 financial aid awards, \$200,000 to fund state administration, and \$1,050,000 to fund local administration. (Assembly Bill 602 [Ch 920/85] specified that community college districts shall receive 7 percent of the annual appropriation in Chapter 1xx, or \$1,050,000 for 1986-87, to fund the administrative costs associated with the BFAP program.)

The Chancellor's Office assumes that the amount of funding needed for the program in the budget year will grow by 36 percent due to (1) increased publicity on the community college campuses, (2) simplification of the application form, and (3) increased staffing of local financial aid offices. Even with the increase, however, there will be a shortfall of expenditures relative to the amount available equal to \$4.5 million in the budget year.

In order to free-up these funds for other legislative priorities, we recommend that the Legislature (1) reappropriate the unencumbered balance remaining from the current-year appropriation for use in the budget year and (2) reduce the budget-year appropriation by \$12.5 million. This would leave \$8 million plus \$2.5 million from the budget-year appropriation to fully fund the BFAP program in 1986-87.

In order to implement this recommendation, the Legislature should adopt the following items for reappropriation and reversion:

"Item 6870-492—Reappropriation, Board of Governors of the California Community Colleges. Notwithstanding any other provision of law, on June 30, 1986, the unencumbered balance of the amount appropriated in Section 19 of Chapter 1xx, Statutes of 1984 for financial aid awards and administrative costs in 1985-86 are reappropriated for such purposes in 1986-87."

"Item 6870-495—Reversion, Board of Governors of the California Community Colleges. Notwithstanding any other provision of law, on the effective date of this act, \$12.5 million appropriated in Section 19 of Chapter 1xx, Statutes of 1984 for financial aid awards and administrative costs in 1986-87 shall revert to the General Fund."

4. Greater Avenues for Independence (GAIN) Program

Assembly Bill 2580 (Ch 1025/85) established the Greater Avenues for Independence (GAIN) program. GAIN is a comprehensive statewide employment and training program for Aid to Families with Dependent Children (AFDC) recipients designed to help them find unsubsidized employment and to become financially independent. Program participants are offered a full range of employment training and support services tailored to their specific needs. The State Department of Social Services (DSS) is the lead agency responsible for implementing the GAIN program.

Among other things, the GAIN program requires specified AFDC recipients to enter into individual contracts with the local county department of social services (welfare agencies). The individual contract must describe the GAIN program and its services, the responsibilities and duties of the participant, and the consequences of the participant's failure to meet the requirements of the contract. The contract may call for educa-

CALIFORNIA COMMUNITY COLLEGES—Continued

tion services, counseling and assessment, vocational training, child care, and other support services.

Impact on Community Colleges. Under the GAIN program, the local county department of social services may require an AFDC recipient to enroll in a community college as a condition of maintaining his or her AFDC eligibility. The educational or vocational services would be specified in the participant's contract.

The Department of Social Services estimates that by 1990-91, when the GAIN program is fully operational, as many as 6,200 participants may be enrolled in community colleges. For the budget year, DSS estimates that up to 2,000 participants may be directed to the community colleges. These 2,000 participants, however, may be offset by the withdrawal of others in the GAIN program who are inappropriately enrolled. The department has not provided the Legislature with an estimate of the net impact of the GAIN program on community college enrollment.

Chancellor's Office. Under the GAIN program, the Chancellor's Office is required to (1) survey the community college districts to determine the services available to AFDC recipients, (2) develop a plan outlining the level of participation by the districts, (3) identify sources and levels of funding to support community college programs available to GAIN participants, and (4) develop a monitoring and reporting system for the community colleges providing services. In addition, the Chancellor's Office is required to assist DSS develop regulations governing payments under GAIN contracts.

5. Transfer Centers

The 1985 Budget Act appropriated a total of \$3.4 million to the California Community Colleges, the University of California, and the California State University to fund the first year of a three-year pilot program to promote transfer opportunities of community college students. The act appropriated \$1,873,000 from the General Fund to the community college system to fund up to 20 transfer centers and staff support for the Chancellor's Office in 1985-86. Both UC and CSU received \$750,000 to hire staff to act as liaisons with the community college transfer centers and to complete development of a computerized course articulation system called ASSIST.

The budget for 1986-87 continues funding for the community college transfer centers at the level provided in the current year. In addition, the budget requests \$150,000 from the General Fund to finance an evaluation of the project. The elements and scope of the evaluation are detailed in a paper titled *A Plan For Implementing The Transfer Center Pilot Program*, which was prepared by representatives of the three higher education segments and the California Postsecondary Education Commission (CPEC). We believe that funding for both the basic transfer program and the proposed evaluation in 1986-87 should be approved as budgeted. However, we have some concerns about project ASSIST.

ASSIST Project Not Currently Viable

We recommend that the Legislature direct the Chancellor's Office to explain during budget hearings what steps are being taken to promote transfer opportunities of community college students through the use of computerized course articulation systems.

In the *Supplemental Report to the 1985 Budget Act*, the Legislature

specified that funds to improve transfer opportunities of community college students shall be expended in accordance with two proposals prepared by the three higher education segments and CPEC—*A Plan for Implementing the Transfer Center Pilot Program* and *ASSIST: A Project for Computer Articulation Between Educational Institutions*. These documents were intended to guide the implementation of the transfer initiative proposed in the Governor's Budget.

Goals of the ASSIST Project. At the time the 1985–86 budget was being prepared, Los Angeles Harbor Community College was working with UC Irvine on the development of an on-line micro-computer system to assist students, counselors, and other college officials in obtaining immediate information on transfer requirements. The system is called ASSIST—Articulation System Stimulating Interinstitutional Student Transfer.

As specified in the planning document, the ASSIST project is supposed to address some of the factors which contribute to the low rate of student transfer from two-year to four-year postsecondary institutions. Some of these factors include: (1) inadequate information regarding admissions requirements, (2) lack of agreement regarding course transferability, (3) poor communication of regulations and procedural changes, and (4) complex admission and registration procedures.

According to the plan, ASSIST allows the on-line user to (1) determine the transferability of courses taken or planned, (2) assess an individual's progress toward satisfying the four-year institution's major, minor, and general education requirements, and (3) identify courses at the community college that may be taken in lieu of such requirements. In addition, the system can provide information on general campus programs such as financial aid, housing, academic programs, and special student services.

As an administrative tool, ASSIST is expected to provide an electronic check of a transfer student's academic transcript against the four-year institution's admissions requirements.

ASSIST Funding Proposal. According to the plan, the ASSIST project was to be implemented in five community colleges on a pilot basis during the first year of the transfer center program. The total amount proposed in the plan for the first-year implementation of the project was \$250,000. UC and CSU were expected to contribute \$50,000 each to the community colleges to cover equipment acquisition and related one-time expenditures. The community college system was to provide \$150,000 to finance implementation costs and ongoing operations at the five community colleges selected to pilot test ASSIST.

During the fall of 1985, we visited both UC Irvine and Los Angeles Harbor Community College to review the progress of the ASSIST project. Our review indicates that the ASSIST project, in its current form, cannot provide the types of services outlined in the implementation proposal. In fact, the ASSIST software program would have to be amended significantly to provide information that would be useful to those community college students who are beginning to plan their academic program.

Community College Applications. We found ASSIST to be useful primarily as a device for checking a student's transcript against the admissions requirements of the four-year institution. The program selects each course taken by the L.A. Harbor student and checks it against the admissions requirements of UC Irvine. The student is then provided with a computer printout specifying which requirements have been fulfilled and identifying the students' options for meeting requirements that remain

CALIFORNIA COMMUNITY COLLEGES—Continued

unfulfilled. In order for the system to provide any useful information, however, the student must have taken some courses. A first-time freshman to the community college receives no useful information from the system.

Thus, as a counseling device to help community college students prepare their academic program, the ASSIST project is not viable. It relies entirely upon input concerning a student's academic transcript to provide any informative feedback.

In addition, we found that the program did not provide a course-to-course articulation of L.A. Harbor and UC Irvine offerings. Thus, a community college student would not be able to determine whether or not a particular course offered by L.A. Harbor would be considered equivalent to a particular UC Irvine course for purposes of earning credit toward a degree.

Moreover, we found that the program would require substantial editing and reformatting to provide the user with clear, useful information. In its current form, the program relies on menus to direct the user. These menus and the resulting transfer information are presented using short-hand labels that are not meaningful to the average user.

UC Irvine Applications. In contrast, our visit to UC Irvine found the ASSIST project in its current form to be a valuable tool in performing degree checks. The admissions office can save considerable time in checking an applicant's transcript against the articulation agreement developed between the sending institution and UC Irvine. In fact, so long as there is an up to date articulation agreement between two institutions, the ASSIST project can reduce the time it takes to check transfer requirements for *any* student applying from one institution to another, even if the sending institution is not equipped with ASSIST. This, however, was not the primary purpose of project ASSIST.

Implementation Status to Date. The Chancellor's Office has indicated that five community college campuses have been selected to operate ASSIST in the current year. On behalf of these colleges, the Chancellor's Office has purchased five IBM PC AT microcomputers (These computers have not as yet been delivered to the campuses.) It is not clear, however, what additional steps the Chancellor's Office plans to take in overcoming the deficiencies in the ASSIST program identified above.

It is clear to us that a considerable amount of time and money would be needed to field test and redefine the program so that it will be useful as a counseling device and thereby improve the transfer rate of community college students. Fortunately, a viable alternative may be more readily available.

Diablo Valley Community College Alternative. In the fall of 1985, we visited Diablo Valley Community College (DVC) and were introduced to a computer program which provides much of the information envisioned by the original plans for the ASSIST project. The DVC system is designed primarily as a counselor's tool to direct a student in developing his or her academic program. The program provides information about which courses the student should take while at DVC in order to transfer with a particular major to a given institution.

The system has been operating for four years and contains information on the requirements for over 1,000 majors at eight campuses of the University of California and 16 campuses of the California State University. In addition, the system contains information on the requirements of three

private universities in northern California that have received DVC students in the past.

The DVC computerized articulation program is adaptable for use by other community colleges and has been implemented at 11 campuses to date. We note, moreover, that the DVC program was developed and replicated without support from the Chancellor's Office.

Given the problems with the ASSIST project which we identified during our field visits, we recommend that the Chancellor's Office report to the Legislature during budget hearing on what steps it will take to promote the implementation of a computerized course articulation system for the community colleges that meets the needs of community college students.

6. Revenues Available for Foster Parent Training Programs

We recommend that the Legislature delete \$1 million requested from the General Fund to support foster parent training programs, because an alternative source of revenues will finance these programs. (Delete \$900,000 in Schedule (b) of Item 6870-101-001 and \$100,000 in Item 6870-001-001. Increase reimbursements in these items by an equivalent amount.)

Background. Current law (Ch 485/84), requires a parent of a minor who is placed in an institution by an order of the juvenile court to pay a reasonable share of the placement cost. These costs include expenditures for food, clothing, personal supplies, and medical care. The total charge, however, may not exceed \$15 per day.

Other provisions of current law (Ch 1597/84) specify that these collections shall be available for the following purposes in priority order: (1) to offset the state's cost associated with the placement of juveniles in public or private institutions, (2) to provide programs in the community colleges to train foster parents, and (3) to provide foster children services in K-12 school districts. Specifically, for each fiscal year, the first \$3.75 million in collections shall be used to offset state costs, the second \$1 million shall be available for community college programs, and any collections in excess of \$4.75 million shall be available for K-12 district programs.

General Fund Support Is Not Needed. The budget proposes \$1 million from the General Fund for foster parent training programs in the community colleges during 1986-87. This amount includes \$900,000 for local assistance and \$100,000 for administrative services provided by the Chancellor's Office.

The Department of Social Services (DSS) is responsible for administering collections under Chapter 485. The department estimates that collections in the budget year will total \$5,607,000. This would provide the full \$1 million for community college foster parent training programs and \$857,000 for foster children services programs in K-12 districts. The budget, however, makes no provision for the receipt of revenues by either the community colleges or the K-12 schools under Chapter 1597, and instead requests \$1 million from the General Fund for the support of the community college programs.

Accordingly, we recommend that the Legislature reduce the General Fund appropriation for the community colleges' foster parent training programs by \$1 million—\$900,000 for local assistance and \$100,000 for state administration—and increase reimbursements by a like amount. (We make a similar recommendation in the K-12 section of this *Analysis*.)

CALIFORNIA COMMUNITY COLLEGES—Continued**7. Funding for Deferred Maintenance Overbudgeted**

We recommend that the Legislature reduce by \$740,000 the amount budgeted for deferred maintenance projects because the amount proposed exceeds identified needs. (Reduce Item 6870-101-001 by \$740,000.)

The budget requests a total of \$12,740,000 from the General Fund to finance deferred maintenance projects in the community colleges during 1986-87. This is an increase of 6.2 percent over the amount available in the current year.

Our review indicates that the amount proposed to fund deferred maintenance projects exceeds the amount needed by \$740,000.

Community college districts are required to submit detailed, five-year deferred maintenance plans in order to receive state matching funds for qualifying projects. Funding is provided on a priority basis, with roof repair for classrooms and laboratories receiving first priority. After reviewing the five-year plans, the Chancellor's Office estimated that an appropriation of \$12 million per year, commencing in 1986-87, would be sufficient to finance all deferred maintenance projects identified for 1986-87, 1987-88, and 1988-89.

We can think of no reason to provide funding in excess of locally-documented needs. Accordingly, we recommend that the Legislature reduce by \$740,000 the amount budgeted for deferred maintenance, for an equivalent General Fund savings.

8. 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 grants and loans 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 educational programs for older adults, programs providing instruction in emerging technologies, a physical education program for handicapped students, and a staff development program which employed video taping of classroom instruction.

In the 1985 Budget Act, the Legislature approved \$783,000 for this program in 1985-86. The Governor, however, reduced this amount by \$500,000.

The Chancellor's Office received over 170 grant applications requesting a total of \$4.3 million in 1985-86. Of these requests, 20 were funded at a total General Fund cost of \$283,000.

The budget requests \$539,000 from the General Fund for *grants* under this program in 1986-87—an increase of \$256,000, or 90 percent. This would partially restore the funds reduced from the program in 1985-86. Support for *loans* is provided through a revolving fund; the budget does not request a net augmentation for these loans.

Because the program is being funded and implemented in a manner consistent with the Legislature's intent as expressed in AB 1173, we recommend that the amount requested be approved as budgeted.

9. 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 \$27.8 million in 1986-87. This is 15 percent above the estimated amount available in the current year. The budget proposes to allocate \$4,170,000, or 15 percent, of the revenues for community college apportionments and the remaining \$23.7 million for K-12 apportionments. This allocation is based on the historical split between community colleges and K-12 schools. These amounts are recognized in the calculations of the state aid required for community college and K-12 apportionments.

We recommend that this control section be approved.

II. COMMUNITY COLLEGE STATE OPERATIONS (Item 6870-001-001)

A. Proposed Support for the Chancellor's Office

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 units:

- *The Fiscal Services unit*, which administers community college apportionments and categorical funding to the 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 (EOPS), Handicapped Student Programs and Services (HSPS), vocational education, deferred maintenance, and capital outlay.
- *The Administrative unit*, which oversees the day-to-day operations of the Chancellor's Office and provides direct staff support for the Board of Governors.

As shown in Table 7, the budget requests \$10,752,000 to support the Chancellor's Office in 1986-87. This is an increase of 3.8 percent (\$391,000) above estimated expenditures in the current year. Most of these funds would be used to support the 147.2 personnel-years requested for the Chancellor's Office in 1986-87.

1. Funding Associated with Librarian and Editor Not Justified

We recommend that the Legislature reduce by \$40,000 the amount budgeted from the General Fund to fund a librarian and an editor for the Chancellor's Office because the associated support budgeted for operating expenses and equipment is not justified. (Reduce Item 7980-001-001 by \$40,000.)

The budget requests \$151,000 from the General Fund to establish three positions in the Chancellor's Office—a librarian, an editor, and an office technician. Included within this request is \$61,000 for operating expenses and equipment.

Our analysis confirms the need for the three staff positions. The librarian would organize and catalog existing publications of the Chancellor's Office and ensure that information pertaining to the community colleges is available to the Legislature, the Chancellor's Office staff, and other community college officials. The editor would ensure that all reports and publications of the office convey information clearly and concisely. The office technician would provide general clerical support.

CALIFORNIA COMMUNITY COLLEGES—Continued

Table 7
California Community Colleges
State Operations Budget
1984-85 through 1986-87
(dollars in thousands)

	<i>Actual</i> 1984-85	<i>Est.</i> 1985-86	<i>Prop.</i> 1986-87	<i>Percent Change</i> From 1985-86
A. Fiscal Services	\$1,301	\$1,611	\$1,466	-9.0%
B. Special Services & Operations:				
1. EOPS	1,530	1,708	1,721	0.8
2. HSPS	419	384	448	16.7
3. Other Student Services.....	173	302	288	-4.6
4. Transfer Centers.....	—	73	223	205.5
5. Credentials.....	821	806	874	8.4
6. Dist. Affirmative Action	118	186	179	-3.8
7. Staff Development	—	—	100	100.0
8. Program Evaluation.....	835	1,074	1,101	2.5
9. Instructional Improvement	—	—	6	100.0
10. Vocational Education	3,322	3,379	3,417	1.1
11. Program Accountability	—	—	100	100.0
12. Facilities	633	838	829	1.1
C. Administration: ^a				
1. Board of Governors.....	(168)	(169)	(158)	(-6.5)
2. Chancellor's Office	(3,235)	(3,381)	(3,225)	(4.6)
Totals, State Operations	\$9,152	\$10,361	\$10,752	3.8%
Funding Source				
<i>General Fund</i>	\$6,174	\$7,278	\$7,480	2.7%
<i>Credentials Fund</i>	553	560	637	13.8
<i>Special Deposit Fund</i>	383	383	383	0.0
<i>Foster Parent Training Fund</i>	-8	8	0	-100.0
<i>Reimbursements</i>	1,882	1,976	2,066	4.6
<i>Federal Trust Fund</i>	168	156	186	19.2
Personnel-Years	139.9	143.4	147.2	2.7%

^a Amounts charged to Fiscal Services and Special Services and Operations.

Our review, however, identifies \$40,000 requested for operating expenses and equipment that is not justified. The budget seeks additional funds for travel, printing, communications, postage, consulting services, and data processing that are not needed in order for the proposed staff to carry out the tasks outlined in budget change proposal. The Chancellor's Office has not provided any rationale for these additional funds.

Accordingly, we recommend that the Legislature reduce by \$40,000 the amount budgeted to support the three new positions, for an equivalent General Fund savings.

2. Funding for Education Code Revision Premature

We recommend that the Legislature delete \$35,000 requested from the General Fund to study and propose changes in the Education Code, because neither the Legislature nor the Board of Governors has adopted a policy on the future governance structure for the community colleges. (Reduce Item 6870-001-001 by \$35,000.)

The budget proposes \$35,000 from the General Fund to develop legislation revising the Education Codes in order to increase the authority of both the Board of Governors and the Chancellor with respect to the community colleges. The Chancellor's Office has developed a budget of \$100,000 for this project that would be used to fund the following costs: (1) 400 hours in General Counsel staff time (\$20,000), (2) the services of a private attorney under contract to the Chancellor's Office (\$38,000), (3) advisory committee expenses (\$13,000), (4) internal management review (\$5,000), and (5) typing, printing, and postage costs (\$24,000). The Chancellor's Office has indicated that \$65,000 of the costs can be absorbed.

The attorneys and advisory committee would identify provisions of the Education Code which are ambiguous and develop legislation that ultimately would increase the authority of the Board and the Chancellor to set policy and resolve disputes within the community college system.

The Chancellor's proposal envisions five tasks that would be carried out as part of the project: (1) develop a hypothetical governance structure delineating the responsibilities of the Legislature, the Board of Governors, the local governing boards, and the campus administration, (2) apply the existing Education Codes to the governance model, (3) evaluate the results of this "test", (4) adopt the proposed Education Code revisions (by the Board of Governors), and (5) lobby the proposed changes through the Legislature.

Our review indicates that the proposed augmentation for this project is premature. No decision has been made on what type of governance structure would be most appropriate for the community colleges. Neither the Legislature nor the Board of Governors has adopted a policy specifying a delineation of responsibilities for community college operations among the various levels of government and administration. Moreover, the recommendations of the Commission for the Review of the Master Plan for Higher Education concerning community college governance have not been published or reviewed by the Legislature's Joint Committee for Review of the Master Plan for Higher Education.

The Chancellor's proposal encompasses much more than a *technical* revision of the Education Codes. Any proposal to revise the codes to promote a particular governance structure should await a decision by the Legislature and the Board of Governors on the type of structure that should be implemented.

Accordingly, we recommend that the Legislature delete the \$35,000 requested to revise the Education Codes, for an equivalent savings to the General Fund.

3. Study of Staff Development Proposed

We recommend that the Legislature transfer \$100,000 requested from the General Fund for a study of staff development in the community colleges to the California Postsecondary Education Commission so that the commission can coordinate the project. (Reduce Item 6870-001-001 by \$100,000 and increase Item 6420-001-001 by \$100,000.)

The budget proposes a General Fund augmentation of \$100,000 for the Chancellor's Office as part of a \$400,000 study of staff development programs in K-12 and higher education institutions. The California Postsecondary Education Commission (CPEC) is responsible for conducting the study. Our analysis of the CPEC budget includes a discussion of this proposal and the reasons for our recommendation (please see page 1304).

CALIFORNIA COMMUNITY COLLEGES—Continued**4. Proposal for Local Budget Development Not Viable**

We recommend that the Legislature delete \$100,000 requested from the General Fund for local budget development and planning, because the administration's proposal has not been fully developed. (Reduce Item 6870-001-001 by \$100,000.)

The budget requests \$100,000 from the General Fund to conduct workshops designed to instruct community college officials in preparing comprehensive budget and planning documents. This proposal is intended to promote greater strategic planning at the local level. No additional personnel is authorized for the Chancellor's Office to oversee this effort. Instead, the funds requested in the budget would be used to retain an external contractor.

Our review identifies three reasons why this proposal should not be funded.

No Expenditure Proposal Provided. Neither the Chancellor's Office nor the Department of Finance has developed a plan for the expenditure of these funds which is keyed to the specific problems which would be addressed by the project nor does the budget identify the types of services that would be sought through a contract, or demonstrate that these services can be secured through a limited term contract.

Chancellor's Office Support Is Absent. Through discussions with staff of the Chancellor's Office, we have learned that ongoing staff support will be needed within the office to oversee this effort. To date, the Legislature has not been provided with any reason to believe that the existing staff of the Chancellor's Office can ensure that (1) the contractor fulfills the terms of the agreement, (2) the units within the office will coordinate with one another on reporting requirements and deadlines, and (3) the districts which participate in the project will receive helpful feedback and guidance in the budget development process.

Effort to Date Has Shown Limited Success. According to the staff of the Chancellor's Office, this proposal is an extension of a project first funded in 1981 through a grant from the Fund for Improvement of Postsecondary Education. This effort focused on improving the evaluation and planning process of the community colleges. The project covered four years and cost \$289,000. A series of workshops and conferences were held on the integration of planning, budgeting, and evaluation, and four models of strategic planning were developed.

In 1984-85, a \$20,000 grant from the Fund for Instructional Improvement allowed 13 districts to participate in a similar project. The Chancellor's Office reports that of the 13 original participants, only seven submitted a comprehensive plan linking budgeting to internal management, and of the seven plans, only three were considered viable.

In summary we recommend that the Legislature delete \$100,000 requested from the General Fund to finance the proposed contract because the administration's proposal is not viable.

B. Community College Credentials Fund (Item 6870-001-165)

We recommend approval.

Under current law, community college administrators, counselors, and instructors are required to maintain a state credential as a condition of their employment. The Credentials Office is responsible for the review,

approval, and revocation of credentials. The office is fully supported through a fee assessed on each application. The fee currently is \$40.

The budget requests an appropriation of \$637,000 from the Credentials Fund, which is 14 percent (\$77,000) above estimated current-year expenditures. Of the proposed increase, \$50,000 would be available to finance a study exploring the merits of maintaining the credentialing requirement. This study is called for by AB 189 (Ch 1412/85).

Given the requirements of current law, we recommend that the amount requested be approved as budgeted.

C. Reappropriation (Items 6870-490 and 6870-491)

We recommend approval.

The budget contains language reappropriating unexpended balances from the 1985 Budget Act appropriation for deferred maintenance and office automation. A similar provision for deferred maintenance funding was included in the 1985 Budget Act. These provisions will result in the reappropriation of up to \$7 million for deferred maintenance and \$218,000 for office automation that would otherwise revert to the General Fund. We recommend approval.

BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY

Item 6870-301 from the Capital
Outlay Fund for Public High-
er Education and the Federal
Trust Fund

Budget p. E 147

Requested 1986-87	\$29,529,000
Recommended approval	20,155,000
Recommended reduction	1,222,000
Recommendation pending	8,152,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. We withhold recommendation to the Legislature on \$8,152,000 requested for five major projects and one minor project for reasons outlined in Table 2 (page 1500). 1500
2. ***Coachella CCD—Construct Vocational Education Building. Reduce Item 6870-301-146(1) by \$158,000.*** Recommend that the Legislature reduce the amount so that (1) construction costs do not exceed the amount anticipated by the Legislature and certified by the Department of Finance and (2) the district pays its full share, pursuant to Section 57033 of Title 5. 1502

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—
CAPITAL OUTLAY—Continued**

3. **Glendale CCD—Construct Faculty Office, Student Services Offices and Classrooms. Reduce Item 6870-301-146(5) by \$108,000.** Recommend that the Legislature reduce the amount so that (1) construction costs do not exceed the amount anticipated by the Legislature and certified by the Department of Finance and (2) the district pays its full share, pursuant to Section 57033 of Title 5. 1502
4. **Saddleback CCD—Construction Building “B”, Cluster II. Reduce Item 6870-301-146(17) by \$23,000.** Recommend that the Legislature reduce the amount so that (1) construction costs do not exceed the amount anticipated by the Legislature and certified by the Department of Finance and (2) the district pays its full share, pursuant to Section 57033 of Title 5. 1502
5. **Santa Barbara CCD—Construct Learning Resources Center. Reduce Item 6870-301-146(20) by \$71,000.** Recommend the Legislature reduce the amount so that (1) construction costs do not exceed the amount anticipated by the Legislature and certified by the Department of Finance and (2) the district pays its full share, pursuant to Section 57033 of Title 5. 1502
6. **Grossmont Community College District—Construct Multipurpose Office and Library Building on Cuyamaca Campus. Reduce Item 6870-301-146(6) by \$38,000.** Recommend the Legislature reduce the amount to reflect the division of costs between state and district, as stated in Section 57033 of Title 5. 1503
7. **Long Beach CCD—Upgrade Electrical Distribution System at Long Beach City College. Reduce Item 6870-301-146(9) by \$375,000.** Recommend deletion of project because the designed capacity of the proposed system is excessive. 1503
8. **Mendocino-Lake CCD—Equip Mendocino Vocational Technology Building. Reduce Item 6870-301-146(11) by \$198,000.** Recommend the Legislature (1) eliminate overbudgeting of equipment purchases and (2) correct the division of cost between the state and district. 1504
9. **Mendocino-Lake CCD—Equip Mendocino Agriculture Headhouse. Reduce Item 6870-301-146(12) by \$20,000.** Recommend the Legislature (1) eliminate overbudgeting of equipment purchases and (2) correct the division of cost between the state and district. 1504
10. **Saddleback CCD—Equip Building “A”, Cluster II. Reduce Item 6870-301-146(18) by \$202,000.** Recommend the Legislature (1) eliminate overbudgeting of equipment purchases and (2) correct the division of cost between the state and district. 1504
11. **Los Angeles CCD—Los Angeles City College Chemistry Building Safety Corrections. Reduce Item 6870-301-146(24) by \$29,000.** Recommend the Legislature eliminate overbudgeting for fume hoods and lighting. 1505

ANALYSIS AND RECOMMENDATIONS

The budget proposes a total appropriation of \$29,529,000 to fund the state's share of the California Colleges' capital outlay program in 1986-87. These funds will come from the Capital Outlay Fund for Higher Education (COFPHE) (\$23,799,000) and the Federal Trust Fund, Petroleum Violation Account (\$5,730,000). The Federal Trust Fund amount would come from receipts *anticipated*, but not yet received, under Section 8(g) of the federal Outer Continental Shelf Lands Act. The Budget Bill appropriates a total of \$45.2 million in "8(g)" revenue, which would be on top of the \$356.3 million already appropriated. It is not clear at this time that the state will receive sufficient funds to finance either the amount already appropriated or the amount included in the Budget Bill.

The budget indicates that the various community colleges will provide a total of \$2,441,000 to support these projects, bringing total proposed expenditures for community college capital outlay to \$31,970,000. Thus, the state would fund 92 percent of the community colleges' capital outlay program, while the various districts would contribute a total of 8 percent.

The 1986-87 capital outlay program for the community colleges includes funds for equipping 11 new facilities and constructing eight buildings (\$26,535,000). The program also includes funds for removing barriers to the handicapped at three campuses (\$696,000), for correcting safety hazards in the Los Angeles City College Chemistry lab (\$598,000), for preliminary planning of 1987-88 projects (\$200,000) and for asbestos removal (\$1,500,000).

A. EVALUATION OF THE REVISED METHOD OF DETERMINING THE STATE/DISTRICT SHARE OF CAPITAL OUTLAY COSTS

Background

The state has helped finance approved community college capital outlay projects since enactment of the Junior College Tax Relief Act of 1961. Prior to 1978, project costs were shared between the state and the districts based on a formula that considered two variables: weekly student contact hours and assessed valuation.

The community college district financed its share of each capital outlay project either by levying a permissive tax or issuing bonds. Until 1975, the state's share of each project was funded from the proceeds of voter-approved bonds. Since then, state support generally has come from the Capital Outlay Fund for Public Higher Education (COFPHE).

With the passage of Proposition 13 in 1978, many local districts no longer were able to provide their full share of capital outlay project costs. Consequently, the Legislature enacted the Community College Construction Act of 1980 (Chapter 910, Statutes of 1980) which changed the formula for determining state/district participation in approved projects. As a result, a district's share of cost was based on its weekly student contact hours and its ending budget balances, relative to the statewide average. The Construction Act also provided for state funding of up to 100 percent of approved projects costs for those districts that are unable to contribute their full matching share.

Between 1980 and 1985, the state's share of community college capital outlay projects increased significantly—from under 30 percent to nearly 90 percent.

The Legislature, concerned that the state had assumed almost complete financial responsibility for community colleges capital outlay, directed the California Postsecondary Education Commission in the 1985 Budget Act

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—
CAPITAL OUTLAY—Continued**

to conduct a study of the method used to fund these projects. In addition, the Legislature passed Chapter 1347, Statutes of 1985 (SB 375), which:

- declared the legislative intent to provide state funds for community college capital outlay projects;
- repealed Section 81838—the portion of the Education Code which specified the calculation to determine the state and district shares of project costs; and
- directed the Chancellor of the California Community Colleges to establish the appropriate state and district shares of a project's cost.

Commission Report

The California Post Secondary Education Commission issued its report in December 1985. The report recommended that the current approach to funding capital outlay (as established by the 1980 Construction Act and modified by Chapter 1347, Statutes of 1985) should be continued until the Legislature conducts a comprehensive reevaluation of the system used to finance community college capital outlay. In addition, the commission recommended that the state provide some funds to the California Community College system as a block grant. The Chancellor's Office would distribute these funds to districts. The expenditure of these funds would not be subject to a project-by-project review by the Legislature.

Implementation of Chapter 1347, Statutes of 1985

In December 1985 the Chancellor promulgated Section 57033 of Title 5 of the California Administrative Code. This section sets a new formula for determining the district's share of a proposed capital outlay project. For each project, *the district's share will not exceed 2 percent of the district's General Fund for the prior year, and in no case shall the district's share exceed ten percent of the proposed project's costs.* Thus, even if the district has sufficient funds to pay a larger share of the cost, the district will still receive 90 percent state funding of all approved capital outlay projects.

Effect of the New State/District Formula

The proposed state and district shares for projects included in the 1986-87 capital outlay program for the community colleges is based on the new Title 5 regulations. The Budget Bill provides 90 percent state funding for 18 of the 25 proposed projects. The district's share for the remaining eight projects ranges from zero to nine percent. Overall, the districts would pay an average of 7.6 percent toward the cost of the capital outlay project.

Summary

We agree with the commission that the basic financing system for community colleges capital outlay should be examined. We do not, however, see any advantage to providing the Chancellor's Office with a "block grant" for distribution to the districts, as the commission recommends.

The basis for this recommendation is the commission's finding that some districts do not receive funds because their projects are not of sufficient priority—priority to the Legislature!—to receive state funds. This, however, is what the budget process is all about: allocating the limited amount of funds available (and the limited amount of "room" within the state's

appropriations limit) to those programs, activities, and projects that the Legislature deems to have a high priority.

Virtually all other state agencies, including the other two segments of higher education could make the same case for getting their money in a lump sum, rather than on a line item or program basis. This is because program administrators often disagree with the Legislature's priorities. It is by no means clear, however, that state government would perform better if the Legislature deferred to these administrators as to how taxpayer funds should be spent.

We note that the commission for Review of the Master Plan is expected to issue its report on the Community Colleges in February 1986. This report may suggest more appropriate funding formulas for Community Colleges capital outlay.

B. PROJECTS WHICH WE RECOMMEND BE APPROVED

We recommend that funding for nine California community college capital outlay projects be approved. The state's share of these projects totals \$2,424,000, and the districts' share totals \$257,000. The projects are listed in Table 1.

Table 1
Board of Governors of the California Community Colleges
1986-87 Major Capital Outlay
Projects Recommended for Approval

Category Subitem	District/Project	Phase ^a	State Share	District Share
A. Projects to Remove Barriers to the Physically Handicapped:				
(4)	Fremont-Neward CCD, Ohlone College Removal of Architectural Barriers to the Physically Handicapped	wc	\$429	\$48
(19)	San Bernardino CCD, Crafton Hills College—Removal of Architectural Barriers	c	109	12
B. Projects to Equip New Educational Facilities:				
(2)	Coast CCD, Orange Coast College—Equip Childhood Educational Training Center	e	45	5
(3)	Contra Costa CCD, Diablo Valley—Equip Computer and Math Lab Addition	e	245	27
(7)	Imperial CCD, Imperial—Equip Nursing Education Center	e	122	14
(14)	Palo Verde CCD, Palo Verde College—Equip Library and Audio Visual Addition	e	47	5
(15)	Peralto CCD, Feather River—Equip Library and Audio Visual Addition	e	106	0
C. Projects to Remodel or Add to Existing Education Facilities:				
(10)	Long Beach CCD, Long Beach City Educational Support Service Center	c	1,121	124
D. Systemwide Project:				
(22)	Preliminary Planning for 1987-88	p	200	22
Totals			\$2,424	\$257

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

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 \$200,000 provided for statewide preliminary planning shall be available only for those major projects for

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—
CAPITAL OUTLAY—Continued**

which working drawing funds or working drawings and construction funds are reasonably expected to be included in the Governor’s Budget for 1987–88. 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.

C. PROJECTS FOR WHICH WE WITHHOLD RECOMMENDATION

We are withholding our recommendation for five major capital outlay projects and \$1.5 million in minor capital outlay funds requested for asbestos abatement. The state’s share of these projects is \$8,152,000; the districts’ share is \$441,000. These projects, together with our reasons for withholding recommendation on each, are summarized in Table 2 below. A brief review of the status of the community colleges’ program to remove asbestos follows.

Table 2
Board of Governors of the California Community Colleges
1986–87 Major Capital Outlay
Projects for Which the Legislative Analyst is Withholding Recommendation
Item 6870-301-146 and Item 6870-301-890
(dollars in thousands)

<i>Subitem</i>	<i>Project</i>	<i>Phase^a</i>	<i>State Share</i>	<i>District Share</i>	<i>Reason</i>
	—Mira Costa CCD, San Dieguito Center —Permanent Building Phase I.....	c,e	\$5,730 ^b	\$223	Pending additional information on equipment request.
(8)	Lake Tahoe CCD, Lake Tahoe—Initial Complement of Library Books	e	297	3	Pending additional information on determination of number and cost of books.
(21)	Yosemite CCD, Modesto Junior College—Removal of Architectural Barriers.....	w,c	158	17	Pending preliminary plans and explanation of the need for the extensive sidewalk and road sign work.
(13)	Mira Costa CCD, San Dieguito Center—Initial Complement of Library Books.....	e	287	11	Pending additional information about the number and cost of books.
(16)	Redwoods CCD, Mendocino Cost Center—Equip, Permanent Buildings, Phase I.....	e	180	20	Pending additional information about existing equipment and proposed equipment purchases.
(23)	Systemwide, Asbestos Removal	w,c	1,500	167	Pending reevaluation of the urgent need for \$10.6 million to remove severely friable asbestos.
Totals			\$8,152	\$441	

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

^b Funded from the Federal Trust Fund.

Asbestos Removal

In the 1985 Budget Act, the Legislature directed the Chancellor's Office of the California Community Colleges to determine the amount, location and condition of asbestos on each campus. The Legislature also directed the Chancellor's Office to develop priority criteria for addressing asbestos hazards and to submit a list of asbestos removal projects which reflects these priorities.

The Chancellor's Office completed this study in December, 1985. Its key findings were:

- 54 of the 70 community college districts own buildings with friable asbestos materials (materials capable of being crumbled or reduced to powder by pressure).
- \$10.6 million will be needed to fund the 55 "Category A" projects to remove or control *severely* friable asbestos in district buildings.
- \$9.8 million will be needed to fund 48 "Category B" projects to remove or control *moderately* friable asbestos in district buildings.
- Total costs to remove *all* friable asbestos in the colleges' buildings will be approximately \$23.8 million.

We withhold recommendation on the request for \$1.5 million, for two reasons.

The \$10.6 million estimate may be overstated. The districts estimate that 44 percent of the identified asbestos is *severely* friable. The Chancellor's Office considers all severely friable asbestos to be "Category A"—highest priority to remove or control. We question whether this much asbestos is severely friable and whether all of it needs to be removed immediately.

The CSU, which owns buildings that generally are older than those owned by the community colleges, estimated that its total asbestos clean-up costs will be approximately \$39,750,000. The division of costs between categories, however, was substantially different from what the Chancellor's Office found. The CSU reported that:

- only 6 percent, \$250,000, of its asbestos clean-up projects were "urgent."
- \$2,500,000 of the projects were "necessary."
- \$30,000,000 was "advised."
- \$7,300,000 was "control."

Because all the data for the community colleges report on asbestos was obtained by district-level staff, it was difficult to achieve consistency in the estimates and quality control. It may be that the decentralized manner of obtaining information resulted in overstating the asbestos hazard.

On the other hand, if the Chancellor's Report is accurate, the community colleges face an asbestos problem of significant proportions. In this case, the funding rate proposed in the Budget Bill would not permit the Colleges to complete their highest priority projects (severely friable asbestos) for over six years.

In view of these discrepancies, the Chancellor's Office, prior to budget hearings, should confirm that *all* of the "Category A" projects are "urgent" for the safety of staff and students. We also suggest that the Chancellor's office consult with the CSU and submit a report indicating the comparability of the four classifications used in the CCC asbestos report (Categories

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—
CAPITAL OUTLAY—Continued**

with the four classifications in the CSU asbestos report (urgent-control).

In addition, the Chancellor's office, prior to budget hearings, should provide the Legislature with a list of the projects to be financed with the proposed \$1.5 million of state funds. This list should include the criteria used to establish project priorities.

Pending receipt of this information, we withhold our recommendation on Item 6870-301-146(23).

**D. PROJECTS FOR WHICH THE LEGISLATIVE ANALYST IS RECOMMENDING
REDUCTION OR DELETION**

Excessive Construction Funds

We recommend that the Legislature reduce Items 6870-301-036 (1), (5), (17) and (20) by a total of \$360,000 to (1) reduce the construction cost to the amount previously approved by the Legislature and certified by the Department of Finance and (2) adjust the district's share of project's costs, in accordance with Section 57033 of Title 5.

In the 1985 Budget Act, the Legislature appropriated funds to finance working drawings for the projects outlined below in Table 3. In each case, the Legislature approved Supplemental Report language, describing the scope of the intended project and the anticipated cost.

**Table 3
California Community Colleges
Projects for Which the Request for Construction Funds is in Excess of
The Amount Stipulated in The Supplemental Report
to the 1985 Budget Act
(dollars in thousands)**

Item	District	Campus	Project	Total Budget Bill Amount	Supplemental Report Amount	Recommended State Share	Recommended District Share
1	Coachella	Copper Mountain	Vocational Education Building	\$1,742	\$1,567	\$1,410	\$157
5	Glendale	Glendale	Faculty Offices, Stu- dent Services, Class- rooms	3,807	3,699	3,347	352
17	Saddleback	Irvine	Building "B", Cluster II	3,430	3,404	3,064	340
20	Santa Barbara	Santa Barbara City	Learning Resources Center	5,675	5,618	5,252	366
Totals				\$14,654	\$14,288	\$13,073	\$1,215

The districts completed their preliminary plans for these projects in July 1985. At that time, the Department of Finance certified that these projects were within scope and cost approved by the Legislature and released funds so that the districts could begin working drawings.

The Budget Bill, however, proposes construction costs for the four projects which exceed the costs anticipated by the Legislature and certified by the Department of Finance. The districts have not explained why project costs should exceed the amount previously approved. Consequently, we recommend that the Legislature reduce each request to the approved cost.

We further recommend that the balance between state and district share be corrected to comply with Section 57033 of Title 5. (The district shares of several projects funded in the Budget Bill are not correct because the share was not recomputed after the final list of projects was selected.) Our recommended division of costs between the state and the districts is shown on Table 3.

Grossmont CCD—Correct Split of Costs Between State and District

We recommend that the Legislature reduce Item 6870-301-146(6) by \$38,000 to reflect a proper division of costs between the state and the district, in accordance with Section 57033 of Title 5.

The budget includes \$3,486,000 for the state's share of the cost to construct a multipurpose office and library building on the Cuyamaca campus. This project was funded by the Legislature last year and is within the scope and cost detailed in the *Supplemental Report to the 1985 Budget Act* and certified to by the Department of Finance. We recommend that this item be reduced, however, because the district's share of project costs is not in keeping with what Section 57033 of Title 5 requires.

The Budget Bill amount represents 91 percent of the project's total cost. Our analysis indicates that the Grossmont CCD should pay its full 10 percent share of this project because this amount does not exceed two percent of its General Fund. Consequently, we recommend that the Legislature reduce this item by \$38,000 to reflect the proper distribution of costs between the district and the state.

Long Beach CCD—Electrical System

We recommend that the Legislature delete Item 6870-301-146(9) because the electrical capacity of the proposed system is excessive, for a savings of \$375,000.

The budget requests \$375,000 to upgrade the electrical distribution system at Long Beach City Community College. The college has experienced three power outages in the last three years. According to the district, these power outages cut electrical power to a large part of the campus. To correct this problem the district proposes to replace the existing system with an underground distribution system capable of providing power from two sources. This would increase reliability and reduce the number of buildings losing power in case of service interruptions. The district funded working drawings last year and is requesting state funds for construction.

Based on the limited information submitted by the district, it appears that some type of improvement to the electrical system is needed. The district, however, has not substantiated the need to undertake the proposed project.

Our analysis indicates that the district's proposal will provide 3,000 KW, which is six times greater than the district's current 500 KW demand load. Moreover, the district has not provided (1) a detailed description of the existing system, (2) the specific problems with the system or (3) alternative solutions to the problem.

Consequently, we recommend that the Legislature delete the \$375,000 requested under Item 6870-301-146(9). A revised project that provides less electrical capacity or alters the existing system may warrant legislative consideration.

**BOARD OF GOVERNORS OF THE CALIFORNIA COMMUNITY COLLEGES—
CAPITAL OUTLAY—Continued**
Excessive Equipment Budgets

We recommend that the Legislature reduce Item 6870-301-036 (11), (12) and (18), to (1) eliminate the overbudgeting of equipment purchases for new community college facilities and (2) correct the distribution of costs between state and district, pursuant to Section 57033 of Title 5, for a savings of \$420,000.

The Chancellor's Office of the California Community Colleges annually prepares a guide for estimating the cost of equipping newly constructed college facilities with the requisite furniture and equipment. These costs are expressed in cost per assignable square foot (asf) of new space and are adjusted yearly for inflation.

For 1986-87, the Chancellor's Office raised its 1985-86 costs by approximately 5 percent. Our analysis of the cost of equipment indicates that there should *not* be an adjustment for inflation in the budget year. This conclusion is supported by both the University of California and the California State University. Neither of these segments have adjusted their 1985-86 equipment costs for inflation.

We find, moreover, that the proposals shown in Table 4 seek equipment funding which is far in excess of what can be justified using *either* the 1985-86 cost index or the Chancellor's Office's higher 1986-87 index. None of the districts has explained why its costs are above the average for equipping similar space elsewhere in the community college system.

For these reasons, we recommend that the equipment proposals be reduced so that they do not exceed the 1985-86 cost guidelines. We further recommend that the distribution of costs between state and district be adjusted so that Mendocino-Lake CCD pays the full 10 percent share of what its project will cost, in accordance with Section 57033, Title 5. The recommended reductions and changes are outlined in Table 4.

Table 4
Board of Governors of the California Community Colleges
Projects with Excessive Equipment Costs
(dollars in thousands)

Item	District	Campus	Budget Bill Amount	Recommended Reduction in Budget Bill Amount	Recommended State Share	Recom- mended District Share
(11)	Mendocino-Lake	Mendocino Vocational Technology	\$471	\$198	\$273	\$30
(12)	Mendocino-Lake	Mendocino Agriculture Headhouse	96	20	76	9
(18)	Saddleback	Irvine Building "A", Cluster II	494	202	292	32
Totals			\$1,061	\$420	\$641	\$71

Los Angeles City College Chemistry Building Corrections

We recommend that the Legislature reduce Item 6870-301-146(24), working drawings and construction for the Los Angeles Chemistry Building Safety Corrections, by \$29,000 because fume hoods and lighting are overbudgeted.

The budget requests \$598,000 to fund working drawings and construction for safety corrections in the chemistry building on the Los Angeles City College campus. The campus indicates that its chemistry laboratories, built in 1937, are operating in violation of CAL/OSHA requirements for ventilation of dangerous chemicals. Several classes have been cancelled because of these ventilation problems. The district also indicates that the design of the classroom is awkward and unnecessarily limits the number of students who can be accommodated in a course. This project would correct the laboratories' ventilation problems and would remodel the laboratories as well.

Our analysis indicates that the project is justified, but that funds for lighting and fume hoods are overbudgeted. The district's budget provides \$18,000 to install fluorescent lighting in two rooms and \$54,000 for eleven fume hoods. Based on published cost estimates, these items are overbudgeted by \$7,000 and \$25,000, respectively. Consequently, we recommend that the Legislature reduce this item by \$29,000 which represents the state's share of the \$32,000 overbudgeted.

Supplemental Report Language

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

STUDENT AID COMMISSION

Item 7980 from the General
Fund and various funds

Budget p. E 151

Requested 1986-87	\$295,288,000
Estimated 1985-86	285,365,000
Actual 1984-85	241,466,000
Requested increase \$9,923,000 (3.5 percent)	
Total recommended reduction	606,000
Recommendation pending	148,328,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
7980-001-001—SAC, commission support	General	\$6,351,000
7980-001-951—SAC, guaranteed loan program	State Guaranteed Loan Reserve	16,311,000
7980-101-001—SAC, awards	General	114,077,000
7980-101-890—SAC, awards	Federal Trust	11,670,000
7980-011-890—SAC, purchase of defaulted loans	Federal Trust	(134,737,000)
7980-011-951—SAC, purchase of defaulted loans	State Guaranteed Loan Reserve	146,879,000
Total		\$295,288,000

STUDENT AID COMMISSION—Continued

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	<i>Analysis page</i>
1. <i>Bilingual Teacher Grant Program. Increase Item 7980-101-001 by \$576,000.</i> Recommend augmentation to ensure that renewal grant winners receive awards in 1986-87 and are phased out of the program in an orderly fashion.	1514
2. Graduate Fellowship Program. Withhold recommendation on \$1,449,000 requested to fund 400 additional Graduate Fellowship awards, pending receipt of a plan for increasing the number of bilingual teacher applicants to the program.	1516
3. Sole Processor. Recommend adoption of supplemental report language directing the SAC to (1) provide at least 30 days for potential vendors of needs analysis services to respond to new selection criteria, and (2) issue a Request for Proposals prior to selecting a sole processor.	1517
4. Loan Defaults. Withhold recommendation on the request for \$146,879,000 from the Loan Fund to purchase defaulted student loans, because the amount requested does not reflect the latest current-year estimates or budget-year projections.	1524
5. <i>Assumption Program of Loans for Education. Reduce Item 7980-101-001 by \$890,000 and reappropriate unencumbered balance from the current-year appropriation.</i> Recommend reduction because the amount requested exceeds projected program requirements.	1525
6. <i>Loan Unit Staff. Reduce Item 7980-001-951 by \$169,000.</i> Recommend reduction because the existing program unit should be reorganized to fully utilize current staff resources.	1528
7. <i>Legal Counsel. Reduce Item 7980-001-951 by \$73,000.</i> Recommend reduction because the proposed position can be funded through a reallocation of existing resources.	1529
8. <i>Student Aid Workbook. Reduce Item 7980-001-951 by \$30,000.</i> Recommend reduction because funding for this purpose is already provided within the commission's base budget.	1530
9. Management Improvement Projects. Recommend reduction of \$150,000 requested from the General Fund and a corresponding increase of \$150,000 from the Loan Fund to properly allocate the cost of "management improvement projects".	1530
10. <i>Loan Program Administration. Reduce Item 7980-001-951 by \$20,000.</i> Recommend reduction in operating expenses and equipment to correct for double-budgeting.	1531

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 the 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 or public officials killed or disabled in the line of duty.

The commission is supported by a staff of 186.8 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 \$295,288,000 in 1986-87. This is an increase of 3.5 percent (\$9,923,000) over the current-year level. Table 1 shows funding levels for the commission's programs in the prior, current, and budget years.

For 1986-87, the budget proposes:

- \$125,747,000 for the financial aid grant programs, a 7.9 percent increase;
- \$721,500,000 for new federally-insured student loans, a 6.9 percent increase;
- \$146,879,000 to purchase defaulted loans, the same funding level provided in the current year; and
- \$22,856,000 to support the commission's administrative operations, an increase of 2.7 percent.

Table 1
Student Aid Commission
Budget Summary
1984-85 through 1986-87
(dollars in thousands)

<i>Program</i>	<i>Actual 1984-85</i>	<i>Est. 1985-86</i>	<i>Prop. 1986-87</i>	<i>Percent Change from 1985-86</i>
Awards	\$96,974	\$116,572	\$125,747	7.9%
Student Loans Guaranteed	(717,738)	(721,000)	(721,500)	6.9
Purchase of Defaulted Loans	126,421	146,879	146,879	—
Administrative Operations	18,071	22,251	22,856	2.7%
Subtotals, Expenditures	\$241,466	\$285,657	\$295,482	3.4%
Less Reimbursements	—	-292	-194	N/A
Totals, Expenditures	\$241,466	\$285,365	\$295,288	3.5%
Funding Source				
<i>General Fund</i>	\$90,821	\$110,822	\$120,428	8.7%
<i>Guaranteed Loan Reserve Fund</i>	21,690	28,136	28,453	1.1
<i>Federal Trust Fund</i>	128,955	146,407	146,407	—
Total Personnel-years	174.2	186.8	196.2	5%

STUDENT AID COMMISSION—Continued

The budget does not include additional General Fund support for Merit Salary Adjustments (\$71,000) or inflation adjustments to Operating Expenses and Equipment (\$111,000). The commission will have to absorb these costs.

Table 1 also shows the sources of funding for the commission's expenditure program. These sources include:

- \$120,428,000 from the General Fund, an increase of 8.7 percent;
- \$28,453,000 from the Guaranteed Loan Reserve Fund (the Loan Fund), an increase of 1.1 percent; and
- \$146,407,000 from the Federal Trust Fund, the same funding level provided in the current year.

Significant Program Changes

Table 2 shows the factors accounting for the increase in funding for the SAC for 1986-87.

Table 2
Student Aid Commission
Proposed 1986-87 Budget Changes,
By Funding Source
(dollars in thousands)

	<i>General Fund</i>	<i>Guanteed Loan Reserve Fund</i>	<i>Federal Trust Fund</i>	<i>Totals</i>
1985-86 Expenditures (revised).....	\$110,822	\$28,136	\$146,407	\$285,365
A. Baseline Adjustments	\$2,949	-\$183	—	\$2,766
1. Employee Compensation	(239)	(95)	—	—
2. Pro Rata Adjustment	—	(-92)	—	—
3. Awards	(3,076)	—	—	—
4. Other	(-366)	(-186)	—	—
B. Budget Change Proposals	\$6,658	\$499	—	\$7,157
1. Increase Award Maximums by 5% and Cal Grant A Income Ceiling	(5,225)	—	—	—
2. New Awards	(2,919)	—	—	—
3. Reduce No. of Awards for the Bilingual Program	(-2,000)	—	—	—
4. Continuation of seven Management Improvement positions	(313)	(73)	—	—
5. Five positions for Loan Program	—	(214)	—	—
6. Two positions and 0.9 Temporary Help for Fiscal Services	(80)	—	—	—
7. One Positions—Internal Audits	(35)	—	—	—
8. Feasibility Report—Phase II	—	(75)	—	—
9. Other	(86)	(137)	—	—
1986-87 Expenditures (Proposed)	\$120,428	\$28,453	\$146,407	\$295,288
Changes from 1985-86:				
Amount	\$9,606	\$317	—	\$9,923
Percent	8.7%	1.1%	—	3.5%

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following program changes which are not discussed elsewhere in this analysis:

- **Automation**—An increase of \$75,000 is proposed for a Feasibility Study Report on the implementation of Phase II of the commission's plan to automate the grant and loan programs (In the 1985 Budget Act, the Legislature approved \$150,000 for a systems review.);
- **Office Space**—An increase of \$56,000 is proposed for 2,469 square feet of office space to accommodate an increase in staff for the loan unit;
- **Training**—An increase of \$30,000 is proposed for staff training to address deficiencies in computer usage and management skills;
- **Cargo Truck**—An increase of \$20,000 is proposed for a cargo truck to move bulk materials to an off-site warehouse; and
- **Management**—An increase of \$160,000 is proposed for four positions and operating expenses and equipment to improve internal fiscal management and monitor participants in the commission's grant and loan programs.

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 subsidized compensation consisting of financial aid and employer funding for a student's wages. A student's financial aid "package" may consist of all three types of aid.

The Student Aid Commission administers most of the state-supported financial aid programs. Students attending postsecondary institutions in California, however, receive financial aid from many sources other than the commission.

Table 3 shows the total amount of financial aid funds provided to students attending postsecondary institutions in California. For 1985-86, the commission estimates that \$1.5 billion in financial aid will be made available to students at these institutions. This amount is approximately \$113 million, or 8.3 percent, more than the amount estimated to have been made available in 1984-85.

Table 3 shows that:

- state-supported financial aid programs provide \$152 million, or just over 10 percent, of the total amount of financial aid received by students in California institutions of higher education;
- the postsecondary institutions themselves provide \$272 million, or 18 percent, of the total;
- the Guaranteed Student Loan program, displayed under "other" aid, provides almost half of all student financial assistance—\$647 million; and,
- federal programs, excluding the Guaranteed Student Loan program, provide \$372 million, approximately one-quarter of all student financial aid.

STUDENT AID COMMISSION—Continued

Table 3
Student Aid Commission
Total Higher Education Student Assistance in California
1985-86
(dollars in thousands)

<i>Segment and Program</i>	<i>State</i>	<i>Federal</i>	<i>Institutional</i>	<i>Other</i>	<i>Totals</i>
University of California					
Cal Grants:					
a. Scholarships	813,162	81,129	—	—	814,291 ¹
b. College Opportunity Grants	6,667	994	—	—	7,661 ¹
Graduate Fellowships	410 ¹	10,900	822,200	86,900	40,410
Bilingual Teacher Grant Program.....	284 ¹	—	—	—	284
Pell Grant	—	31,100	—	—	31,100
Supplemental Educational Opportunity Grants (SEOG)					
Other Grants.....	—	5,600	—	—	5,600
Fee Waivers	—	90	35,400	5,400	40,890
National Direct Student Loans.....	—	—	7,200	—	7,200
CSL	—	12,800	7,500	—	20,300
Other Loans	—	—	—	86,000 ²	86,000
College Work Study	—	1,900	5,900	4,600	12,400
Totals, UC	820,523	874,413	880,700	8102,900	8278,536
California State University					
Cal Grants:					
a. Scholarships	83,640	8315	—	—	83,955 ¹
b. College Opportunity Grants	9,602	1,433	—	—	11,035 ¹
c. Occupational Education and Training Grants	—	—	—	—	—
Graduate Fellowships	25 ¹	—	—	—	25
Bilingual Teacher Grant Program.....	2,516 ¹	—	—	—	2,516
Educational Opportunity Grants (EOP/S).....	8,085	—	—	—	8,085
Pell Grants.....	—	57,853	—	—	57,853
Supplemental Educational Opportunity Grants (SEOG)					
State University Grant Program	12,846	7,209	—	—	12,846
Other Grants.....	—	303	82,285	89,048	11,636
Fee Waivers	—	—	2,513	—	2,513
National Direct Student Loans.....	—	11,344	1,467	—	12,811
CSL	—	—	—	118,000 ²	118,000
Other Loans	—	107	13	—	120
College Work Study	—	8,562	1,858	627	11,047
Part-Time-On-Campus Employment	—	—	13,902	—	13,902
Totals, CSU	836,714	887,126	822,038	8127,675	8273,553
California Community Colleges					
Cal Grants:					
a. College Opportunity Grants	89,643	81,443	—	—	811,086 ¹
b. Occupational Education and Training Grants	514	93	—	—	607 ¹
Bilingual Teacher Grant Program.....	433 ¹	—	—	—	433
Educational Opportunity Grants (EOP/S).....	7,109	—	—	—	7,109
Pell Grants.....	—	40,081	—	—	40,081
Supplemental Educational Opportunity Grants (SEOG)					
Other Grants (State/Board of Govs)	6,803	10,074	—	—	10,074
Other Scholarships.....	—	401	8372	8255	7,786
National Direct Student Loans.....	—	22	1,744	1,774	3,540
CSL	—	2,132	237	—	2,369
Other Loans	—	—	—	60,000 ²	60,000
College Work Study (EOP/S Included)	45	352	843	223	1,463
Part-Time-On-Campus Employment	803	11,493	2,612	—	14,908
Job Location/Development (Private)	—	—	11,962	308	12,270
Off-Campus	—	—	—	3,429	3,429
Totals, CCC	825,350	866,091	817,725	865,989	8175,155

Item 7980

POSTSECONDARY EDUCATION / 1511

California Independent Colleges

Cal Grants:					
a. Scholarships	\$51,407	\$4,397	—	—	\$55,804 ¹
b. College Opportunity Grants	4,489	672	—	—	5,161 ¹
c. Occupational Education and Training Grants	444	80	—	—	524 ¹
Graduate Fellowships	2,377 ¹	—	—	—	2,377
Bilingual Teacher Grant Program	441 ¹	—	—	—	441
Pell Grants	—	23,260	—	—	23,260
Supplemental Educational Opportunity Grants (SEOG)	—	7,830	—	—	7,830
Other Grants	—	—	\$121,512	—	121,512
Fee Waivers	—	—	1,189	—	1,189
National Direct Student Loans	—	18,841	2,093	—	20,934
GSL	—	—	—	\$196,000 ²	196,000
Other Loans	—	—	10,120	—	10,120
College Work Study	—	13,840	—	—	13,840
Total Institutional Work Fund for Students	—	—	15,465	—	15,465
Totals, Ind. Colleges	\$59,158	\$68,920	\$150,379	\$196,000	\$474,457
Proprietary and Specialty Schools					
Cal Grants:					
a. Scholarships	\$6,789	\$578	—	—	\$7,367 ¹
b. College Opportunity Grants	848	126	—	—	974 ¹
c. Occupational Education and Training Grants	2,265	410	—	—	2,675 ¹
Pell Grants	—	63,084 ³	—	—	63,084
Supplemental Educational Opportunity Grants (SEOG)	—	5,996 ⁴	—	—	5,996
National Direct Student Loans	—	3,979 ⁴	\$442	—	4,421
GSL	—	—	—	\$186,500 ²	186,500
College Work Study	—	1,175 ⁴	294	—	1,469
Totals, Prop and Spec. Schools	\$9,902	\$75,348	\$736	\$186,500	\$272,486
Student Aid Commission					
Cal Grants:					
a. Scholarships	(\$74,998)	(\$6,419) ⁵	—	—	(\$81,417)
b. College Opportunity Grants	(31,249)	(4,668) ⁵	—	—	(35,917)
c. Occupational Education and Training Grants	(3,223)	(583) ⁵	—	—	(3,806)
Graduate Fellowships	(2,812)	—	—	—	(2,812)
Bilingual Teacher Grant Program	(3,674)	—	—	—	(3,675)
Totals, SAC	(\$115,956)	(\$11,670) ⁵	—	—	(\$127,626)
Grand Totals, All Programs and Segments	\$151,647	\$371,898	\$271,578	\$679,064	\$1,474,187

¹ Source: Student Aid Commission, Grant Programs. Cal Grant amounts are awards offered as of October 1985; 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 1985.

³ 1983-84 amount from the U.S. Office of Education; 1985-86 levels unavailable.

⁴ 1984-85 amounts from the U.S. Office of Education; 1985-86 amounts unavailable.

⁵ SSIG Funds

Source: Student Aid Commission

B. STATE-SUPPORTED GRANT PROGRAMS (Item 7980-101-001)

Table 4 displays the funding levels for the SAC's six grant programs for the prior, current, and budget years. The table shows that the budget proposes *total* funding for these programs of \$124,250,000 in 1986-87. This is an increase of \$9.2 million, or 8 percent, over the amount available in the current year. *General Fund* support for these six programs in the

STUDENT AID COMMISSION—Continued

budget year is proposed at \$112,580,000, an increase of 8.9 percent. *Federal* support is budgeted at \$11,670,000, the same funding level provided in the current year.

Table 4
Student Aid Commission Grants
1984-85 through 1986-87
(dollars in thousands)

	<i>Actual</i> 1984-85	<i>Est.</i> 1985-86	<i>Prop.</i> 1986-87	<i>Change</i>	
				<i>Amount</i>	<i>Percent</i>
1. Cal Grant A—Scholarships..	\$62,650	\$75,271	\$79,504	\$4,233	5.6%
2. Cal Grant B—College Opportunity Grants.....	26,521	30,743	35,589	4,846	15.8
3. Cal Grant C—Occupational Education and Training Grants	2,359	3,139	3,514	375	11.9
4. Graduate Fellowships	2,646	2,819	4,494	1,675	59.4
5. Bilingual Teacher Development	2,643	3,044	1,135	-1,909	-62.7
6. Law Enforcement Personnel Dependents	10	14	14	—	—
Totals, Awards	\$96,829	\$115,030	\$124,250	\$9,220	8.0%
General Fund.....	\$85,159	\$103,360	\$112,580	\$9,220	8.9%
Federal Trust Fund	11,670	11,670	11,670	—	—

Table 5 shows the maximum grant level and the total number of awards proposed by the budget for each program in 1986-87, as well as the corresponding information for the current year. The budget proposals for the six grant programs represent the third and final installment of a three-year plan designed to increase access and educational opportunities for those California students seeking postsecondary degrees or training.

Table 5
Student Aid Commission
Number and Maximum Size of Grant Awards
1985-86 and 1986-87

	<i>Maximum Award Amount</i>				<i>Total Number of Awards</i>			
	1985-86	1986-87	<i>Change</i>		1985-86	1986-87	<i>Change</i>	
			<i>Amount</i>	<i>Percent</i>			<i>Amount</i>	<i>Percent</i>
Cal Grant A (Scholarships) ..	\$4,110	\$4,320	\$210	5.1%	42,155	44,487	2,332	5.5%
Cal Grant B (Opportunity)	3,870	4,060	190	4.9	22,806	24,760	1,954	8.6
Cal Grant C (Occupational)	2,250	2,360	110	4.9	2,393	2,455	62	2.6
Graduate Fellowships	6,180	6,490	310	5.0	873	1,300	427	48.9
Bilingual Teachers.....	4,045	4,045	—	—	1,032	366	-666	-64.5
Law Enforcement Dependents.....	1,500	1,500	—	—	9	9	—	—
Totals.....	NA	NA	NA	NA	69,268	73,377	4,109	5.9%

1. Cal Grant A—Scholarships

The Cal Grant A program, established in 1955–56 as the California State Scholarship program, provides grants to needy, academically able students to assist them in completing a four-year degree program at a California college or university of their choice. The program provides for tuition and fees only.

The budget requests \$79,504,000 for the Cal Grant A program in 1986–87, an increase of 5.6 percent over the amount budgeted in 1985–86. The additional funding would be used to provide: (1) a 5 percent increase in the maximum award, bringing it to \$4,320 (\$2.9 million), (2) a 5 percent increase in the income ceiling used to determine program eligibility (\$400,000), and (3) certain baseline adjustments (\$857,000).

Adjustments to the Income Ceiling. The budget 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 an applicant's family income, so as to keep the 1986–87 eligibility pool roughly comparable to the 1985–86 pool. As proposed in the budget, an applicant would be considered eligible for a Cal Grant A award so long as his or her family income does not exceed \$48,000.

2. Cal Grant B—College Opportunity Grants

The Cal Grant B program provides grants which cover (1) subsistence costs and (2) tuition and fees. This program differs from the Cal Grant A program in that the selection of grant winners is based not only on the 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 budget requests \$35,589,000 for the Cal Grant B program in 1986–87. This is an increase of 16 percent, or \$4.8 million, over the current-year level. The additional funding would provide: (1) 1,000 additional new awards, with 250 awards earmarked for community college transfer students, bringing the total to 24,760 (\$1,470,000), (2) a 5 percent increase in the maximum award for tuition and fees, bringing it to \$4,060 (\$220,000), (3) a 5 percent increase—to \$1,344—in the maximum award for subsistence (\$1.4 million), and (4) certain baseline adjustments to the program (\$1.8 million). This request for 1986–87 completes a three-year effort to expand the program.

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 with a duration of at least four months but no more than two years (although individuals enrolled in three-year hospital-based nursing programs are also eligible to participate in the program). 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 budget requests \$3,514,000 for the Cal Grant C program in 1986–87, an increase of 12 percent over the amount provided in the current year. This request includes funding to increase the maximum award by 5 percent, bringing it to \$2,360 (\$116,000), and to provide certain baseline adjustments (\$259,000). No additional awards are proposed for this program.

STUDENT AID COMMISSION—Continued**4. Bilingual Teacher Grant Program**

The Bilingual Teacher Grant program provides financial assistance to needy 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 bilingual credential program approved by the Commission on Teacher Credentialing. In the current year, this program will provide grants to 1,032 students.

The budget proposes \$1,135,000 for the Bilingual Teacher Grant program in 1986-87. This is a reduction of \$2 million from the current-year level, partially offset by \$91,000 in baseline adjustments.

The budget specifies that in order to "overcome a critical shortage and to accelerate the training in Bilingual Teacher Education, \$2.0 million is proposed to be redirected from this program to fund 400 new Graduate Fellowship Awards that emphasize Bilingual Teacher Education graduate work and to assume loans of additional teachers qualifying for the Teacher Shortage Loan Assumption Program (TSLAP), including teachers in Bilingual Teacher Education." In addition the budget indicates that the Administration will support an expanded Assumption Program of Loans for Education (APLE), if the additional awards are reserved for bilingual teacher candidates.

The Budget Would Leave Renewal Winners Without Support

We recommend a General Fund augmentation of \$576,000 for the Bilingual Teacher Grant Program because the Governor's proposal would leave renewal winners without funding 1986-87. (Increase Item 7980-101-001 by \$576,000.)

Background. The Bilingual Teacher Grant program, established by AB 2615 (Ch 1261/1980), was designed to increase the number of individuals qualified to teach children who do not speak English as their primary language. The program provides grants averaging \$2,950 to cover the student's tuition and room and board expenses. Priority in the distribution of funds is given to students who are closest to receiving their degree. Thus, a graduate student is more likely to receive an award than an upper division student (a senior or junior), and an upper division student is ranked above a lower division student (sophomores and juniors), all else being equal.

Program Is Not Effective. Our review indicates that this program is not effective in significantly increasing the number of bilingual teachers. As shown in Table 6, almost 1,000 Bilingual Teacher Grant awards have been made each year since 1981-82. The cost to the General Fund for this program has increased from \$2.5 million in 1981-82 to \$3.0 million in the current year. The number of Bilingual Teacher Grant recipients who eventually go on to receive bilingual teaching certification, however, has never been greater than 118 in a single year, and is expected to be between 100 and 120 in 1985-86. Thus, it costs the state approximately \$24,000 for each bilingual teaching credential issued. Some of these credentials, moreover, probably would have been awarded in the absence of the Bilingual Teacher Grant program, pushing up program costs still more.

Table 6
Bilingual Teacher Grant Program
Awards, Credentials Issued, and Total Support
1981-82 through 1985-86
(dollars in thousands)

	1981-82	1982-83	1983-84	1984-85	1985-86
Awards by Class Level:					
Lower Division	278	154	107	133	167
Upper Division	448	503	509	603	564
Graduate School	253	328	316	262	310
Totals	979	985	932	998	1032
Credentials Issued.....	118	116	106	110 ^a	110 ^a
Total Support.....	\$2,456	\$2,531	\$2,487	\$2,786	\$3,044

^a Estimate provided by the Student Aid Commission.

Our analysis of the program suggests that the number of grant recipients receiving teaching credentials *should increase* as the program matures. This is because lower division students who received grants in 1981-82 and 1982-83 could not apply for a teaching credential until they have completed their undergraduate education, probably three or four years after first receiving the grant. The data provided by the SAC, however, indicate that the expected increase in bilingual teaching credentials going to program participants will not occur.

The program is effective in targeting financial assistance to needy students. In the current year, 32 percent of dependent grant winners are from families whose annual income is less than \$9,000 and 60 percent are from families whose income is less than \$15,000. The annual income of self-supporting grant recipients is even lower. Almost 56 percent of these recipients report that their income is less than \$6,000, and 71 percent report incomes of less than \$9,000. Only 13 percent of the self-supporting winners have an income greater than \$15,000.

We note, however, that the primary purpose of the Bilingual Teacher Grant program is not to promote access to higher education; it is to increase the number of bilingual credential holders. In contrast, the Cal Grant B program is designed specifically to promote educational opportunities of needy students and underrepresented groups, and can do so more effectively than the Bilingual Teach Grant program.

In conclusion, our analysis finds that the Bilingual Teacher Grant program is not effective in significantly increasing the number of individuals obtaining a bilingual teaching credential. For this reason, we believe a reduction in General Fund support for the program is warranted.

Data provided by the SAC indicate that approximately 580 current-year grant winners will seek a renewal of their grant in 1986-87. The administration's proposal to reduce the funding level for the bilingual Teacher Grant program by \$2 million would leave many of the current year grant winners without the financial aid they could reasonably have expected from this program. As a result, these students would have their financial plans severely disrupted. We believe that even if the program is cut back, the state should phase out support for these students in an orderly fashion and not do so abruptly.

We estimate that \$1,711,000 would be needed to fund 580 renewal awards under the Bilingual Teacher Grant program in 1986-87. This amount would provide funding for an average award of \$2,950, but not for any new awards or for any increase in the maximum award. In order to

STUDENT AID COMMISSION—Continued

prevent unreasonable hardships for current grant recipients, we recommend that the Legislature augment Item 7980-101-001 by \$576,000. In addition, we recommend that the Legislature adopt the following Supplemental Report Language:

“The Student Aid Commission shall grant only renewal awards under the Bilingual Teacher Grant program in 1986–87. No new awards under this program shall be offered.”

5. Graduate Fellowships

The Graduate Fellowship program provides grants to qualified students in order to cover a portion of the tuition and fees they must pay pursuing post-baccalaureate degrees. Approximately 870 new and renewal awards of up to \$6,180 each will be provided under this program in the current year.

The budget requests \$4,494,000 for the Graduate Fellowship program in 1986–87, an increase of 59 percent over the current-year level. This increase would provide (1) 400 additional awards, bringing the total number to 1,300 (\$1.4 million), (2) a 5 percent increase in the maximum award to \$6,490 (\$111,000), and (3) baseline adjustments (\$115,000).

A New Plan for Selecting Graduate Fellows Is Needed

We withhold recommendation on the \$1.4 million requested for 400 additional Graduate Fellowship awards emphasizing Bilingual Teach Education, pending receipt of a specific plan that details how these awards will be made.

The budget requests \$1,449,000 from the General Fund to finance an additional 400 Graduate Fellowship awards in 1986–87 and specifies that the awards are “to emphasize Bilingual Teacher Education.” In essence, these funds would be shifted over from the Bilingual Teacher Grant Program.

The budget does not provide a specific proposal outlining how the requested funds will be distributed.

Currently, the SAC awards Graduate Fellowships based on test scores, undergraduate grade point averages, parental income, and parental education level. In 1980, the SAC increased the weight given to parental income and education level in order to increase the number of winners from minority groups.

Our review indicates that the Graduate Fellowship program, as it currently is structured, does not attract a significant number of students who are enrolled in, or plan to enroll in, graduate education programs. In the current year, only 138, or 4 percent, of the 3,892 applicants for a Graduate Fellowship award, designated education as their intended field of graduate study. While the data does not indicate how many of these applicants intend to pursue careers in bilingual education, it is likely that the number is significantly less than 138.

For this reason, it seems evident that the current program would have to be significantly restructured if it is to attract more candidates from the field of education and to ultimately increase the number of bilingual teachers. Neither the Department of Finance nor the Student Aid Commission, however, has developed a plan to make the program more attractive to graduate students in education. Without a detailed proposal, the Legislature will have no way of evaluating the efficacy of the augmentation request.

Moreover, the basic law for the current program may have to be amended before preferential treatment can be given to students pursuing bilingual teaching certification.

Accordingly, we withhold recommendation on the request for \$1,449,000 to fund an additional 400 awards in the Graduate Fellowship program, pending receipt of a proposal for distributing the funds. If no such plan is forthcoming, we will recommend that the \$1.4 million augmentation be deleted.

6. Law Enforcement Dependents Program

The Law Enforcement Dependents grant program provides financial aid only to dependents of law enforcement officers or public officials killed or permanently disabled in the line of duty. The grants range from \$100 to \$1,500 annually, but the total award under the program may not exceed \$6,000 over six years.

The budget requests \$14,000 for this program in 1986-87. This is the same funding level available in the current-year, and is expected to finance 9 awards.

7. Report on Sole Processor of Student Aid Applications

We recommend that the Legislature adopt supplemental report language requiring the Student Aid Commission to (1) provide for a period of at least 30 days between the time the criteria to be used in selecting a sole processor for student aid applications are formalized and the deadline by which vendors must submit proposals, and (2) issue a Request for Proposals each time the sole processor is selected.

The *Supplemental Report of the 1985 Budget Act* required the Student Aid Commission to submit a report to the Legislature on the procedures used by the commission to select the sole processor of student financial aid applications for 1985-86. Specifically, the commission was required to report on (1) "what, how, and why" the commission revised its regulations defining criteria for a sole processor prior to utilizing new criteria in selecting a sole processor, (2) the methods used to contact prospective processors and obtain proposals that would provide the necessary services at the least cost to students, (3) supporting information for the specific criteria used in the selection of the sole processor, and (4) what aspects, if any, of the proceeding can be separately awarded. The commission submitted the required report on November 27, 1985.

The supplemental report also required the Legislative Analyst to comment on the commission's report and make recommendations, as appropriate.

Background. The Student Aid Commission administers six state-funded grant programs serving approximately 70,200 students statewide. In order to be considered for a state grant, students are required to complete a Student Aid Application for California (SAAC). Information provided on this form is used not only to determine a student's eligibility for a state grant, but may also be used to determine eligibility for federal, institutional, and private financial aid program.

The sole processor is responsible for conducting a needs analysis of each SAAC and forwarding this information to the commission and to educational institutions designated by the student. In addition, the sole processor is required to (1) provide and distribute applications, in both Spanish and English, to secondary and postsecondary institutions, (2) supply train-

STUDENT AID COMMISSION—Continued

ing materials for financial aid counselors and administrators, and (3) submit statistical reports to the commission and educational institutions. The sole processor receives \$7.00 per SAAC processed.

Current law requires the commission to form an advisory committee to "develop and recommend specifications for the services of a sole processor." The committee is also required to make a recommendation to the commission on a sole processor, based on criteria specified in current law and other criteria deemed appropriate by the committee.

During the winter and spring of 1985, the advisory committee reviewed and revised the criteria used to select a sole processor. During the same period, the committee was considering a proposal for sole processor services. The current "contract" with the sole processor was scheduled to expire on June 30, 1985.

While other companies knew about the selection process, only the College Scholarship Service, the designated sole processor for the three-year period 1982-83 to 1984-85, submitted a proposal for the 1985-86 to 1987-88 period. In March 1985, the commission, acting on the recommendation of the advisory committee, designated the College Scholarship Service as the sole processor for a three-year period commencing July 1, 1985.

Legislative Analyst's Findings. With some exceptions, the Student Aid Commission generally complied with the provisions of existing law governing the selection of the sole processor. The commission, however, could implement procedures that would encourage other potential vendors to submit proposals for the sole processor designation.

- **Amendments to Selection Criteria.** In its report, the commission indicates that the changes made to the criteria governing the selection of the sole processor were "basically technical." Our review indicates that most of the changes fell into this category. They were intended to promote clarity, update references to reflect changes in federal law, and improve sentence structure.

The commission, however, adopted three *substantive* recommendations of the advisory committee designed to provide a higher level of service to students and the Student Aid Commission. These recommendations called for the sole processor to provide: (1) fee waivers for first-time applicants, on a scale equal or greater than the current practice, (2) a toll-free telephone number to allow students to check on the status of their applications, and (3) various statistical reports to educational institutions and the commission. Documents prepared by the commission indicate that the current vendor already was providing fee waivers to needy students and planned to establish a toll-free number for student inquiries.

- **Time Allowed for Submission of Proposals.** Our review indicates that, although the commission did allow for a 30-day period between the adoption of selection criteria and the *selection* of the sole processor, as existing law requires, the actual amount of time available to potential vendors to *submit proposals* reflecting the new criteria was 16 working days.
- **Notification of Potential Vendors.** Current law does not require the commission to release a Request For Proposals (RFP) when considering potential providers of needs analysis services, and the commission did not formally notify organizations that these services would be sought for the three-year period commencing July 1, 1985.

Consequently, some organizations that might have been able to provide the required services at a lower price to students may not have submitted proposals simply because they were unaware of the commission's intent to consider alternatives to the existing sole processor.

The commission's report indicates that there are only two organizations in the country that are qualified to provide the required services and that "they were both well aware of the time schedule and selection process". Nevertheless, a formal RFP would increase the chances that the commission would be in a position to review as many competing proposals as possible, thus ensuring that students are paying the lowest possible price for the needs analysis services.

- **Aspects of the Procedure that can be Awarded Separately.** The commission's report indicates that an integrated process to conduct needs analysis of student aid applications promotes efficiency and simplification. The report further states that "no aspect of the procedure can be separately awarded without developing a complicated, cumbersome, and more expensive system". We have no basis for refuting these conclusions.

The Legislature's intent in requiring the commission to develop a common form for student aid applications—the SAAC—was to simplify the financial aid process. Moreover, the provisions of existing law authorizing the commission to designate a sole processor also promote simplification. We have no reason to believe that separately awarding certain procedures would improve services or reduce costs to the students. On the contrary, past experience indicates that the problems created by the plethora of applications and processors are what led the Legislature to require the common form and the sole processor.

- **Reporting Requirements.** Current law requires the commission to report the following to the educational policy committees of the Legislature: (1) the name of the organization designated as the sole processor, (2) the reasons for the selection, and (3) the relative importance of the selection criteria. This report must be submitted within 30 days of the final selection. The commission did not comply with this provision of law in connection with the 1985 procurement. In fact, the report was not prepared until we requested it—nine months after the selection was made.

Recommendations. In summary, our review of the process used by the commission to select the sole processor of SAACs leads us to recommend two specific policy changes that would help ensure that quality needs analysis services are provided to students at the lowest possible cost. First, we recommend that the SAC provide for a period of at least 30 days between when the formal selection criteria are adopted and the deadline by which proposals for processing the SAAC must be submitted. This would allow all potential vendors a fair opportunity to develop competitive proposals based on the new criteria. Second, we recommend that the commission issue a Request for Proposals (RFP) each time a sole processor is to be selected to ensure that (1) the maximum number of those firms able to provide needs analysis services are aware of the upcoming selection and (2) all potential vendors are familiar with the requirements of the sole processor.

Accordingly, we recommend that the Legislature adopt the following supplemental report language, directing the Student Aid Commission to implement these policy changes:

STUDENT AID COMMISSION—Continued

“The Student Aid Commission shall provide a period of at least 30 days between when formal selection criteria for the sole processor of the Student Aid Application for California are adopted and the deadline by which potential vendors must submit proposals for the sole processor designation. In addition, the commission shall issue a Request for Proposals each time a sole processor is to be selected.”

C. GUARANTEED STUDENT LOAN PROGRAM
(Items 7980-011-951 and 7980-011-890)

The Guaranteed Student Loan (GSL) program is a federally-backed program which 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 the SAC. The insurance premium is calculated based on the loan amount and the time between the date on which the loan is disbursed and 12 months beyond the date on which the student is expected to complete his or her education. The current insurance premium is 1 percent of the loan balance, per annum. The commission has acted to lower the premium to three-quarters of one percent, effective July 1, 1986.

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 balance due. The minimum monthly payment is \$50. Table 7 shows the volume of loans guaranteed by the state during the current and previous four years.

Table 7
Student Aid Commission
Volume of Loans Guaranteed
1981-82 through 1985-86
(dollars in millions)

	Number	Dollar Volume	Dollar Change	
			Amount	Percent
1981-82	237,825	\$654.4	—	—
1982-83	193,683	567.3	-\$87.1	-13.3%
1983-84	245,201	663.3	96.0	16.9
1984-85	267,229	717.7	54.4	8.2
1985-86 (est.)	266,400	720.0	2.3	.3
Totals.....	1,210,338	\$3,322.7	—	—

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. The performance of responsibilities, part of which are delegated to a private firm that is under contract to the commission, is financed by the State Guaranteed Loan Reserve Fund (referred to as the Loan Fund). This fund is supported by (1) 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 the program.

1. Status Report on GSL Loan Processing Reprocurement

Current Contract with Electronic Data Systems. In January 1983, the SAC signed a three-year, \$7.3 million contract with a private firm, Electronic Data Systems (EDS), that provides for the processing of GSL student loans. This contract was set to expire on February 28, 1986. At its March 22, 1985 meeting, however, the commission voted to extend the contract for one year.

We believe that the commission's decision was correct. In last year's *Analysis* we were critical of the commission's original contract with EDS. We noted that the original contract did not specify many of the tasks that the SAC assumed were called for by the general terms of the agreement. Because the vendor would only provide services specifically detailed in the contract, the contract had to be amended through formal amendments and work authorizations 36 times in an 18 month period. This, in turn, resulted in a significant increase in the cost of the contract, which currently is estimated at \$16.7 million, excluding the costs of collection agencies. (The cost of the one-year extension is estimated at \$8.4 million.)

The one-year extension will provide the SAC additional time to prepare a formal reprocurement plan and to develop a detailed list of the contract requirements. We believe that these efforts will help to avoid the problems the commission faced under the current contract.

Reprocurement Effort to Date. The SAC is in the process of reprocuring loan processor services for the GSL program. The commission has designated staff to serve as liaisons with EDS, the Department of General Services, and the State Office of Procurement. In addition, consultants have been hired and a project team has been established to oversee the reprocurement effort. In October 1985, the commission mailed Solicitation of Interest letters to approximately 370 prospective vendors and received 16 responses by the December 4, 1985 deadline.

The commission plans to release the formal Request for Proposals (RFP) in January 1986 and select the vendor by June 1986. More information on the status of the reprocurement effort will be available during budget hearings.

2. Loan Defaults Increase

The default rate in the Guaranteed Student Loan program is increasing. Table 8 displays the default rate in the GSL program, by educational segment, for the current year and the previous two years. The table shows that the default rate statewide has increased from 10 percent in 1983-84 to almost 17 percent in the current year. The default rate for each educational segment has increased, although the rates vary considerably. The community college segment shows the highest default rate at 32 percent, followed by private vocational institutions at 30 percent. The University of California registers the lowest default rate of the five segments—7.6 percent in the current year.

STUDENT AID COMMISSION—Continued

Table 8
Default Rates for the GSL Program, by Segment
1983-84 through 1985-86

Segment	Default Rates		
	1983-84	1984-85	1985-86
University of California.....	4.8%	5.5%	7.6%
California State University.....	7.1	9.1	12.7
California Community Colleges.....	16.5	23.3	31.6
Private Colleges.....	6.9	8.1	10.7
Private Vocational Institutions.....	22.1	24.7	29.8
Statewide average.....	10.1%	12.7%	16.8%

The efforts taken to address the default rate problem include the following:

- The Legislature provided \$75,076 in the 1984 Budget Act to fund a study of institutions with high default rates. This study, which is discussed in more detail below, should provide the Legislature and the SAC with recommendations for stemming the growth in the default rate.
- The Legislature, in the 1985 Budget Act, provided \$286,000 to the commission for use in developing a default prevention program. This program is being developed in cooperation with Electronic Data Systems (EDS), the loan processor under contract to the commission.
- The SAC is working with financial aid administrators to better inform students of their obligations under the loan program. In October 1985, the commission and the California Association of Student Financial Aid Administrators (CASFAA) sponsored a series of training workshops designed to promote policies that will prevent loan defaults.

3. GSL Default Rate Study Not Available

As noted above, the 1984 Budget Act appropriated \$75,076 to the Student Aid Commission for a study of GSL default rates at postsecondary institutions in California. Specifically, funding was made available "for the purpose of conducting site reviews of California postsecondary institutions with Guaranteed Student Loan program default rates above 15 percent." The *Supplemental Report of the 1984 Budget Act* required the commission to submit its report to the Joint Legislative Budget Committee, the legislative fiscal committees, and CPEC *no later than March 1, 1985*. At the time this analysis was prepared (January 1986), the commission's report still was not available.

Status of Default Study. The SAC, through a sole-source contract, hired Training Research Corporation of Santa Monica, California to conduct the study called for by the Legislature. Under the terms of the contractor's prospectus, dated November 26, 1984, the contractor was to have conducted the study between December 1, 1984 and June 30, 1985. The prospectus also called for the contractor to submit a preliminary report by February 28, 1985, the final report in September 1985, and interim reports as necessary. The SAC's contract with Training Research Corporation called for payment of \$75,000, in seven installments.

To date the Legislature has received only the preliminary report.

The SAC indicates that the contractor's final report has been delayed because (1) data on students contained on computer tape was not obtained until September 1985, and (2) survey questionnaire returns were "slow to arrive."

Contract Fully Paid. Even though the contractor had not submitted the final report, the SAC made the final installment payment on July 17, 1985. We believe that this is an abuse of the state's contracting system. The commission should be prepared to comment during budget hearings on its efforts to secure full performance of the contractor's duties or recoup funds that were inappropriately paid out.

4. Commission Reduces Insurance Premium on GSL Loans

Last year, our analysis of the GSL program indicated that (1) 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 \$2.4 million actually spent for this purpose, and (2) a comprehensive review of the SAC's policy in setting insurance premiums on GSL student loans was warranted. (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.)

In the *Supplemental Report to the 1985 Budget Act*, the Legislature directed the SAC to submit a report to the legislative fiscal committees which (1) examined current and projected revenues and expenditures of the Guaranteed Loan Reserve Fund, (2) examined the projected state share of costs associated with the purchase of defaulted loans, given various assumptions about federal reinsurance rates, and (3) specified 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.

Commission's Response to the Supplemental Report. The SAC submitted its report to the legislative fiscal committees on September 25, 1985, in compliance with the supplemental report language. The commission simulated the annual ending balances of the two funds that comprise the State Guaranteed Loan Reserve Fund—the default reserve fund and the administrative reserve fund. These simulations covered an 11-year period from 1979-80 to 1989-90. Five variables were used in the simulations: (1) gross default rates, (2) insurance premiums, (3) federal advance, (4) reinsurance rates, and (5) administrative cost allowances.

Findings. The commission reported that if both the default rate and federal policies remain unchanged through 1989-90, the net ending balance in the default reserve fund will have increased to \$188 million from \$116 million in the current year. The amount available to cover administrative costs will have increased from \$28 million in the current year to \$81 million in 1989-90. The report further indicated that even if default rates increase from the current level to 20 percent, the amount available to purchase defaulted student loans will increase to \$158 million, which amounts to 3.1 percent of the total loan volume outstanding. (The SAC's agreement with lenders participating in the GSL program requires that the amount available for purchasing defaulted loans equal at least one percent of the total loan volume outstanding.)

The report also examined the condition of the two funds after changes in federal policy. Specifically, the report simulated (1) a return of \$58 million in federal advances in 1987-88, (2) a reduction in reinsurance rates, and (3) a termination of federal administrative cost allowances. The simulations show that net ending balance of the default reserve fund in 1989-90 would be \$59 million under the least favorable conditions, with revenues from insurance premiums exceeding non-reinsured default payments by \$850,000 and investment income totaling \$1.2 million. The end-

STUDENT AID COMMISSION—Continued

ing balance of the administrative loan fund would be \$33 million, \$2.2 million above the closing balance of the prior year.

Commission Reduces Insurance Premium. In response to the findings contained in the report required by the Legislature, the SAC voted to reduce the insurance premium charged to students for their GSL loans from one percent to three-quarters of one percent. This reduction would become effective July 1, 1986, pending a review of the condition of the Loan Fund on April 1, 1986. The commission members also voted to review their policy on insurance premiums by April 1 of each year.

5. Condition of the State Guaranteed Loan Reserve Fund

In a recent 1985 report ("California Student Aid Commission State Guaranteed Loan Reserve Fund Financial Audit Report Years Ended June 30, 1984 and 1985"), the Auditor General noted that the ending balance of the Loan Fund increased from \$72.3 million in 1984 to \$85.4 million in 1985, an increase of 18 percent. Revenues to the fund increased by \$3.1 million—to \$29.9 million—while expenditures increased to \$22.0 million, up 126 percent from the current-year level. The Auditor General's report indicates that the increase in expenditures is attributable to (1) increases in contract and collection costs (up \$4 million), and (2) increases in purchases of defaulted student loans (up \$7 million).

Between 1984 and 1985, loan defaults increased from \$94.8 million to \$126.3 million, an increase of 33 percent. Under the SAC's reinsurance contract with the U.S. Department of Education, the *state's* cost of purchasing \$126.3 million in defaulted loans was \$9.3 million, or 7.4 percent of the total; the federal government paid the remaining balance of \$117 million. (Under the terms of the reinsurance contract, the federal government purchases a smaller percentage of defaulted student loans as the state's default rate increases.)

There are two reasons for the increase in purchases of defaulted student loans from the Loan Fund. First, the total dollar volume of loans in default has increased, thereby increasing the state's cost in purchasing its share of the defaults. Second, 1984-85 is the state's first full year of participation under the reinsurance contract. Default purchases in 1983-84 represent only nine months of participation, rather than a full year.

6. Budget Request for Default Purchases Will Be Inadequate

We withhold recommendation on the request for \$146,879,000 from the Guaranteed Student Loan Reserve Fund and \$134,737,000 from the Federal Trust Fund for purchase of defaulted student loans in the GSL program, because the amount proposed does not reflect the latest estimates, current-year requirements or projected requirements for the budget year.

The budget requests \$146,879,000 from the Loan Fund and \$134,737,000 from the Federal Trust Fund (a technical, pass-through account) to purchase defaulted student loans under the GSL program. This is the same amount available in the current year.

At the time this analysis was prepared, the commission informed us that preliminary data indicated that the amount needed to purchase defaulted loans in the current year would probably be *more than \$200 million*. SAC staff indicated that the commission would most likely seek a deficiency appropriation of \$60 million to cover these purchases.

From this, we can infer that the amount proposed in the budget to cover default purchases in 1986-87 will not be adequate. The SAC, however, has not provided the Legislature with an updated projection of the amount

needed for default purchases during the budget year. Accordingly, we recommend that prior to budget hearings, the commission provide the Legislature with a revised estimate of the amount that will be needed to purchase defaulted student loans under the GSL program in 1986-87.

D. ASSUMPTION PROGRAM OF LOANS FOR EDUCATION

In the 1985-86 *Analysis*, we were critical of the way in which the commission had implemented the Assumption Program of Loans for Education (APLE) program.

This program, established by Senate Bill 813 (Ch 482/84), was designed to help public schools attract and retain teachers of "high quality in the fields of mathematics, science, and other critical shortage areas." The program authorizes the SAC to assume up to 500 loans up to a maximum of \$8,000 each, by 1985-86.

Our review indicated that as implemented by the SAC, the 1984-85 APLE program would not achieve the goal of increasing the supply of teachers statewide. Regulations adopted by the commission limited participation in the program to only those persons currently employed as teachers. Prospective teachers—undergraduate and graduate students—were barred from participation. Thus, the fiscal incentive provided by the program—the loan assumption—could not act to influence the career choices of undecided students. Instead, the loan assumption merely acted as a salary bonus rewarding a relatively small number of existing teachers.

In an effort to bring about a change in APLE program, the Legislature, in the *Supplemental Report to the 1985 Budget Act*, (1) prohibited the SAC from granting any additional awards until the program was amended to allow participation by prospective teachers, and (2) prohibited the SAC from reallocating awards that might become available because of attrition in the program.

Current Implementation Status. During the 1985-86 session, the Legislature adopted SB 1208 (Ch 1483/85), which deletes the provisions governing the APLE program as established by SB 813 and provides for a new loan assumption program designed specifically to encourage individuals to enter the teaching profession. This program is targeted at undergraduate students and individuals pursuing a teaching credential; currently employed teachers are not allowed to participate unless they are seeking an additional credential in a specified shortage subject matter area. In addition, the revised APLE program encourages individuals to teach in districts with a large population of low-income families, as well as secure a credential in a shortage field. The measure further requires the SAC to issue up to 500 warrants for loan assumptions in 1986-87.

As a result of the Legislature's actions, the SAC has stopped granting loan assumptions under the old APLE program and is currently developing regulations and procedures to reflect the objectives set forth in SB 1208. Commission staff estimate that the proposed regulations will be considered by the full commission late in the spring of 1986 and that applications under the new program will be available by the fall of 1986.

Loan Assumptions Overbudgeted

We recommend that the amount proposed for the Assumption Program of Loans for Education (APLE) be reduced by \$890,000, because loan assumptions in the current year are below the budgeted level allowing part of the current-year appropriation to be used for support of the program in the budget year. Consistent with this recommendation, we recom-

STUDENT AID COMMISSION—Continued

mend that the Legislature (1) establish Item 7980-490 and reappropriate the unencumbered balance of the current-year APLE appropriation in this item and (2) reduce the budget-year appropriation by \$890,000. (Reduce Item 7980-101-001 by \$890,000 and establish Item 7980-490).

The Governor's Budget proposes \$1 million from the General Fund in 1986-87 to cover the cost of loans assumed under the original APLE program. As noted above, the Governor's Budget also indicates that a portion of the \$2 million freed up by reducing funding for the Bilingual Teacher Grant program will be available to expand the APLE program, provided that the additional awards are earmarked for bilingual teacher candidates. The budget, however, does not accomplish this expansion. It would have to be implemented through separate legislation.

The SAC is budgeted \$1 million in the current year to cover the cost of these awards, 1985-86 being the first year in which the state is obligated to make payments under the program.

Our analysis indicates that in the current year \$480,000 will be required to make payments on 240 APLE awards issued under the original program. The remaining balance of \$520,000 is available to cover the cost of loan assumptions in the budget year.

Because the program provides for a maximum assumption of \$2,000 in the first year and \$3,000 in the second and third years, the cost associated with these 240 awards will increase in 1986-87. The full \$1 million, however, will not be needed. The SAC provided information regarding expected attrition in the program and the average value of loan assumptions in 1986-87. Based on this information, we estimate that \$630,000 will be sufficient to fully fund all loan assumptions in the budget year. This amount will provide for the assumption of 225 awards at an average cost of \$2,800. Commission staff agree that \$630,000 will be sufficient to meet the program's funding requirements in 1986-87.

Thus, if the remaining balance of \$520,000 from the current-year appropriation is made available in 1986-87, only \$110,000 of the amount proposed in the Governor's Budget is needed to fully fund the cost of loan assumptions in the budget year. Accordingly, we recommend that the unencumbered balance remaining from the current-year appropriation for APLE be reappropriated in order to fund the program in 1986-87 and that the amount requested in the Governor's Budget be reduced by \$890,000. This can be done by establishing Item 7980-490 for reappropriation and adopting the following Budget Bill language:

"7980-490—Reappropriation, Student Aid Commission. Notwithstanding any other provision of law, on the effective date of this act, the unencumbered balance of Item 7980-101-001 (h), Budget Act of 1985 is reappropriated for the purposes provided for in such appropriation."

E. FUNDING AND STAFF FOR ADMINISTRATION
(Items 7980-001-001 and 7980-001-951)

The SAC's administration unit provides the services necessary to support the commission's programs. The budget proposes total support for the administration unit of \$22,856,000 in 1986-87, an increase of 2.7 percent over current-year expenditures. The General Fund would provide \$6,351,000, or 28 percent of the total, and the Loan Fund would provide \$16,505,000, or 72 percent.

Table 9 shows proposed administrative expenditures for the commis-

sion, by program unit, for the budget year, as well as estimated expenditures for the current year and actual expenditures for 1984-85.

Table 9
Student Aid Commission
Administration
1984-85 through 1986-87
(dollars in thousands)

	<i>Actual</i> <i>1984-85</i>	<i>Est.</i> <i>1985-86</i>	<i>Prop.</i> <i>1986-87</i>	<i>Percent</i> <i>Change</i> <i>from</i> <i>1985-86</i>
1. Grant Program Administration:				
a. Cal Grant A	\$2,119	\$2,391	\$2,564	7.2%
b. Cal Grant B	1,409	1,709	1,816	6.3
c. Cal Grant C	326	336	357	6.3
d. Graduate Fellowship	238	257	280	8.9
e. Bilingual Teacher Grant	481	661	694	5.0
f. Law Enforcement Personnel Dependent Grants	2	3	3	—
2. Loan and Program Administration:				
a. Guaranteed Student Loan	12,517	16,287	16,505	1.3
b. Consumer Program	295	202	213	5.4
c. Cal-SOAP	339 ^a	16	17	6.2
d. Research	243	255	264	3.5
e. Assumption Program Loans for Education	97	134	143	6.7
3. Administration and Support	(1,448)	(2,538)	(3,047)	(20.1)
Totals	\$18,066	\$22,251	\$22,856	2.7%
General Fund	\$5,549	\$5,964	\$6,351	6.5%
State Guaranteed Loan Reserve Fund	12,517	16,287	16,505	1.3
Personnel Years	174.2	186.8	196.2	5.0%

^a Reflects \$6,000 for administration and \$333,000 in local assistance funding.

Revamping of Commission and its Management is Underway. The Legislature appropriated \$100,000 in the 1984 Budget Act for a study of the commission's operations. It specified that the study (a) be performed by a contractor selected by competitive bid and (b) include the commission's management, staffing, data processing, and budgeting. The contractor, Price Waterhouse, submitted a preliminary report of its findings on March 1, 1985, and a final report on May 1, 1985.

The final report made 10 recommendations directed towards improving the commission's management and effectiveness. These recommendations addressed the role and mission of the commission, the management structure, the CSL contract procurement, management of the loan program, budget development and management, planning, staffing strategy, data processing, grant program improvements, and space needs. The recommendations were discussed during the hearings on the 1985-86 budget.

Subsequent to the hearings, the director of the SAC announced his retirement.

The Legislature augmented the SAC's budget for 1985-86 by \$250,000 (\$110,000 from the General Fund and \$140,000 from the Loan Fund) to fund "management improvement projects". It also added supplemental report language which required the chairman of the SAC to report back

STUDENT AID COMMISSION—Continued

to the Legislature by December 1985 on the actions taken by the commission to implement the Price Waterhouse recommendations.

The chairman of the commission has submitted an extensive report which states that:

- The commission will have a new director, effective January, 1986;
- \$112,000 of the management improvement funds has been committed, primarily for consultants and expenses related to commission meetings;
- The commission has hired or plans to hire up to seven staff, including a deputy director for administration and a director for planning and public relations;
- The commission plans to secure the services of three consultants to provide advice on the CFADS project (California Financial Aids Delivery System), staffing, and agency reorganization;
- The commission's structure and committees have been revised to focus on policy and management oversight responsibilities;
- Management reorganization has been delayed until after the arrival of the new director;
- The GSL contract procurement is progressing according to a formal procurement plan;
- Budget development and management is still less than satisfactory, but will be a high priority next year; and
- Improvements in planning, staffing, data processing, and facilities are still in the formative stages.

Our review of the commission's report and efforts to improve its structure and management indicates that the commission is, indeed, beginning to perform as a policy making, oversight-oriented board of directors.

1. Loan Unit Staff Augmentation Premature

We recommend that four positions requested for the Guaranteed Student Loan program be deleted because the existing loan program unit should be reorganized prior to any staff augmentation. (Reduce Item 7980-001-951 by \$169,000.)

The budget requests \$169,000 from the Loan Fund to establish four positions—a supervisor and three specialists—for the California Educational Loan Program (CELP) unit. These new positions would bring the staffing level in the loan unit to 49 in the budget year. The funding request also includes \$43,000 in operating expenses and equipment. The additional staff would monitor the service contract with the GSL processor—Electronic Data Systems (EDS).

Our analysis confirms the need for ongoing management of the GSL processing contract. The contractor is responsible for processing student loan applications, maintaining a data base on loan payments, collecting defaulted loans, and purchasing defaulted loans as the fiscal agent for the commission. Nevertheless, we believe that the Legislature should not provide funds for the staff augmentation until the program unit has been reorganized and staffing standards are adopted.

The Loan Program Unit Should Be Reorganized. The Price Waterhouse management study recommended that the loan program unit be reorganized into two functional areas—contract management and operations—and that all loan program staff report to a deputy director for loans. The report also called for existing staff resources to be reassigned to the

contract management unit, if possible.

The SAC's loan unit has not yet been reorganized along these lines. The unit is currently budgeted for a senior consultant, an associate director, and two managers. The recommended management structure of the loan unit could be implemented within the commission's existing budget, and any staff augmentations *should follow* this realignment.

Staffing Standards Should Be Developed. In addition, the commission should develop a staffing strategy for the loan program unit, reflecting both the services provided by the loan processing contractor and the reorganized structure of the unit.

Our analysis indicates that the budget request does not reflect a coherent staffing strategy. In addition to the management positions discussed above, the loan program unit currently is budgeted for a staff services manager and five supervisors to oversee 14 specialists. The budget request would add one supervisor and three specialists to the loan unit, resulting in one supervisor to administer an average of 2.8 specialists. The SAC has provided no data in support of the staff augmentation—particularly the need for such a low supervisor-to-specialist ratio—beyond what was presented in the Price Waterhouse report.

The commission, moreover, plans to hire a staffing consultant to review the specific needs of the organization. The consultant is expected to offer workload standards for operational staff and management, relating responsibilities to position classification. Because the commission has not yet selected a contractor, a final report is not likely to be available in time for consideration during hearings on the 1986–87 budget.

In sum, because the commission has not reorganized its loan unit to take maximum advantage of existing staff and because reliable staffing standards have not yet been developed, we recommend that the Legislature delete \$169,000 and four positions for the loan program, for an equivalent saving to the Loan Fund.

2. Additional Legal Counsel Not Justified

We recommend that \$73,000 requested from the Guaranteed Student Loan Reserve Fund for a staff counsel be provided through a reallocation of existing funds budgeted for Attorney General services. (Reduce Item 7980-001-951 by \$73,000)

The budget proposes \$73,000 from the Loan Fund to support an in-house staff counsel and associated operating expenses and equipment in 1986–87. The staff counsel would provide legal advice and research services for the SAC. This \$73,000 would be in addition to the Commission's base budget allocation for legal services.

While an in-house legal counsel position appears justified, our analysis does not confirm the need for a net augmentation to the commission's budget for legal services. The SAC currently is budgeted \$115,000 for legal services secured from the Attorney General's Office (AG). In fact, the Legislature augmented the amount available for these services in 1985–86 by \$60,000. The commission has provided no data indicating that the amount of services to be provided by the Attorney General's Office in the current year will not be adequate. In addition, the commission has not identified any legal issues that will warrant special attention in 1986–87.

The commission has, however, expressed displeasure with the timeliness of advice and opinions provided by the AG, and the AG's office has notified the commission that the services are not expected to improve in 1986–87.

STUDENT AID COMMISSION—Continued

In order to allow the commission to secure legal advice and research services in a more satisfactory manner, we recommend that the commission be authorized a staff counsel position, to be funded through a redirection of funds that would otherwise be used to pay for the services of the Attorney General. Accordingly, we recommend that the \$73,000 requested in the budget be deleted.

3. Funding for Student Aid Workbook in Base Budget

We recommend that \$30,000 requested from the Guaranteed Student Loan Reserve Fund for publication of a student aid workbook be deleted, because funding for this project is included in the commission's base budget. (Reduce Item 7980-001-951 by \$30,000.)

The budget proposes \$30,000 from the Loan Fund in 1986-87 to support the costs of publishing a workbook which assists students in applying for financial aid. This workbook has been published by the commission since 1978-79.

The workbook serves a useful purpose. It provides general information on the Cal Grant programs, federal Pell Grants, loans, college work-study, and special scholarships. In addition, the workbook provides information on college costs and how to calculate a student's and family's expected contribution toward these costs.

Since the funds needed to publish this workbook are already available in the commission's base budget, we recommend that the \$30,000 augmentation requested from the Loan Fund be deleted.

4. Management Improvement Projects

In response to the findings of the Price Waterhouse report on the management of the Student Aid Commission, the Legislature augmented the commission's budget by \$250,000 (\$110,000 from the General Fund and \$140,000 from the Loan Fund) to support "management improvement projects" in 1985-86. The SAC reports that it has hired or plans to hire up to seven staff with these funds, including a deputy director for administration and a director for planning and public relations. In addition, the commission plans to secure the services of three consultants to provide advice on the CFADS project (California Financial Aids Delivery System), staffing, and agency reorganization.

The budget requests \$313,000 from the General Fund in 1986-87 to continue funding the staff positions established in the current year. Funding for consultant services, however, is not requested.

The Loan Fund Should Help Support Management Improvement

We recommend that the Legislature reduce General Fund support for management improvement projects by \$150,000 and increase funding from the Loan Fund for this purpose by a like amount, to better reflect the distribution of benefits from these projects. (Reduce Item 7980-001-001 by \$150,000 and increase Item 7980-001-951 by \$150,000.)

Management improvement projects addressing the deficiencies identified in the Price Waterhouse report benefit the commission as a whole.

Accordingly, we recommend that General Fund support for these projects be reduced by \$150,000 and that support from the Loan Fund be increased by \$150,000.

5. Technical Budgeting Error

We recommend that \$20,000 requested for operating expenses and equipment in connection with the reestablishment of three clerical positions be deleted, to correct for double-budgeting. (Reduce Item 7980-001-951 by \$20,000.)

The Budget proposes \$87,000 for salaries and general operating expenses associated with the reestablishment of three clerical positions in the loan unit. This amount includes funding for operating expenses and equipment which is already included in the base support level for the commission. Of the amount requested, \$20,000 is associated with these costs and therefore should be deleted.

OFFICE OF CRIMINAL JUSTICE PLANNING

Item 8100 from the General

Fund and various funds

Budget p. GG 1

Requested 1986-87	\$41,199,000
Estimated 1985-86.....	37,822,000
Actual 1984-85	26,613,000
Requested increase \$3,377,000 (+8.9 percent)	
Total recommended reduction	\$1,066,000

1986-87 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
8100-001-001—Support	General	\$4,583,000
8100-001-241—Support	Local Public Prosecutors and Public Defenders	81,000
	Training	
8100-001-524—Support	Victim/Witness Assistance	1,437,000
8100-001-890—Support	Federal Trust	(384,000)
Chapter 637/85—Support, Juvenile Sex Offenders	General	25,000
Chapter 1443/85—Support, Victims Legal Resource Center	General	10,000
Chapter 1445/85—Support, Homeless Youth Act	General	24,000
8100-001-890—State Operations	Federal Trust	(1,500,000)
8100-101-001—Local assistance	General	20,148,000
8100-101-241—Local assistance	Local Public Prosecutors and Public Defenders	694,000
	Training	
8100-101-425—Local assistance	Victim/Witness Assistance	10,781,000
8100-101-890—Local assistance	Federal Trust	(13,066,000)
Chapter 423/85—Local assistance, Narcotics Task Force	General	\$2,000,000
Chapter 637/85—Local assistance, Juvenile Sex Offenders	General	225,000
Chapter 1443/85—Local assistance, Victims' Legal Resource Center	General	90,000
Chapter 1445/85—Local assistance, Homeless Youth Act	General	690,000
Reimbursements		411,000
Totals		\$41,199,000