

POSTSECONDARY EDUCATION

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OVERVIEW

Public postsecondary education in California 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 overview data on postsecondary education in California. It is intended to provide historical information and comparative statistics to supplement the individual budget analyses that follow.

ORGANIZATION

California's system of public postsecondary education is the largest in the nation, and consists of 136 campuses serving approximately 1.8 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 (CMA), 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 60 nonproprietary independent colleges and universities in California which serve an estimated 110,000 full-time students.

ENROLLMENT AND STUDENT FEES

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 public 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, the increase in enrollment budgeted for the three segments in 1988-89 is 2.2 percent. This is attributable primarily to the budgeted increase of 2.7 percent at the community colleges.

POSTSECONDARY EDUCATION—Continued

Table 1
California Postsecondary Education
Enrollment in Public Higher Education
1980-81 through 1988-89

	UC		CSU		Community Colleges		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	144,040	136,928	328,818	248,456	1,176,712	639,074	1,649,570	1,024,458
1986-87	148,176	141,776	338,444	252,789	1,199,759	654,070	1,686,379	1,048,635
1987-88 (Est.)	150,798	145,046	342,776	258,120	1,268,278	681,764	1,761,852	1,084,930
1988-89 (Est.)	154,092	147,095	354,605	261,195	1,302,487	700,054	1,811,184	1,108,344
Percent Change:								
1987-88 to 1988-89 ..	2.2%	1.4%	3.5%	1.2%	2.7%	2.7%	2.8%	2.2%

Ethnic Composition of Students. Table 3 (facing page) shows the latest available fall enrollment data on the racial and ethnic make-up of students within each of the three public segments from 1983 to 1986. These data, compiled by the California Postsecondary Education Commission (CPEC), 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 3 shows that the community colleges have the most diverse ethnic enrollment of any segment.

Student Fees

Table 2 shows the level of mandatory fees charged to students at the public postsecondary education institutions from 1986-87 through 1988-89.

Table 2
California Postsecondary Education
Mandatory Student Fees
1986-87 through 1988-89

	1986-87	1987-88	1988-89	Change from 1987-88	
				Amount	Percent
University of California	\$1,245 ^a	\$1,374	\$1,434	\$60	4.4%
California State University					
Full-time	\$573	\$630	\$684	\$54	8.6%
Part-time	333	366	396	30	8.2
Hastings College of the Law	\$1,166	\$1,282	\$1,410	\$128	10.0%
California Maritime Academy	\$888	\$807	\$885	\$78	9.7%
Community Colleges	\$100	\$100	\$100	—	—

^a This is the undergraduate fee—graduate students paid \$60 more in 1986-87.

Table 3
California Postsecondary Education
Student Enrollment by Ethnicity
Fall Data
1983 through 1986

	<i>CCC</i>				<i>CSU</i>				<i>UC</i>			
	1983	1984	1985	1986	1983	1984	1985	1986	1983	1984	1985	1986
Undergraduate:												
White	67.6%	67.9%	66.4%	66.7%	70.3%	69.4%	68.6%	67.9%	71.4%	69.6%	67.7%	65.7%
Black	9.3	8.4	7.7	8.0	6.5	6.3	6.1	5.8	4.2	4.3	4.4	4.6
Hispanic	12.3	12.6	13.4	13.6	9.7	9.8	10.1	10.4	6.6	7.1	8.0	8.6
Asian	9.1	9.6	11.1	10.2	12.0	13.1	14.0	14.8	17.4	18.5	19.3	20.5
American Indian	1.6	1.6	1.4	1.4	1.5	1.3	1.2	1.1	0.5	0.5	0.6	0.6
Graduate:												
White	—	—	—	—	76.6%	77.3%	77.4%	77.8%	78.4%	78.4%	78.4%	77.9%
Black	—	—	—	—	4.8	4.7	4.7	4.5	4.0	3.7	3.8	3.7
Hispanic	—	—	—	—	7.6	7.3	7.3	7.2	6.2	6.3	6.2	6.4
Asian	—	—	—	—	9.7	9.6	9.3	9.4	10.8	10.8	11.0	11.4
American Indian	—	—	—	—	1.3	1.1	1.2	1.1	0.6	0.7	0.6	0.6

POSTSECONDARY EDUCATION—Continued
EXPENDITURES

Table 4 summarizes proposed expenditures for postsecondary education in 1988-89. Total support for all public higher education is proposed at \$13.2 billion. Of the total, the state General Fund would provide \$5.2 billion, or 39 percent. The \$3.2 billion from the federal government is the second largest source of support for higher education; however, \$2.2 billion of this amount is allocated to the UC for support of the Department of Energy laboratories at Los Alamos, Livermore, and Berkeley.

The only segment of higher education receiving local support is the community college system, which will receive an estimated \$664 million from property tax revenues (including local debt).

Table 4
California Postsecondary Education
Summary of Proposed 1988-89 Budget
By Funding Source
(dollars in thousands)

	<i>General Fund</i>	<i>State Lottery</i>	<i>Other State</i>	<i>Federal</i>	<i>Property Tax</i>	<i>Student Fees</i>	<i>Other</i>	<i>Totals</i>
University of California.....	\$2,038,372 ^a	\$15,081	\$45,039	\$2,872,107 ^b	—	\$382,468	\$2,346,199 ^c	\$7,699,266
California State University....	1,535,419 ^{a,d}	22,502	10,610	79,974	—	326,632	406,962	2,382,099
California Community Col- leges.....	1,411,061	72,445	71,699	116,000	\$664,008	64,510	323,700	2,723,423 ^e
Hastings College of the Law..	12,553	151	—	363	—	2,168	408	15,643
California Maritime Academy..	6,776	30	—	401	—	1,712	523	9,442
Student Aid Commission.....	143,664	—	25,263	163,668	—	—	—	332,595
California Postsecondary Edu- cation Commission.....	3,512	—	—	1,174	—	—	579	5,265
Totals.....	\$5,151,357	\$110,209	\$152,611	\$3,233,687	\$664,008	\$777,490	\$3,078,371	\$13,167,733 ^f
Percent of Totals.....	39.1%	0.8%	1.2%	24.6%	5.0%	5.9%	23.4%	100.0%

^a Includes lease purchase revenue bonds of \$15 million for UC and \$2.3 million for CSU.

^b Includes \$2.2 billion budgeted within UC for three Department of Energy laboratories.

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

^d Excludes \$326.6 million in fee revenues, which are shown in the Governor's Budget as a General Fund appropriation.

^e Includes expenditures not shown in the Governor's Budget.

^f Excludes capital outlay.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

Item 6420 from the General
Fund and Federal Trust Fund

Budget p. E 58

Requested 1988-89.....	\$5,265,000
Estimated 1987-88.....	7,180,000
Actual 1986-87.....	5,538,000
Requested decrease (excluding amount for salary increases) \$1,915,000 (-26.7 percent)	
Total recommended reduction.....	None

1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6420-001-001—Support	General	\$3,512,000
6420-001-890—Administration	Federal	91,000
6420-101-890—Local assistance	Federal	1,083,000
Reimbursements	—	579,000
Total		\$5,265,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
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|--|-----|
| 1. Policy for Nonresident Tuition at the University of California (UC) and the California State University (CSU). Recommend adoption of supplemental report language directing the California Postsecondary Education Commission (CPEC) to submit recommendations for a comparable long-term policy for setting nonresident tuition at UC and CSU. | 951 |
| 2. Report on Comparative Salaries for UC and CSU Librarians. Recommend adoption of supplemental report language directing the CPEC to incorporate in the annual report on UC and CSU faculty salaries the estimated salary increases required for UC and CSU librarians to achieve parity with librarians at their comparison institutions. | 952 |

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 51 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes \$3,512,000 from the General Fund for support of CPEC in 1988-89. This is an increase of \$157,000, or 4.7 percent, above 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 a 48 percent decrease in federal funds and a 64 percent decrease in reimbursements for the commission in 1988-89. This is due to (1) an estimated reduction in the level of grants in the federal Mathematics, Science, and Foreign Language Grant Program, and (2) the termination of several studies funded on a reimbursement basis.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION—Continued

Table 1

California Postsecondary Education Commission Budget Summary 1986-87 through 1988-89 (dollars in thousands)				
	<i>Actual</i> 1986-87	<i>Est.</i> 1987-88	<i>Prop.</i> 1988-89	<i>Percent Change From 1987-88</i>
<i>Programs</i>				
Executive	\$604	\$906	\$761	-16.0%
Research and evaluation	1,671	1,540	1,109	-28.0
Administration and management information services	<u>3,263</u>	<u>4,734</u>	<u>3,395</u>	<u>-28.3</u>
Totals	\$5,538	\$7,180	\$5,265	-26.7%
<i>Funding Sources</i>				
General Fund	\$3,715	\$3,355	\$3,512	4.7%
Federal funds	1,082	2,235	1,174	-47.5
Reimbursements	741	1,590	579	-63.6
Personnel-years	48.4	51.0	49.6	-2.7%

Table 2 shows the factors accounting for the change in the commission's planned General Fund expenditures between the current and budget years.

Table 2

California Postsecondary Education Commission Proposed 1988-89 General Fund Budget Changes (dollars in thousands)	
1987-88 Expenditures (Revised)	\$3,355
<i>Baseline Adjustments</i>	
Office equipment	-\$29
Salary annualization	41
Price increase	40
Interdepartmental services	20
Subtotal, Baseline Adjustments	(\$72)
<i>Workload Changes</i>	
Comprehensive Student Information Study	-\$75
Assessment and Reporting of Vocational Education	-15
Subtotal, Workload Changes	(-\$90)
<i>Program Changes</i>	
Office equipment	\$115
Automated telephone system	60
Subtotal, Program Changes	<u>(\$175)</u>
1988-89 Expenditures (Proposed)	\$3,512
Change from 1987-88:	
Amount	\$157
Percent	4.7%

ANALYSIS AND RECOMMENDATIONS

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

- \$115,000 to replace and upgrade photocopying equipment.
- \$60,000 to install a new telephone system.

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

- **Federal Trust Fund (Items 6420-001-890 and 6420-101-890)**—the budget proposes the expenditure of \$1.2 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. Of this amount, \$1.1 million is for local grants to school districts. This is the third year of federal support for this program.

Policy Review of Nonresident Tuition Levels Needed

We recommend that the Legislature adopt supplemental report language directing the CPEC to submit recommendations for a long-term policy for setting nonresident tuition at UC and CSU.

The Legislature established a long-term policy to set resident student fee levels at UC and CSU in 1985 (Ch 1523/85). This legislation did not address the setting of nonresident student tuition.

Currently the CSU and UC set their own nonresident tuition levels without consistent direction from the state. Table 3 shows that while CSU's nonresident tuition was once below UC, it has been higher than UC since 1986-87. This is because the systems use two different methods of calculation—CSU uses the "average cost of instruction," while UC uses a "modified marginal cost of instruction."

Table 3
UC and CSU Nonresident Tuition
1984-85 through 1988-89

	UC	CSU	UC Compared to CSU
1984-85.....	\$3,564	\$3,510	\$54
1985-86.....	3,816	3,780	36
1986-87.....	4,086	4,230	-144
1987-88.....	4,290	4,410	-120
1988-89.....	4,506	4,680	-174

From a statewide perspective, we find no policy rationale for the lack of a consistent methodology used by the two segments. We believe that the nonresident tuition policies of the UC and the CSU need to be reviewed and made comparable. We recommend that the same process used by the Legislature to establish a long-term resident student fee policy be applied to nonresident tuition policy. For resident fees the Legislature directed CPEC to work with specified groups to develop recommendations for consideration by the Legislature.

To implement our proposal, we recommend the adoption of the following supplemental report language in Item 6420-001-001:

It is the intent of the Legislature to adopt a long-term nonresident student fee policy. The California Postsecondary Education Commission (CPEC) shall convene meetings of the University of California, California State University, Hastings College of the Law, staff of the appropriate legislative policy and fiscal committees, Department of Finance, Legislative Analyst, authorized student representatives, and CPEC. The participants shall develop recommendations on a long-term nonresident student fee policy which includes (a) comparable methodologies between UC and CSU, and (b) specific fee level calculations.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION—Continued

The CPEC shall report, by January 1, 1989 the recommendations to the chairpersons of the Joint Legislative Budget Committee, the appropriate policy committees, and the committees which consider appropriations.

Recommend Report on Comparative Salaries for UC and CSU Librarians

We recommend that the Legislature adopt supplemental report language directing the CPEC to incorporate in the annual report on UC and CSU faculty salaries the estimated salary increases required for UC and CSU librarians to achieve parity with librarians at their comparison institutions.

As discussed in our analyses of UC and CSU, the CPEC submits an annual report on UC and CSU faculty salaries, pursuant to SCR 51 of 1965. This report shows the salary increases required for each segment to achieve parity with the faculty salaries at a specified group of comparison colleges and universities. The report serves as the basis for legislative deliberations on the budget for faculty compensation, and in recent years has resulted in faculty salary increases which exceeded the corresponding increases provided to nonfaculty employees.

Since 1984-85, CSU librarians have been paid according to the faculty salary schedule. Librarians at UC are not paid according to the faculty salary schedule, but receive the same annual salary increases as faculty. Thus, any salary increases granted to the faculty at both CSU and UC are also provided to the librarians. The budget appropriation for faculty compensation is based on this assumption. Librarians' salaries, however, are *not* included in the data which comprise CPEC's faculty salary report.

This apparent inconsistency in the salary methodology can be eliminated either by including librarians with faculty in collecting and reporting the salary data, or reporting librarians' salaries separately, according to the same methodology. We recommend the latter approach because it provides a clearer distinction of the salary increases required to be competitive in the recruitment and retention of faculty and library personnel.

Our proposal calls for CPEC to include the librarians' salary data in the report related to 1989-90 salary increases. We do not have sufficient information to project the results of such an analysis, although we note that a similar analysis was conducted by CPEC in 1978, showing that the average salaries of librarians at UC and CSU were approximately 10 percent higher than their counterparts at a sample of each segment's comparison institutions.

Our recommendation, of course, could serve as the basis for a legislative decision to appropriate funds on the assumption of differential salary increases for faculty and librarians within CSU and UC. If this were to occur, however, it would not obligate either segment to discontinue the practice of providing the same salary increases to both groups, as long as the net increase is consistent with the amount of funds appropriated by the Legislature.

Accordingly, we recommend adoption of the following supplemental report language:

The CPEC shall include in its annual report on UC and CSU faculty salaries a corresponding analysis of librarians' salaries, using the same methodology.

THE UNIVERSITY OF CALIFORNIA

Item 6440 from the General

Fund and various other funds

Budget p. E 64

Requested 1988-89	\$7,699,266,000
Estimated 1987-88	7,227,627,000
Actual 1986-87	6,606,119,000
Requested increase (including amount for salary increases) \$471,639,000 (+6.5 percent)	
Total recommended reduction.....	25,824,000
Recommendation pending	22,154,000
Recommended transfer to another Budget Bill item.....	2,584,000

1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
Budget Bill Items		
6440-001-001—Main support	General	\$1,937,791,000
6440-001-036—Toxic clean-up	Special Account for Capital Outlay	433,000
6440-001-046—Research	Transportation	956,000
6440-001-144—Research	Water	100,000
6440-001-785—Asbestos clean-up	Bond Act of 1988	3,000,000
6440-001-814—Lottery revenue	Lottery	15,081,000
6440-003-001—Revenue bonds	General	15,000,000
6440-006-001—Financial aid	General	38,338,000
6440-011-001—Compensation	General	41,243,000
6440-016-001—Hospitals	General	6,000,000
6440-490—Reappropriation	—	—
Subtotal, Budget Bill Items		(\$2,057,942,000)
Non-Budget Bill Funding		
Department of Energy Laboratories		\$2,232,000,000
Expenditures from other fund sources		3,409,324,000
Subtotal, Non-Budget Bill Funding		(\$5,641,324,000)
Grand Total		\$7,699,266,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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1. Graduate Enrollment. Withhold recommendation on \$3.9 million requested from the General Fund to support a postbaccalaureate and graduate student increase of 801 FTE students, pending review of additional information from the California Postsecondary Education Commission. 964
2. Health Sciences Enrollment. Withhold recommendation on \$1.1 million requested from the General Fund to support a graduate academic enrollment increase of 95 students, pending further justification of the request by UC. 965
3. *Graduate Research Assistantships. Reduce Item 6440-001-001 by \$1.5 million.* Recommend deletion of General Fund request to support additional graduate student research 967

THE UNIVERSITY OF CALIFORNIA—Continued

- assistantships because the proposal will not increase the supply of Ph.D. graduates.
4. **Coronary Heart Disease Research.** Recommend UC report during budget hearings on the funding status of the San Francisco-based coronary heart disease research project. 968
 5. **K-12 Schools Projects. Increase Item 6440-001-001 by \$22,000.** Recommend (a) General Fund augmentation of \$600,000 to provide initial state support for the California Science Project, which was authorized in Ch 1486/87, because it is based on a proven approach to address an important K-12 curriculum need that has been identified by the Legislature, and (b) deletion of \$578,000 General Fund request for initial state support for the University/Schools Research Program because proposal is an ineffective means of assisting K-12 schools. 969
 6. **Teaching Hospitals. Delete Item 6440-016-001.** Recommend deletion of \$6 million General Fund request for an operating subsidy in 1988-89 because of the uncertainty of projections of net gains and losses. Further recommend adoption of Budget Bill language expressing intent to appropriate up to \$9 million in the 1989 Budget Bill to offset any net losses. 972
 7. **Maintenance Workload.** Withhold recommendation on \$3.9 million General Fund request for increased workload and maintenance of the Laurel Heights Building, pending review of nonstate funded projects. 974
 8. **Financial Aid. Reduce Item 6440-006-001 by \$2.6 million and increase Item 7980-101-001 by the same amount.** Recommend transfer of \$2.6 million to the Student Aid Commission's Cal Grant program because program consolidation better serves Cal Grant student recipients. 976
 9. **Financial Aid. Reduce Item 6440-006-001 by \$408,000.** Recommend reduction in order to eliminate double-budgeting. Further recommend transfer of \$1.5 million from main support item to the financial aid item to correct technical budgeting error. 977
 10. **Faculty Salary Increases.** Withhold recommendation on \$13.2 million proposed for faculty salary increases, in order to evaluate whether it is financially feasible to provide increases which are at parity with UC's comparison institutions. 978
 11. **Price Increases. Reduce Item 6440-001-001 by \$6.2 million.** Recommend deletion of \$6.2 million of the amount requested from the General Fund for UC price increases because the amount requested is in excess of the increases granted other state agencies and there is no analytical reason to provide UC with greater increases. 979
 12. **Employee Benefits. Reduce Item 6440-011-001 by \$4.4 million.** Recommend deletion of General Fund request to provide price adjustments for UC employee benefits because UC's benefits in recent years have unintentionally increased more than other state employees. 980

13. Reappropriation Provision. Recommend change in Budget Bill language to restrict reappropriation of unencumbered balances to actual budgetary savings and to eliminate reappropriation of balances resulting from underestimation of income. 983
14. *Budgetary Savings. Reduce Item 6440-001-001 by \$7.3 million.* Recommend deletion of \$7.3 million General Fund request to provide a reduction to UC's budgetary savings target because there is no analytical reason to grant UC a reduction to its savings target when similar adjustments are not made for other state agencies. 984

Overview of the Legislative Analyst's Recommendations

We recommend General Fund reductions to the University of California's (UC) budget totaling \$28.4 million and withhold recommendations on \$22.1 million. Our recommendations on UC's budget are summarized in Table 1.

Table 1
Summary of Changes to the UC's 1988-89 Budget
Recommended by the Legislative Analyst

Activity	Program Changes	UC Funding Impact	Recommendation Withheld
Graduate enrollments.....	—	—	\$3,926,000
Health sciences enrollments.....	—	—	1,107,000
Graduate assistantships.....	-\$1,500,000	-\$1,500,000	—
California Science Project.....	600,000	600,000	—
University/Schools Project.....	-578,000	-578,000	—
Teaching hospitals.....	-6,000,000	-6,000,000	—
Financial aid—transfer.....	—	-2,584,000	—
Financial aid—overbudgeting.....	—	-408,000	—
Maintenance workload.....	—	—	3,921,000
Faculty salary increase.....	—	—	13,200,000
Price increase.....	—	-6,173,000	—
Faculty and staff benefits.....	—	-4,416,000	—
Budgetary savings reduction.....	—	-7,349,000	—
Totals.....	-\$7,478,000	-\$28,408,000	\$22,154,000

GENERAL PROGRAM STATEMENT

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

Admission. Admission of first-year students to UC is limited to the top one-eighth (12.5 percent) of California's high school graduates. The university is permitted to waive this admission standard for up to 6 percent of the newly admitted undergraduates. UC plans to enroll approximately 147,000 students in 1988-89.

Curriculum. UC offers a broadly based undergraduate curriculum leading to the baccalaureate degree at each general campus. The university 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, within the public

THE UNIVERSITY OF CALIFORNIA—Continued

higher education system, it has exclusive jurisdiction over instruction in the professions of law, medicine, dentistry, and veterinary medicine and primary jurisdiction over research. The university has three law schools, five medical schools, two dental schools, and one school of veterinary medicine.

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

Faculty and Staff. The Legislature does not exercise position control over the university. Rather, the state appropriates funds to the university based on various workload formulas, such as one faculty member for every 17.61 undergraduate and graduate students. The university then determines how many faculty and other staff will actually be employed. Thus, review of actual and budgeted position totals is not as meaningful for the university as it is for other state agencies. In the current year, UC has a budgeted workforce totaling 58,771 personnel-years.

OVERVIEW OF THE BUDGET REQUEST

Total Expenditures. The UC budget proposes total expenditures (including salary increases) of \$7.7 billion in 1988-89. This is \$472 million (6.5 percent) above estimated current-year expenditures.

Table 2 provides a systemwide budget summary by program for the prior, current, and budget years. As the table shows, the budget has two components: (1) budgeted programs, and (2) extramural programs. No direct state appropriations are provided for extramural programs, although UC does receive some state support for extramural programs through state agency agreements.

State Support for Budgeted Programs. Table 2 shows that the budget proposes General Fund expenditures of \$2 billion for support of the UC system in 1988-89. This is \$132.7 million (7 percent) above estimated current-year General Fund expenditures. This increase includes \$41.2 million associated with the cost of salary and benefit increases in 1988-89.

While the major source of general (unrestricted) revenue for UC's budgeted programs is the state General Fund, UC also receives other general revenue from nonresident tuition, the state's share of overhead receipts associated with federal grants and contracts, and some minor student fees. Table 2 shows that other university "general funds" will total \$152 million in 1988-89, in comparison to the \$2 billion from the state General Fund. Because revenues from these various sources are combined with state General Fund support, it is not possible to identify expenditures by revenue source. Consequently, although the state's share is 93 percent of the total, the combined total of the state General Fund monies and the other general-purpose revenues available to the university is referred to in this analysis as "general funds".

UC's budgeted programs are divided into 12 classifications. In the analysis that follows, we discuss the budget request for the following seven programs that, in our judgment, raise issues warranting the Legislature's attention—Instruction, Research, Public Service, Teaching

Hospitals, Operation and Maintenance, Student Financial Aid, and Unallocated Adjustments.

Table 2
The University of California
Budget Summary
1986-87 through 1988-89
(dollars in thousands)

<i>Budgeted Programs</i>	<i>Actual</i> 1986-87	<i>Est.</i> 1987-88	<i>Prop.</i> 1988-89	<i>Change from</i> 1987-88	
				<i>Amount</i>	<i>Percent</i>
Instruction.....	\$1,226,943	\$1,347,832	\$1,392,132	\$44,300	3.3%
Research.....	192,157	206,847	203,907	-2,940	-1.4
Public service.....	78,923	89,301	90,079	778	0.9
Academic support.....	303,821	318,453	327,241	8,788	2.8
Teaching hospitals.....	845,515	965,097	1,021,210	56,113	5.8
Student services.....	161,320	160,105	161,229	1,124	0.7
Institutional support.....	235,027	252,133	253,445	1,312	0.5
Operation and maintenance.....	199,878	244,889	253,492	8,603	3.5
Student financial aid.....	70,879	73,268	73,268	—	—
Auxiliary enterprises.....	183,658	240,083	258,138	18,055	7.5
Special Regents' Program.....	37,202	61,337	59,300	-2,037	-3.3
Unallocated adjustments.....	12,801	5,666	127,495	121,829	— ^a
Subtotals, Budgeted Programs.....	(\$3,548,124)	(\$3,965,011)	(\$4,220,936)	(\$255,925)	(6.5%)
<i>Extramural Programs</i>					
Sponsored research and other.....	\$1,071,128	\$1,176,616	\$1,246,330	\$69,714	5.9%
Department of Energy labs.....	1,986,867	2,086,000	2,232,000	146,000	7.0
Subtotals, Extramural Programs.....	(\$3,057,995)	(\$3,262,616)	(\$3,478,330)	(\$215,714)	(6.6%)
Grand Totals.....	\$6,606,119	\$7,227,627	\$7,699,266	\$471,639	6.5%
<i>Funding Sources</i>					
<i>Budgeted Programs:</i>					
General Fund.....	\$1,788,304	\$1,905,685	\$2,038,372	\$132,687	7.0%
University general funds.....	97,462	146,051	152,035	5,984	4.1
Special Account for Capital Outlay.....	—	2,183	433	-1,750	-80.2
State Transportation Fund.....	956	956	956	—	—
California Water Fund.....	100	100	100	—	—
Facilities Bond Act of 1988.....	—	—	3,000	3,000	— ^a
Lottery Education Fund.....	12,643	15,081	15,081	—	—
Federal Funds.....	11,611	12,127	12,127	—	—
University funds—restricted.....	1,637,048	1,882,828	1,998,832	116,004	6.2
<i>Extramural Programs:</i>					
State Agency Agreements.....	\$36,707	\$38,616	\$40,550	\$1,934	5.0%
Federal funds.....	575,679	603,800	627,980	24,180	4.0
Private Gifts, Contracts and Grants.....	188,417	205,200	225,700	20,500	10.0
Other University funds.....	270,325	329,000	352,100	23,100	7.0
Department of Energy (federal).....	1,986,867	2,086,000	2,232,000	146,000	7.0
Personnel-years.....	58,294	58,771	59,293	522	0.9%

^a Not a meaningful figure.

1988-89 Expenditures by Source of Funding

Table 3 shows the source of funding for each individual program. For example, the table shows that general funds provide \$877 million (96 percent) of the \$910 million general campus instruction budget. In contrast, general funds provide for only \$63 million (6.3 percent) of the

THE UNIVERSITY OF CALIFORNIA—Continued

\$1 billion teaching hospitals' budget. Patient charges for services provide most of the balance.

Table 3
The University of California
Source of Funds by Program
1988-89 Governor's Budget
(dollars in thousands)

<i>Budgeted Programs</i>	<i>General Funds</i>	<i>Federal Funds</i>	<i>Student Fees and Tuition</i>	<i>Sales and Services</i>	<i>Endowments</i>	<i>Other Sources</i>	<i>Totals</i>
<i>Instruction</i>							
General campuses.....	\$877,112	\$50	\$1,329	\$10,607	\$3,326	\$17,601	\$910,025
Health sciences.....	260,018	740	—	107,684	2,332	8,545	379,319
Summer sessions.....	—	—	16,086	—	—	—	16,086
University extension.....	—	—	86,702	—	—	—	86,702
Subtotals, Instruction.....	(\$1,137,130)	(\$790)	(\$104,117)	(\$118,291)	(\$5,658)	(\$26,146)	(\$1,392,132)
Research.....	\$170,400	\$3,161	—	\$4,477	\$10,386	\$15,483	\$203,907
Public service.....	52,315	8,176	\$3,741	17,205	1,168	7,474	90,079
Academic support.....	210,639	—	3,877	104,246	2,036	6,443	327,241
Teaching hospitals.....	62,976	—	—	948,364	164	9,706	1,021,210
Student services.....	6,228	—	137,552	607	42	16,800	161,229
Institutional support.....	198,045	—	10,920	20	2,124	42,336	253,445
Operation and maintenance of plant..	238,205	—	6,960	—	663	7,664	253,492
Student financial aid.....	39,028	—	26,321	—	7,919	—	73,268
Auxiliary enterprises.....	—	—	2,322	255,798	18	—	258,138
Special Regents' Programs.....	—	—	—	—	—	59,300	59,300
Unallocated adjustments.....	75,441	—	22,730	2,545	8,620	18,159	127,495
Subtotals, Budgeted Programs.....	(\$2,190,407)	(\$12,127)	(\$318,540)	(\$1,451,553)	(\$38,798)	(\$209,511)	(\$4,220,936)
<i>Extramural Programs</i>							
Sponsored research and other activities.	—	\$627,980	—	—	—	\$618,350	\$1,246,330
Department of Energy Laboratories...	—	2,232,000	—	—	—	—	2,232,000
Subtotals, Extramural Programs...	—	(\$2,859,980)	—	—	—	(\$618,350)	(\$3,478,330)
Grand Totals.....	\$2,190,407	\$2,872,107	\$318,540	\$1,451,553	\$38,798	\$827,861	\$7,699,266

General Fund Budget Changes Proposed for 1988-89

Table 4 identifies the specific factors accounting for the net \$132.7 million increase in General Fund support proposed for 1988-89. Table 4 shows that:

- *Baseline adjustments* total \$33.5 million.
- *Workload changes* total \$18.1 million.
- *Program changes* total \$25.1 million.
- *Employee compensation* totals \$41.2 million.
- *Capital outlay revenue bond* payments total \$14.7 million.

Later in this analysis we discuss the details of these changes.

Table 4
The University of California
Proposed 1988-89 General Fund Budget Changes
(dollars in thousands)

1987-88 Expenditures (Revised)	\$1,905,685
<i>Baseline Adjustments</i>	
Annualization of 1987-88 salary increase	\$35,370
Merit and promotions for faculty	15,178
Price changes	17,167
Instructional equipment replacement	5,802
Social security increase	5,010
Budgetary savings adjustment	7,349
Teaching hospital subsidy	-8,000
UC Retirement System rate reduction	-18,500
PERS rate reduction	-686
Reduction for one-time augmentations	-4,440
UC income adjustment	-20,744
Subtotal, Baseline Adjustments	(\$33,506)
<i>Workload Changes</i>	
Undergraduate enrollment	\$13,730
Library staffing (undergraduate related)	942
Disabled students	124
Operation and maintenance of plant	3,353
Subtotal, Workload Changes	(\$18,149)
<i>Program Changes</i>	
Graduate enrollments	\$2,941
Postbaccalaureate enrollments	985
Health science graduate enrollments	1,107
Teaching assistants—training	250
Instructional computing	6,000
Education abroad	200
Research assistantships (engineering)	800
Research assistantships (humanities)	700
University/schools research/extension	578
Articulation numbering (Project CAN)	200
Teaching hospital subsidy	6,000
Dental clinics	840
Affirmative action-MESA	50
Affirmative action-minority scholars program	150
Affirmative action-mentorships	150
Affirmative action-dissertation-year fellowships	50
Affirmative action-President's fellows	100
Building maintenance	4,000
Subtotal, Program Changes	(\$25,101)
<i>Salary and Benefit Increases</i>	
Faculty salary	\$13,200
Staff salary	16,785
Benefits	11,258
Subtotal, Salary and Benefit Increases	(\$41,243)
<i>Capital Outlay Revenue Bonds</i>	
Lease payments on revenue bonds	\$14,688
1988-89 Expenditures (Proposed)	\$2,038,372
Change from 1987-88:	
Amount	\$132,687
Percent	7.0%

THE UNIVERSITY OF CALIFORNIA—Continued
ANALYSIS AND RECOMMENDATIONS

We recommend approval of the workload and cost adjustments (excluding the operation and maintenance workload adjustment—\$3.4 million) and the following program changes:

- *Dental clinics*—\$840,000 for the dental school clinics in San Francisco and Los Angeles to purchase supplies which help decrease the potential for cross-contamination of patients and dental personnel.
- *Affirmative action*—\$500,000 for the various affirmative action programs shown in Table 4. The budget states that UC will match this request with \$500,000 from university funds.

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

- *California State Lottery Education Fund (Item 6440-001-814)*—\$15.1 million for instructional use of computers (\$8.8 million), instructional program inflationary needs and additional support for the arts and humanities (\$3.4 million), new instructional equipment (\$1.5 million), and instructional equipment replacement (\$1.4 million). These proposed expenditures are instructionally related and supplement the university's budget.
- *Higher Education Facilities Bond Fund (Item 6440-001-785)*—\$3 million for asbestos abatement projects.
- *State Transportation Fund (Item 6440-001-046)*—\$956,000 for continued support of the Institute of Transportation Studies.
- *California Water Fund (Item 6440-001-144)*—\$100,000 for continued research on mosquito control.
- *Revenue Bond Payments (Item 6440-003-001)*—\$15 million for debt service payments required by lease purchase agreements for capital construction and equipment purchases for several UC campuses. These projects were approved by the Legislature in prior budget acts for financing by lease-purchase revenue bonds. Last year the Legislature approved the first payments—totaling \$312,000—for these bonds.

I. INSTRUCTION

The Instruction program includes (1) general campus instruction, (2) health science instruction, (3) summer session, and (4) university extension. Table 5 displays UC's instruction budget in the prior, current, and budget years. The budget proposes expenditures of \$1.4 billion for this program in 1988-89, an increase of \$44.3 million (3.3 percent) above estimated current-year expenditures.

A. ENROLLMENT INCREASES PLANNED FOR 1988-89

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-five percent of UC students attend full-time. Table 6 shows that budgeted enrollment for 1988-89 is above budgeted enrollment for

Table 5
The University of California
Instruction Budget
Summary of Expenditures and Funding
1986-87 through 1988-89
(dollars in thousands)

<i>Elements</i>	<i>Actual</i> 1986-87	<i>Est.</i> 1987-88	<i>Prop.</i> 1988-89	<i>Change from</i> 1987-88	
				<i>Amount</i>	<i>Percent</i>
General campus	\$776,268	\$877,289	\$910,025	\$32,736	3.7%
Health sciences	355,883	370,644	379,319	8,675	2.3
Summer session	14,964	15,721	16,086	365	2.3
University extension	79,828	84,178	86,702	2,524	3.0
Totals	\$1,226,943	\$1,347,832	\$1,392,132	\$44,300	3.3%
Funding Sources					
General funds	\$992,314	\$1,106,327	\$1,137,130	\$30,803	2.8%
Lottery Education Fund	12,643	15,081	15,081	—	—
Other restricted funds	221,986	226,424	239,921	13,497	6.0
Personnel-years	20,463	20,999	21,438	439	2.1%

1987-88 by 3,565 FTE (2.5 percent). (When compared to the estimated enrollment in the current year, however, the proposed level represents an increase of only 2,049 FTE, or 1.4 percent.)

Budgeted enrollment changes, by student category, are as follows:

- **Undergraduate**—up 2,709 FTE (2.6 percent).
- **Postbaccalaureate**—up 201 FTE (22 percent).
- **Graduate**—up 600 FTE (2.4 percent).
- **Health sciences**—up 55 FTE (0.5 percent).

Table 6
The University of California
Full-Time Equivalent Students (FTE)
1986-87 through 1988-89

<i>Campus</i>	<i>1986-87</i> <i>Actual</i>	<i>1987-88</i>		<i>1988-89</i> <i>Prop.</i>	<i>Change from</i> <i>Budgeted</i> 1987-88	
		<i>Budgeted</i>	<i>Est.</i>		<i>Number</i>	<i>Percent</i>
Berkeley						
Undergraduate	20,117	19,839	20,240	20,022	183	0.9%
Postbaccalaureate	114	118	113	118	—	—
Graduate	8,035	7,537	7,742	7,537	—	—
Health sciences	734	747	747	757	10	1.3
Subtotals	29,000	28,241	28,842	28,434	193	0.7%
Davis						
Undergraduate	13,805	14,491	14,873	15,566	1,075	7.4%
Postbaccalaureate	106	103	90	113	10	9.7
Graduate	3,288	2,906	3,006	2,961	55	1.9
Health sciences	1,894	1,810	1,810	1,832	22	1.2
Subtotals	19,093	19,310	19,779	20,472	1,162	6.0%
Irvine						
Undergraduate	10,965	11,314	11,465	11,667	353	3.1%
Postbaccalaureate	248	240	240	250	10	4.2
Graduate	1,489	1,493	1,516	1,613	120	8.0
Health sciences	1,051	1,019	1,019	1,040	21	2.1
Subtotals	13,753	14,066	14,240	14,570	504	3.6%

THE UNIVERSITY OF CALIFORNIA—Continued

Los Angeles							
Undergraduate	19,246	20,075	20,131	19,949	-126	-0.6%	
Postbaccalaureate	61	58	58	58	—	—	
Graduate	7,480	7,594	7,673	7,594	—	—	
Health sciences	3,740	3,729	3,729	3,719	-10	-0.3	
Subtotals	30,527	31,456	31,591	31,320	-136	-0.4%	
Riverside							
Undergraduate	3,885	4,674	4,769	5,341	667	14.3%	
Postbaccalaureate	205	152	260	270	118	77.6	
Graduate	1,211	1,118	995	1,118	—	—	
Health sciences	47	48	48	48	—	—	
Subtotals	5,348	5,992	6,072	6,777	785	13.1%	
San Diego							
Undergraduate	12,346	12,516	12,515	12,866	350	2.8%	
Postbaccalaureate	35	66	66	66	—	—	
Graduate	1,636	1,540	1,702	1,740	200	13.0	
Health sciences	1,070	1,032	1,032	1,052	20	1.9	
Subtotals	15,087	15,154	15,315	15,724	570	3.8%	
San Francisco							
Health sciences	3,505	3,582	3,582	3,574	-8	-0.2%	
Santa Barbara							
Undergraduate	15,097	15,120	15,051	15,216	96	0.6%	
Postbaccalaureate	116	133	133	133	—	—	
Graduate	1,946	1,877	1,768	1,997	120	6.4	
Subtotals	17,159	17,130	16,952	17,346	216	1.3%	
Santa Cruz							
Undergraduate	7,644	8,023	8,004	8,134	111	1.4%	
Postbaccalaureate	112	47	160	110	63	134.0	
Graduate	548	529	509	634	105	19.8	
Subtotals	8,304	8,599	8,673	8,878	279	3.2%	
Total University							
Undergraduate	103,105	106,052	107,048	108,761	2,709	2.6%	
Postbaccalaureate	997	917	1,120	1,118	201	21.9	
Graduate	25,633	24,594	24,911	25,194	600	2.4	
Health sciences	12,041	11,967	11,967	12,022	55	0.5	
Totals	141,776	143,530	145,046	147,095	3,565	2.5%	

B. GENERAL CAMPUS INSTRUCTION

General campus instruction includes the cost of faculty, teaching assistants, and related instructional support for the eight general campuses. Expenditures and funding sources for general campus instruction in the prior, current, and budget years are shown in Table 7.

As Table 7 shows, the 1988-89 budget proposes a general instruction program totaling \$910 million—\$32.7 million (3.7 percent) above estimated current-year expenditures. Of this amount, the budget proposes expenditures of \$877 million from general funds—\$29.7 million (3.5 percent) above estimated current-year expenditures.

The \$29.7 million increase is entirely from the state General Fund and consists of the following elements:

- *Undergraduate enrollment*—\$13.7 million to support the additional 2,709 FTE undergraduate students.

Table 7
The University of California
Instruction—General Campus
Summary of Expenditures and Funding
1986-87 through 1988-89
(dollars in thousands)

Elements	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Change from 1987-88	
				Amount	Percent
Faculty.....	\$422,147	\$506,215	\$515,264	\$9,049	1.8%
Teaching assistants.....	44,162	48,401	49,793	1,392	2.9
Instructional support.....	249,937	266,976	277,469	10,493	3.9
Equipment replacement.....	26,543	31,118	36,920	5,802	18.6
Equipment: backlog reduction.....	10,000	1,425	1,425	—	—
Instructional computing.....	18,159	19,659	25,659	6,000	30.5
Computer equipment.....	3,000	—	—	—	—
Technical education.....	1,156	1,156	1,156	—	—
Other.....	1,164	2,339	2,339	—	—
Totals.....	\$776,268	\$877,289	\$910,025	\$32,736	3.7%
Funding Sources					
General funds.....	\$746,690	\$847,398	\$877,112	\$29,714	3.5%
Lottery Education Fund.....	12,643	15,081	15,081	—	—
Other restricted funds.....	16,935	14,810	17,832	3,022	20.4
Personnel-years					
Faculty.....	7,293	7,475	7,674	199	2.7%
Teaching assistants.....	2,084	2,406	2,472	66	2.7
Other.....	5,321	5,228	5,378	150	2.9
Totals.....	14,698	15,109	15,524	415	2.7%

- **Postbaccalaureate enrollment**—\$985,000 to support the additional 201 postbaccalaureate students.
- **Graduate enrollment**—\$2.9 million to support the additional 600 graduate students.
- **Instructional Equipment Replacement**—\$5.8 million to provide full funding of the formula-driven need for replacement of instructional equipment. (The budget also proposes a new policy. Starting in the 1989 budget, UC will request replacement funds for computers donated after June 30, 1987.)
- **Instructional Computing**—\$6 million to support the operating costs of instructional computing justified in the university's 1984 Academic Computing Report. (This increase will be augmented with lottery funds to provide a total of \$26 million—only \$700,000 short of the 1988-89 amount proposed in the 1984 plan.)
- **Teaching assistant training**—\$250,000 to expand and improve teaching assistant training programs. Current-year General Fund support totals \$1.4 million. In the 1987 Budget Bill, the Legislature approved an increase of \$750,000 for this program. The Governor, however, reduced that amount by \$250,000. Consequently, this proposal restores the program to the level approved by the Legislature last year.
- **Education abroad program**—\$200,000 to support (1) incentive grants to increase student participation in Pacific Rim countries and (2) UC faculty who change places with foreign faculty from Pacific Rim countries for six months to a year. In 1986-87, UC proposed a three-year phase-in of this program. With this third year of phased-increases, program support will total \$849,000.

THE UNIVERSITY OF CALIFORNIA—Continued

With the exception of the postbaccalaureate and graduate enrollment requests, which are discussed in the following section, we recommend approval of these proposed changes.

1. Postbaccalaureate and Graduate Enrollments

We withhold recommendation on the requested General Fund increase of \$3.9 million to support a postbaccalaureate and graduate student increase of 801 FTE students, pending review of additional information from the California Postsecondary Education Commission (CPEC).

The budget requests \$3.9 million from the General Fund to support an increase of 201 FTE postbaccalaureate students and 600 FTE graduate students.

Graduate Enrollment Plan Being Reviewed. The Legislature, starting in 1980-81, has requested graduate enrollment plans from UC. Two plans have previously been submitted both focusing on graduate enrollment growth for three-year periods through 1986-87. In the *Supplemental Report of the 1985 Budget Act*, the Legislature requested a new UC plan to include detailed enrollment projections through 1989-90 and a general plan through 2000-01. UC submitted its plan in January 1987.

The latest plan identifies several planning principles and provides projections of enrollment growth. One of the planning principles relates to the desired "balance" between undergraduate and graduate students. Balance refers to the need to have a large enough number of graduate students to ensure that faculty who wish to teach graduate students will have the opportunity to do so. UC believes that this balance will help to attract and retain faculty. The plan proposes, as a "best estimate", that graduate students (inclusive of postbaccalaureate students) should constitute 22 percent of total enrollment. (Currently they constitute 19 percent.) Accordingly, the plan projects that an undergraduate enrollment increase of 16 percent (17,168 students) between 1987-88 and 2000-01 would necessitate a graduate enrollment increase of 36 percent (9,090 students). This means that in order to achieve UC's desired "balance" by 2000-01, graduate enrollments will have to increase at more than twice the undergraduate rate.

Because of the major policy and fiscal implications of this proposal in the near term as well as the future, we have asked CPEC, as part of its advisory function to the Legislature, to provide its comments on the plan prior to budget hearings. We requested that the commission pay particular attention to the "balance" principle and indicate if balance at the level desired by UC is necessary in order to attract and retain faculty. Pending our review of CPEC's comments, we withhold recommendation on the graduate enrollment increase.

C. HEALTH SCIENCES INSTRUCTION

Health sciences instruction includes the cost of faculty and instructional support for UC's health sciences schools. Table 8 shows the health sciences instruction budget, by program element, for the prior, current, and budget years.

Table 8
The University of California
Instruction—Health Sciences
Summary of Expenditures and Funding
1986-87 through 1988-89
(dollars in thousands)

Program	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Change from 1987-88	
				Amount	Percent
Medicine.....	\$287,965	\$294,403	\$302,800	\$8,397	2.9%
Dentistry.....	19,071	20,968	20,968	—	—
Nursing.....	9,375	9,809	9,809	—	—
Optometry.....	2,207	2,169	2,169	—	—
Pharmacy.....	5,992	7,145	7,190	45	0.6
Public health.....	11,841	11,764	11,843	79	0.7
Veterinary medicine.....	17,331	17,498	17,652	154	0.9
Other.....	2,101	6,888	6,888	—	—
Totals.....	\$355,883	\$370,644	\$379,319	\$8,675	2.3%
Funding Sources					
General funds.....	\$245,624	\$258,929	\$260,018	\$1,089	0.4%
Restricted funds.....	110,259	111,715	119,301	7,586	6.8
Personnel-years					
Faculty.....	2,026	2,003	2,015	12	0.6%
Other.....	2,408	2,498	2,510	12	0.5
Totals.....	4,434	4,501	4,525	24	0.5%

As Table 8 shows, the 1988-89 budget proposes a health sciences instruction program totaling \$379.3 million—\$8.7 million (2.3 percent) more than estimated current-year expenditures. Of this amount, the budget proposes expenditures of \$260 million from general funds—\$1.1 million (0.4 percent) more than current-year expenditures.

The \$1.1 million increase, which is entirely from the state General Fund, is proposed to support an increase of 95 graduate academic students in 1988-89.

More Information Needed on Graduate Academic Enrollment Increase

We withhold recommendation on the proposed General Fund increase of \$1.1 million to support a graduate academic enrollment increase of 95 students, pending further justification of the request by UC.

Health sciences graduate academic students are enrolled in masters degree or Ph.D. programs in a wide variety of disciplines—from Biochemistry to Nutritional Sciences. The largest percentage of students are enrolled in basic science disciplines. As mentioned, the budget requests a \$1.1 million General Fund augmentation to support an increase of 95 graduate academic students in 1988-89. This proposed increase and the historical enrollment pattern are shown in Table 9.

Little information is available on the rationale for adding a total of 95 students in four program areas. UC has agreed to provide additional justification prior to the budget hearings. Pending our review of this information, we withhold recommendation on the enrollment increase.

THE UNIVERSITY OF CALIFORNIA—Continued

Table 9

**The University of California
Health Sciences Graduate Academic Students (Budgeted)
1984-85 through 1988-89**

<i>Program</i>	<i>1984-85</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>Change from 1987-88</i>
Medicine	749	733	784	784	855	71
Optometry	21	21	21	21	21	—
Public health	193	214	226	240	250	10
Veterinary medicine	111	111	127	127	137	10
Nursing	23	35	43	51	51	—
Dentistry	16	16	16	16	16	—
Pharmacy	65	65	69	69	73	4
Totals	1,178	1,195	1,286	1,308	1,403	95

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. In contrast, expenditures for departmental research are funded in the Instruction Program primarily through that portion of faculty salaries corresponding to the time faculty spend on research as part of their normal university duties.

Expenditures and funding sources for organized research in the prior, current, and budget years are shown in Table 10. As the table shows, the budget requests \$204 million (including \$170 million from general funds) for organized research in 1988-89—a net decrease of \$2.9 million (1.4 percent) from estimated current-year expenditures. This net decrease is entirely from the General Fund and consists of: (1) a reduction of \$4.4 million in one-time appropriations for studies on the Superconducting Super Collider, partially offset by (2) a request for \$1.5 million to provide additional graduate student research assistantships in engineering and humanities.

In addition to this funding for organized research, the university will receive an estimated \$691 million from extramural sources (primarily the federal government) for research activities in 1988-89. Consequently, total support for research is considerably larger than the amount shown in Table 10. In fact, in the latest rankings of federally sponsored research and development grants made to universities in 1986, the University of California placed two of its campuses among the top ten in the United States and placed four of its campuses among the top 20.

Table 10
The University of California
Organized Research Program
Summary of Expenditures and Funding
1986-87 through 1988-89
(dollars in thousands)

<i>Elements</i>	<i>Actual</i> 1986-87	<i>Est.</i> 1987-88	<i>Prop.</i> 1988-89	<i>Change from</i> 1987-88	
				<i>Amount</i>	<i>Percent</i>
General campus	\$64,801	\$61,985	\$59,045	-\$2,940	-4.7%
Health sciences	25,876	26,936	26,936	—	—
Agriculture	90,446	98,153	98,153	—	—
Marine sciences	11,034	13,851	13,851	—	—
Faculty grants/travel	—	5,922	5,922	—	—
Totals	\$192,157	\$206,847	\$203,907	-\$2,940	-1.4%
Funding Sources					
<i>General funds</i>	\$162,504	\$173,340	\$170,400	-\$2,940	-1.7%
<i>Restricted funds</i>					
<i>State</i>	\$1,056	\$1,056	\$1,056	—	—
<i>Other</i>	28,597	32,451	32,451	—	—
Personnel-years	2,899	3,059	3,059	—	—

1. Graduate Research Assistantships—Program Will Not Increase Supply

We recommend deletion of the \$1.5 million requested from the General Fund for additional graduate student research assistantships because the proposal will not increase the supply of Ph.D. graduates. (Reduce Item 6440-001-001 by \$1.5 million.)

The budget requests \$1.5 million from the General Fund for approximately 140 new graduate student research assistantships. Of the amount requested, (1) \$800,000 is proposed for 65 to 70 research assistantship awards of \$12,000 per student in engineering/computer science, and (2) \$700,000 is proposed for 70 awards of \$10,000 per student in the humanities. All of these awards are made without regard to a student's financial need, that is, they are merit-based rather than need-based.

According to UC, these research assistantship awards are needed to increase the supply of doctorally trained graduates to meet the future demand for faculty in higher education and/or doctorally trained graduates in industry. This problem is commonly recognized, and we acknowledge it.

Proposal Will Not Increase Supply of Graduates. If the Legislature agrees that the supply of doctorally trained graduates needs to be increased, then we believe that funding graduate enrollment increases rather than additional research assistantships is a more effective solution to the problem. The supply of Ph.D. graduates trained at UC is dependent on the graduate enrollment level that the state is willing to fund. Towards this end, the budget requests an increase of 600 FTE graduate students in 1988-89. The Legislature, based on its review of UC's enrollment plan discussed previously, will decide whether or not to provide funding for this request and in effect increase the supply of Ph.D.s.

The availability of merit-based research assistantships is only a factor in the enrollment levels to the extent that UC cannot attract and retain candidates into the Ph.D. slots authorized. In UC's case, this is not a problem. In fact, the university's graduate programs currently attract

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many more highly qualified applicants than the number that can be offered admission. Moreover, UC has not provided any evidence that once admitted, these students have not been retained.

Given this situation, the effect of additional UC research assistantships is not to increase the supply of graduates, but rather to increase funding for general research. With these assistantship salary funds, UC faculty will merely employ currently enrolled students to work on their research projects. Accordingly, we recommend deletion of the \$1.5 million request for additional graduate student research assistantships.

2. Heart Disease Research

We recommend UC report during budget hearings on the funding status of the San Francisco-based coronary heart disease research project.

In 1987 the Legislature passed Assembly Bill 974 (Ch 1283/87) which appropriated \$500,000 to UC for research relating to the effect of life-style changes on coronary heart disease. In signing this bill into law, the Governor deleted the appropriation but stated that he would consider funding the bill's provisions in the 1988-89 budget.

The Regents' 1988-89 budget did not request funds for this research nor does the Governor's Budget. We therefore recommend that the university report during budget hearings on the project's status.

3. Superconducting Super Collider

In the 1985 and 1986 Budget Acts, the Legislature provided UC with \$500,000 and \$1 million respectively for use in developing information that might lead the federal government to locate the proposed Superconducting Super Collider (SSC) in California.

In 1987, the Legislature appropriated \$4.4 million to UC for the continued development of this information. The UC was informed in January, however, that California was no longer being considered as a location for the SSC. Accordingly, UC has ceased work on the project. The UC reports that \$3.7 million was spent prior to the federal decision, thus it will revert the balance of the appropriation—\$700,000—in the current year.

III. PUBLIC SERVICE

The public service program includes support for the California Mathematics and Writing Projects, the agricultural cooperative extension program, the Drew public service program, the California College of Podiatric Medicine, and several other campus-based public service activities. Expenditures and funding sources for the public service program in the prior, current, and budget years are shown in Table 11.

Table 11 shows a proposed public service program totaling \$88 million—\$778,000 (0.9 percent) above estimated current-year expenditures. The \$778,000 increase is entirely from the state General Fund and is for initial state support for the following two programs: (1) \$200,000 for the California Articulation Number (CAN) project which seeks common course numbering between UC, CSU and the CCCs and (2) \$578,000 for the University/Schools Cooperative Research and Extension Program in Education which seeks to encourage school-based research projects. We note, however, that the budget does not propose funds for initial state

support for the California Science Project which was authorized by the Legislature in 1987 (Ch 1486/87).

Table 11
The University of California
Public Service Program
Summary of Expenditures and Funding
1986-87 through 1988-89
(dollars in thousands)

Elements	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Change from 1987-88	
				Amount	Percent
California mathematics project.....	\$1,021	\$1,277	\$1,277	—	—
California writing project.....	624	747	747	—	—
University/schools extension.....	—	—	578	\$578	— ^a
Lawrence Hall of Science.....	3,389	3,126	3,126	—	—
EQUALS math project.....	403	334	334	—	—
Transfer centers.....	779	826	826	—	—
California articulation number.....	—	—	200	200	— ^a
Scripps-Aquarium/Museum.....	245	250	250	—	—
Abnormal growth registry.....	178	156	156	—	—
Cooperative extension/agriculture.....	44,578	51,817	51,817	—	—
Drew Postgraduate Medical School.....	2,932	2,932	2,932	—	—
College of Podiatric Medicine.....	849	871	871	—	—
Other campus-based activities.....	22,008	24,916	24,916	—	—
Totals.....	\$77,006	\$87,252	\$88,030	\$778	0.9%
Funding Sources					
General funds.....	\$43,250	\$49,488	\$50,266	\$778	1.6%
Restricted funds.....	33,756	37,764	37,764	—	—
Personnel-years.....	1,298	1,396	1,405	9	0.6%

^a Not a meaningful figure.

We recommend approval of the CAN Project request because we believe that it will aid students who wish to transfer from community colleges to UC and the California State University. In the following section, we recommend a \$600,000 General Fund augmentation for the Science Project and deletion of the \$578,000 request for the University/Schools Project.

California Science Project Is a More Promising Proposal Than the University/Schools Project

California Science Project. We recommend a General Fund augmentation of \$600,000 to provide initial state support for the California Science Project, which was authorized by Chapter 1486/87, because our analysis indicates that it is based on a proven approach to address an important K-12 curriculum need that has been identified by the Legislature. (Increase Item 6440-001-001 by \$600,000.)

University/Schools Program. We further recommend deletion of \$578,000 requested from the General Fund for initial state support of a University/Schools Research and Extension Program in Education because the proposal appears to be an ineffective means of assisting K-12 schools. (Reduce Item 6440-001-001 by \$578,000.)

California Science Project. The California Science Project, authorized by Ch 1486/87 and modeled after the university's statutorily authorized Mathematics Project, is designed to strengthen K-12 science education

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through teacher and curriculum development activities. The teacher development component will bring together faculty from UC, the CSU, and K-12 schools in summer institutes designed to expand and develop the scientific expertise of the K-12 participants. The K-12 participants will then be able to provide training to other teachers in their own districts during the regular school year. The curriculum development component will use teams of university faculty and K-12 teachers to develop curriculum models during the summer institutes. Chapter 1486 requires an evaluation of the effectiveness of the project by January 1, 1991.

Chapter 1486 also expressed the Legislature's intent to provide funding for the project in the annual Budget Act. The Regents requested \$600,000 from the General Fund for the initial establishment of six Science Project institutes. The Governor's Budget, however, does not propose funds for this project.

University/Schools Program. The budget instead requests \$578,000 from the General Fund to establish a University/Schools Cooperative Research and Extension Program in Education.

UC proposes to employ four education extension specialists who will: (1) gather research topics for UC faculty that are based on discussions with K-12 teachers and administrators who are familiar with current K-12 school problems, and (2) make K-12 schools aware of already available research on how to improve teaching practices. According to the university, current academic research on education is not often used to shape or change teaching practices. This is because professional incentives for School of Education faculty are directed toward the publication of discipline-based basic research rather than field-based applied research.

Our analysis indicates that this proposal appears to be an ineffective means to address the intended objectives. *First*, if UC faculty are unaware of applied research topics on current K-12 school problems, it would seem that *faculty* visits and interaction with teachers would be the best means of obtaining the desired information. Moreover, this direct interaction can be accomplished within the existing UC budget because faculty workload already includes time for research. Therefore, rather than adding additional staff, the same if not better results could be obtained by redirecting a limited amount of current research from discipline-based basic research to field-based applied research. This redirection can be accomplished by action of the faculty to recognize the value of field-based applied research.

Second, according to UC, this \$578,000 program will only directly effect some 75,000 K-12 students. Expansion to serve any reasonable percentage of the 4.7 million K-12 student population could only be accomplished with very significant increases in state costs. We believe that the Math and Science Project approach—which targets specific curriculum areas in need of improvement and focuses on in-service training of teachers and development of model curricula—can reach more schools and students at a lower state cost. For example, UC estimates that the \$600,000 proposed for the Science Project will provide sufficient funds for services to 37 percent of the state's K-12 enrollment.

Conclusion and Recommendation. Our review indicates that the Science Project is modeled after a proven approach to address an important K-12 curriculum need that has been identified by the Legis-

lature. Accordingly, we recommend a General Fund augmentation of \$600,000 for the project. In contrast, the University/Schools Program seems to add an additional layer of administration for a limited service that we believe can be accomplished within existing resources. Consequently, we recommend deletion of the \$578,000 requested for this purpose.

IV. TEACHING HOSPITALS

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

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

In 1988-89, the operating costs of these hospitals will be \$1 billion, supported primarily by revenue from patient fees, insurance companies, Medicare, the Medi-Cal program, and other public entities.

A. BACKGROUND ON TEACHING HOSPITAL SUBSIDY

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

In response, the Legislature provided one year contingency funding in the 1985, 1986 and 1987 Budget Acts with no explicit commitment to a full eight-year plan. Because net operating gains at the three hospitals were positive in 1985-86 and 1986-87 no operating subsidy was needed for those years (although the 1986 Budget Act provided \$9.6 million to subsidize losses incurred at Irvine prior to 1985-86). For 1987-88, the budget estimates an operating subsidy of \$8 million. At the time, however, it is too early in the year to accurately estimate a subsidy amount, if any, for 1987-88.

In addition to the operating subsidy, a total of \$45.9 million in revenue bond financing for capital outlay projects at the three hospitals has been approved by the Legislature in the last three years.

B. THE GOVERNOR'S 1988 BUDGET PROPOSAL (Item 6440-016-001)

The budget requests:

- a *\$6 million* appropriation from the General Fund to offset any net losses in 1988-89 at the Davis, Irvine and San Diego hospitals.
- *adoption of Budget Bill language* expressing legislative intent to provide, in the 1988-89 deficiency bill, up to an additional \$3 million from the General Fund if the \$6 million appropriation is insufficient to offset the net losses, and
- *\$49 million* for capital outlay projects at the hospitals, payable from the High Technology Education Revenue Bond Fund.

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

Too Early To Appropriate 1988-89 Operating Subsidy

We recommend deletion of \$6 million requested from the General Fund for an operating subsidy in 1988-89 because of the uncertainty of projections of net gains and losses.

We further recommend the adoption of Budget Bill language expressing intent to appropriate up to \$9 million in the 1989 Budget Bill to offset any 1988-89 losses that might occur at the three hospitals with the provision that any 1988-89 operating loss first be offset by any 1987-88 operating gain. (Delete Item 6440-016-001 and add Budget Bill language to Item 6440-001-001.)

Table 12 shows that the Davis, Irvine and San Diego hospitals currently project deficits (net losses) of \$8.1 million for 1988-89. Many factors, as discussed below, make it difficult to accurately predict the hospitals' gains or losses this far in advance.

Difficulty of Making Estimates. An illustration of the difficulty of estimating hospital gains or losses 18 months in advance is shown in Table 12. In January 1985, the university estimated a net loss of \$24 million for the three hospitals in 1985-86. However, 18 months later the hospitals reported a net gain of \$15 million, a "bottom line" change of \$39 million.

Table 12
The University of California
Davis, Irvine, and San Diego Teaching Hospitals
Summary of Net Gain and Loss
1985-86 through 1988-89
(dollars in thousands)

	1985-86		1986-87		1987-88		1988-89
	Est. 1/14/85	Actual 6/30/86	Est. 1/22/86	Actual 6/30/87	Est. 12/11/86	Est. 1/7/88	Est. 1/7/88
Davis							
Operating	-\$11,682	-\$4,444	-\$8,216	\$786	-\$8,852	\$1,442	\$311
Nonoperating	1,862	12,750	2,212	2,377	2,512	2,380	755
Net Gain/Loss	-\$9,820	\$8,306	-\$6,004	\$3,163	-\$6,340	\$3,822	\$1,066
Irvine							
Operating	-\$10,871	\$772	-\$9,375	-\$1,052	-\$6,964	-\$9,515	-\$10,800
Nonoperating	—	2,259 ^a	—	1,800	126	2,082	1,082
Net Gain/Loss	-\$10,871	\$3,031 ^a	-\$9,375	\$748	-\$6,838	-\$7,433	-\$9,718
San Diego							
Operating	-\$3,750	\$2,202	-\$6,113	\$5,349	\$4,612	\$1,166	\$132
Nonoperating	—	1,452	—	1,788	-117	500	400
Net Gain/Loss	-\$3,750	\$3,654	-\$6,113	\$7,137	\$4,495	\$1,666	\$532
Totals							
Operating	-\$26,303	-\$1,470	-\$23,704	\$5,083	-\$11,204	-\$6,907	-\$10,357
Nonoperating	1,862	16,461 ^a	2,212	5,965	2,521	4,962	2,237
Net Gain/Loss	-\$24,441	\$14,991 ^a	-\$21,492	\$11,048	-\$8,683	-\$1,945	-\$8,120
Difference		\$39,432		\$32,540		\$6,738	

^a These amounts exclude the \$9.6 million state operating subsidy appropriated in the 1986 Budget Act. The intent of this operating subsidy was to offset the combined net loss at Irvine for the 1983-84, 1984-85, and 1985-86 fiscal years.

In January 1986, the university estimated a net loss of \$21 million for the three hospitals in 1986-87. However, 18 months later the hospitals reported a net gain of \$11 million, a "bottom line" change of \$32 million.

The following factors make estimates of the hospitals' "bottom line" difficult:

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

Consequently, our analysis indicates that given prior history and the uncertainty of estimating hospital net gains or losses, the requested appropriation of \$6 million may set aside too much to offset actual losses. Accordingly, we believe it would be more appropriate to defer the 1988-89 subsidy issue until the Legislature considers the 1989 Budget Bill. This would allow for a decision closer to the end of the hospitals' fiscal year when a much more accurate estimate of activity can be made. The Legislature uses a similar process to pay for COLAs for county welfare department administrative staff. Specifically, the state does not cover its share of the COLAs given to county welfare department staff until the year after the COLAs are granted.

We note that deferral does not diminish the state's commitment to provide the teaching hospitals with up to \$9 million to offset any loss that they might experience in 1988-89. Moreover, this course of action would allow alternative uses of \$6 million from the General Fund in the budget year.

Prior Year Gain Should Offset Budget Year Loss. We further believe that it is sound public policy to have the hospitals first offset any budget year loss with any gain made in the prior year. For example, if the San Diego hospital were to experience a net loss in 1988-89 we believe its operating gain in the prior year (1987-88) should be used as the first offset to the loss. In the absence of this provision, UC would retain any gain for UC general hospital expenditures. This provision provides for prudent management of the hospitals' operating budget on an ongoing basis.

We therefore recommend that the Legislature delete Item 6440-016-001 and adopt the following Budget Bill language in Item 6440-001-001 expressing intent to provide up to \$9 million in the 1989 Budget Bill to offset net losses incurred by the three hospitals in 1988-89, provided that these losses exceed net gains realized in 1987-88:

It is the intent of the Legislature that up to \$9 million be appropriated in the 1989 Budget Bill for transfer to the University of California, upon the order of the Director of Finance, to offset net losses incurred at the Davis, Irvine, and San Diego teaching hospitals for the 1988-89 fiscal year, provided that the net losses exceed net gains realized in 1987-88.

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V. OPERATION AND MAINTENANCE OF PLANT

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

Table 13
The University of California
Operation and Maintenance of Plant
Summary of Expenditures and Funding
1986-87 through 1988-89
(dollars in thousands)

Elements	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Change from 1987-88	
				Amount	Percent
Plant administration.....	\$7,819	\$9,578	\$9,734	\$156	1.6%
Building maintenance.....	40,738	53,867	58,727	4,860	9.0
Grounds maintenance.....	12,902	14,292	14,292	—	—
Janitorial services.....	37,274	43,983	44,674	691	1.6
Utilities purchases.....	69,247	80,999	82,312	1,313	1.6
Utilities operations.....	11,894	16,530	16,798	268	1.6
Refuse disposal.....	2,720	3,292	3,345	53	1.6
Fire protection.....	1,918	2,480	2,492	12	0.5
Deferred maintenance.....	14,620	15,324	15,324	—	—
Special repairs.....	746	4,544	5,794	1,250	27.5
Totals.....	\$199,878	\$244,889	\$253,492	\$8,603	3.5%
Funding Sources					
General funds.....	\$185,507	\$230,852	\$238,205	\$7,353	3.2%
Restricted funds.....	14,371	14,037	15,287	1,250	8.9
Personnel-years.....	3,023	3,272	3,317	45	1.4%

The budget proposes total support of \$253 million—\$8.6 million (3.5 percent) more than estimated current-year expenditures. The increase occurs throughout most of the program elements and consists of the following two components supported from the state General Fund:

- **Workload**—\$3.3 million for workload related to 600,500 square feet of additional state-maintained building area.
- **Standards Improvements**—\$4 million for building maintenance standards improvements.

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

More Information Needed on Workload and Laurel Heights Requests

We withhold recommendation on the General Fund maintenance requests of (a) \$3.3 million for increased workload and (b) \$568,500 for the Laurel Heights building, pending review of nonstate funded projects.

The budget requests the following from the General Fund: (1) a \$3.3 million augmentation for maintenance support of 600,500 square feet of additional building space and (2) a \$568,500 continuation in the base budget for maintenance support for 113,700 sq. ft. (30 percent) of the

Laurel Heights building in San Francisco. Slightly over one-half (52 percent) of the maintenance augmentation is for space recently acquired by UC with nonstate funds.

UC believes that the state should fund maintenance costs for certain buildings that UC acquires with nonstate sources. Last year the Legislature, based on our recommendation, directed UC to submit justification for state assumption of these costs including the recently purchased Laurel Heights building in San Francisco. The Legislature's intent was to require the same review of additional space added from nonstate funding sources as that required for space added with state funds.

The university submitted information on 88 nonstate funded projects in December. As of the preparation of this analysis we had not completed our review. Consequently, we withhold recommendation on the workload and Laurel Heights requests pending further review of this information.

VI. 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 1986-87, approximately 67,000 students received assistance from one or more of these sources, at a cost of \$288 million.

Expenditures and funding sources for the Student Financial Aid Program in the prior, current, and budget year are shown in Table 14. As the table shows, the budget proposes \$74.8 million for the Student Financial Aid Program in 1988-89, an increase of \$1.5 million (2 percent) above estimated current-year expenditures. The increase of \$1.5 million is entirely from the state General Fund and is proposed to offset the proposed systemwide fee increase for students with demonstrated financial need.

Table 14
The University of California
Student Financial Aid
1986-87 through 1988-89
(dollars in thousands)

	<i>Actual</i> 1986-87	<i>Est.</i> 1987-88	<i>Prop.</i> 1988-89	<i>Change from</i> 1987-88	
				<i>Amount</i>	<i>Percent</i>
Student Financial Aid.....	\$70,879	\$73,268	\$74,759	\$1,491	2.0%
Funding Sources					
<i>General funds</i>	\$37,332	\$39,028	\$40,519	\$1,491	3.8%
<i>Restricted funds</i>	33,547	34,240	34,240	—	—

I. Student Fee Increases Proposed for 1988-89

The Regents propose to increase systemwide student fees by \$60 (4.4 percent) in 1988-89 (undergraduate and graduate students pay the same fee). The methodology used to calculate this increase is in accordance with the fee setting policy adopted by the Legislature in 1985 (Ch 1523/85). Table 15 shows systemwide fee levels in the prior, current, and budget years. (In addition to the systemwide fee, undergraduate and graduate students will pay \$118 and \$100 respectively in campus-based fees.) The revenue raised by the systemwide fee increase totals \$8.9 million.

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Nonresident tuition, which is paid in addition to the systemwide fee, will be \$4,506 in 1988-89, an increase of \$216 (5 percent) above the current-year level. This fee is discussed in our analysis of the California Postsecondary Education Commission (Please see Item 6420).

Table 15
The University of California
Systemwide Student Fee Levels
1986-87 through 1988-89

Fee	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Change from 1987-88	
				Amount	Percent
Systemwide.....	\$1,245 ^a	\$1,374	\$1,434	\$60	4.4%

^a Graduate students paid \$60 more than undergraduates in 1986-87.

2. Financial Aid Funds for UC Cal Grant Recipients Should be Transferred to the Student Aid Commission

We recommend that \$2.6 million be transferred from the amount budgeted for UC's financial aid program to the Student Aid Commission's Cal Grant program, because program consolidation better serves Cal Grant student recipients. Our recommendation would fully fund the Cal Grant program to offset systemwide student fees for UC grant recipients. (Reduce Item 6440-006-001 by \$2,584,000 and increase Item 7980-101-001 by \$2,584,000.)

As discussed in our analysis of the Student Aid Commission (SAC), the state provides General Fund support for a statewide Cal Grant program, under which financial aid grants are awarded to students in public and private postsecondary education institutions. The Cal Grant "A" program provides funds to offset student fees, and the Cal Grant "B" program covers fees as well as other expenses. These awards were originally intended to cover the entire systemwide mandatory fee at UC. The commission indicates that approximately 18,600 Cal Grants will be allocated to UC students in the budget year.

The state also funds student financial aid through the UC budget. As shown in Table 14, this state General Fund aid totals \$39 million in the current year. This General Fund support initially was established in 1984-85 in order to provide student aid specifically to offset the significant increase in the systemwide mandatory fee implemented in that year. The Legislature created this campus-based program of student aid in lieu of augmenting the Cal Grant awards to keep pace with the fee increase. This has led to a bifurcated system in which Cal Grants (administered by SAC) now cover only a portion of UC fees—about 78 percent of the \$1,374 fee in 1987-88.

Since 1984-85, state financial aid has been adjusted to cover all fee increases at UC and CSU. As mentioned, the budget proposes a \$1.5 million augmentation sufficient to offset the proposed \$60 UC fee increase in 1988-89 for financially needy students.

Because the Cal Grant program is not funded at a level sufficient to fully offset student fees, a large number of students at UC—estimated at 8,500 in 1988-89—will receive both Cal Grants and UC state-supported financial aid. Given that both programs are designed to achieve the same

objective, we find no policy basis for continuing this bifurcated system. We believe that it would be more rational and efficient to transfer to the Cal Grant program that portion of the UC financial aid program associated with awards to UC students who also receive Cal Grants. These funds would be designated for allocation to Cal Grant recipients attending UC, and should be sufficient, when combined with budgeted Cal Grant awards, to fully offset systemwide mandatory fees at UC. This would be beneficial to students receiving these grants because the students would not have to wait until a decision is made on the campus-based financial aid program in order to determine the amount of aid that will be provided to offset fees.

Accordingly, we recommend that \$2.6 million be transferred from UC's budget to the Student Aid Commission's budget. This would not change the total level of funding allocated for student aid.

We make a similar recommendation in our analysis of the California State University. Both recommendations are discussed in greater depth in our analysis of the Student Aid Commission (please see Item 7980).

3. Financial Aid Program Is Overbudgeted

We recommend that \$408,000 in General Fund support proposed for increasing UC student financial aid be deleted, in order to eliminate double-budgeting. (Reduce Item 6440-006-001 by \$408,000.)

We further recommend a technical correction to transfer \$1.5 million from the main support item to the financial aid item. (Reduce Item 6440-001-001 by \$1,491,000 and Increase Item 6440-006-001 by \$1,491,000).

As noted in the preceding recommendation, the UC budget proposes an increase of \$1.5 million for the student financial aid program to offset the proposed increase of \$60 in fees for needy students. Because the Governor also proposes a 4.5 percent increase in Cal Grants to offset UC student fee increases in the Student Aid Commission's budget, there is double-budgeting associated with those UC students who will receive both a Cal Grant and UC state financial aid. We estimate that this amounts to \$408,000.

In order to correct this error in the budget, we recommend deletion of the \$408,000 from the amount proposed for the UC financial aid program, for a corresponding General Fund savings.

The Budget Bill also proposes the \$1.5 million financial aid increase in the main support item rather than in the student financial aid item. This is an error. To correct this, we recommend that the aid funds be transferred from the main item (6440-001-001) to the financial aid item (6440-006-001).

VII. UNALLOCATED ADJUSTMENTS

The Unallocated Adjustments Program serves as a temporary holding account for appropriations which eventually will be allocated by the Office of the President to the campuses, and by the campuses to the operating programs. This program, shown in Table 16, includes funds for (1) allocation to other programs, (2) price increases, and (3) employee compensation increases.

THE UNIVERSITY OF CALIFORNIA—Continued

Table 16
The University of California
Unallocated Adjustments
1986-87 through 1988-89
(dollars in thousands)

Elements	Est. 1986-87	Est. 1987-88	Prop. 1988-89	Change from 1987-88
Provisions for Allocation				
Lease payments on revenue bonds	—	\$312	\$15,000	\$14,688
Budgetary savings target	—	-74,069	-66,720	7,349
Other provisions	\$12,801	79,423	84,433	5,010
Subtotals, Provisions for allocation	(\$12,801)	(\$5,666)	(\$32,713)	(\$27,047)
Fixed Costs and Economic Factors				
Salary annualization	—	—	\$35,370	\$35,370
Faculty merit salary increase	—	—	15,178	15,178
Price increases	—	—	17,167	17,167
Social security	—	—	5,010	5,010
UC Retirement System rate reduction	—	—	-18,500	-18,500
PERS rate reduction	—	—	-686	-686
Employee compensation increase	—	—	41,243	41,243
Subtotals, Fixed costs	(—)	(—)	(\$94,782)	(\$94,782)
Grand totals	\$12,801	\$5,666	\$127,495	\$121,829
Funding Sources				
General funds	\$12,801	-\$26,618	\$75,441	\$102,059
Restricted funds	—	32,284	52,054	19,770

1. Faculty Salary Proposal Would Not Achieve Parity (Item 6440-011-001)

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

The UC budget proposes an expenditure of \$41.2 million to increase employee compensation in 1988-89. Of this amount, \$11.2 million is for benefits, while the balance of \$30 million would be used to provide the following salary increases, effective January 1, 1989: 3 percent for faculty, 4 percent for nonfaculty, and an additional 1 percent for "special salary and other adjustments" for nonfaculty employees.

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

In response to recent CPEC action, the budget reflects a change in UC's comparison group of universities. Specifically, the University of Wisconsin-Madison and Cornell University are replaced with the University of Virginia and the Massachusetts Institute of Technology (MIT). We have reviewed this request and agree with CPEC and the Department of Finance that this change is justified. The revised group consists of:

Harvard University
Stanford University
Yale University
MIT

University of Illinois-Urbana Campus
University of Michigan-Ann Arbor
State University of New York at Buffalo
University of Virginia

Table 17 shows the CPEC data which indicate that while UC's all ranks average salary—\$57,541—is 3.3 percent ahead of the comparison group in 1987-88, a full year faculty salary increase of 3 percent would be needed in 1988-89 for UC to be at parity with this group. As mentioned, however, the budget proposes \$13.2 million for a January 1989 increase of 3 percent—one-half of the amount required for a 3 percent increase for the full year.

Table 17
The University of California
Faculty Salary Increase Required to Achieve Parity
With Comparison Institutions
1988-89

Academic Rank	UC Average Salaries	Comparison Group Salaries ^a		Percentage Change Required in UC Salaries	
		Actual 1987-88	Est. 1988-89	Actual 1987-88	Est. 1988-89
Full Professor	\$65,881	\$63,719	\$67,772	-3.3%	2.9%
Associate Professor	43,574	43,394	46,280	-0.4	6.2
Assistant Professor	<u>38,424</u>	<u>35,573</u>	<u>38,034</u>	<u>-7.4</u>	<u>-1.0</u>
All Ranks Average	\$57,541	\$55,664	\$59,258	-3.3%	3.0%

^a Comparison group salary average by rank is an unweighted average. The all-ranks average for the comparison group is based on the following UC staffing patterns for 1988-89: full professors 66 percent (3,425), associate professors 19 percent (1,009), and assistant professors 15 percent (757).

In the past, we have consistently recommended that faculty receive a salary increase sufficient to bring them to a parity level with comparison institutions. We continue to believe that salary parity is the appropriate method to determine annual salary levels. Because of the state's fiscal situation, however, this may not be possible. Consequently, we withhold recommendation until the "May Revision" when updated budget information on expected revenues and expenditures will be available. At that time we will advise the Legislature on the financial feasibility of augmenting the UC budget to provide salary parity for faculty.

2. UC Price Increases Are Unjustifiably Greater Than Those of Other State Agencies

We recommend deletion of \$6.2 million of the amount requested from the General Fund for UC price increases because the amount requested is in excess of the increases granted other state agencies and there is no analytical reason to provide UC with greater increases. (Reduce Item 6440-001-001 by \$6,173,000.)

The UC budget requests \$17.2 million from the General Fund to provide for price increases in 1988-89. Our review indicates that several items of expenditure, shown in Table 18, will receive far greater increases than authorized by the DOF price letter for 1988-89. This is because UC has been given price adjustments on many items for *both* the current year and the budget year.

THE UNIVERSITY OF CALIFORNIA—Continued

Table 18

The University of California
Comparison of Selected Price Letter/Book Allowances and Increases
Proposed for the University of California

1988-89

(dollars in thousands)

<i>Expenditure Category</i>	<i>Sample of Dept. of Finance Price Letter Allowances</i>	<i>Increase Proposed for UC</i>	<i>Proposed Above Price Letter</i>	
			<i>Percent</i>	<i>Amount</i>
Library subscriptions.....	7.9%	19.4%	11.5%	\$1,817
Medical supplies.....	6.2	13.5	7.3	1,089
Data processing.....	3.8	10.5	6.7	907
Financial aid.....	—	2.0	2.0	724
Printing/publications.....	10.0	20.0	10.0	437
Telephones.....	—	2.0	2.0	411
Printing/forms.....	10.0	20.0	10.0	401
Hardcover books.....	5.9	8.4	2.5	364
Office machine maintenance.....	4.3	15.4	11.1	308
Repair/minor alterations.....	1.7	3.0	1.3	305
Photocopying/reproduction.....	1.8	6.2	4.4	299
Oil and propane.....	—	4.6	4.6	181
External audit.....	2.2	4.8	2.6	12
Totals.....	—	—	—	\$7,253

In the course of our review, we identified no other state agency budget with a proposed two-year price increase. A comparison with the California State University (CSU) budget illustrates the magnitude of the adjustment reflected in UC's budget. For example, the CSU budget proposes an increase of 7.9 percent for library subscriptions (the price letter allowance for 1988-89) compared to the 19.4 percent increase proposed for UC (the price letter increase for 1987-88 and 1988-89). Further, the CSU budget proposes no price increase for student financial aid compared to the 2 percent (\$724,000) price increase proposed for UC's state-funded financial aid.

Most state programs have experienced a loss of purchasing power in recent years due to the effects of inflation. We cannot identify any unique analytical reason to justify the "special increases" proposed for UC in 1988-89 when virtually all state agencies have experienced the same budgetary constraint. Provision of an extraordinary inflation adjustment is appropriately a policy issue for the Legislature. We, therefore, recommend that UC's budget be comparable with all others. Because the DOF price letter for 1988-89 allows agencies to use either (1) specific cost factors identified in the letter, or (2) a 2.5 percent increase, we recommend a reduction of only \$6.2 million to the UC budget rather than the \$7.3 million shown in Table 18. With this reduction, UC will be provided with a general price increase of 2.5 percent—the same as that proposed for CSU.

3. UC Benefits Are Overbudgeted

We recommend deletion of \$4.4 million requested from the General Fund to provide price adjustments for UC employee benefits because UC's benefits in recent years have unintentionally increased more than other state employees. The intent of this recommendation is to gradu-

ally reestablish parity between UC employees and other state employees. (Reduce Item 6440-011-001 by \$4,416,000.)

The budget requests \$11.2 million for employee benefit increases, \$4.4 million of which is proposed for price increases for health insurance. Traditionally, the state's policy has been to provide comparable benefits between UC and all other state employees. Table 19 shows that starting in 1983-84 the state's contribution for health insurance benefits per UC employee became higher than the state's contribution for other employees. In 1987-88 this "benefit gap" between state contributions for UC employees and all other state employees ranges from \$53 to \$155 per month per employee.

Benefit Gap Is Based on Budget Error. Based on our review of the 1983-84 budget process, we found that UC did not request a benefit improvement (beyond price level adjustments) in that year. Further neither the Governor nor the Legislature expressed any intent to provide an improvement in benefits for UC greater than those of other employees.

Furthermore, we found no evidence that UC reallocated funds from salary increases to provide benefit improvements. UC faculty received the full salary increase granted by the Legislature while UC staff employees received the same salary increase as that granted to other state employees. Based on these reviews, our analysis indicates, as discussed below, that UC's increased benefits were the result of an error.

1983-84 Methodology Didn't Work. The methodology used in 1983-84 attempted to provide UC with equivalent benefit increases by estimating a gross increase for all employees based on a percentage of UC's salary base. As Table 19 shows, this methodology did not work. Under this methodology, UC received far more than was needed to maintain parity of employee benefits. Consequently, the health benefit contribution per UC employee in 1983-84 was as much as \$97 per month more than that provided to other state employees. The resulting "benefit gap" was thus an unintentional result, not a conscious policy decision.

The DOF subsequently changed this methodology. The new methodology uses the same dollar amount per employee for both UC and other state employees to calculate the increase in overall benefits. However, it does not address the differences that have been built into the baseline budget since 1983-84. We find no analytical reason to maintain these differences. Consequently, we recommend a phased approach to equalize the baseline budget. Specifically, we recommend that the state contribution per UC employee be held at the 1987-88 amount until the state's contribution for other employees reaches the UC level.

By gradually reestablishing parity, this recommendation would result in minimal disruptions for UC employees. In the budget year, the practical effect of this phased approach would mean that the state's contribution for a UC employee with two dependents would remain at the current-year level of \$388 per month as shown in Table 19. The state's contribution for its other employees with two dependents would increase from the current-year level of \$233 per month to an estimated \$258 per month. The current-year benefit gap of \$155 per month between UC employees and other state employees would be reduced to an estimated \$130. We recommend continuation of this process in subsequent budgets until the benefit gap is closed. For 1988-89, this recommendation results in a General Fund savings of \$4.4 million.

Table 19
The University of California
Maximum Monthly Employer Contribution for Health Insurance
Comparison of State Civil Service and CSU to
University of California Employees
1979-80 through 1987-88

	<i>Employee</i>			<i>Employee + 1</i>			<i>Employee + 2</i>		
	<i>Civil Service and CSU</i>	<i>UC</i>	<i>Amount UC Above other Employees</i>	<i>Civil Service and CSU</i>	<i>UC</i>	<i>Amount UC Above other Employees</i>	<i>Civil Service and CSU</i>	<i>UC</i>	<i>Amount UC Above other Employees</i>
1979-80.....	\$43	\$43	—	\$79	\$79	—	\$102	\$102	—
1980-81.....	49	49	—	90	90	—	117	117	—
1981-82.....	58	58	—	107	107	—	138	138	—
1982-83.....	71	71	—	133	133	—	168	168	—
1983-84 July.....	76	88	\$12	148	160	\$12	185	191	\$6
December.....	76	101	25	148	214	66	185	282	97
1984-85 July.....	86	101	15	167	214	47	209	282	73
December.....	86	136	50	167	279	112	209	366	157
1985-86 July.....	85	136	51	158	279	121	211	366	155
December.....	85	114	29	158	237	79	211	312	101
1986-87 July.....	88	114	26	163	237	74	219	312	93
December.....	88	128	40	163	263	100	219	346	127
1987-88 July.....	92	128	36	174	263	89	233	346	113
December.....	92	145	53	174	296	122	233	388	155

4. Reappropriation Provision in Need of Change (Item 6440-490)

We recommend a change in UC Budget Bill language to restrict reappropriations of unencumbered balances to only those that result from actual budgetary savings. The intent of this restriction is to eliminate reappropriation of balances due to underestimation of income.

In order to encourage prudent management, the Legislature added language in the past four Budget Acts that reappropriates unencumbered balances from UC's prior year budget for specified expenditures—(1) replacement of instructional equipment, (2) deferred maintenance, and (3) special repair projects—in the subsequent year. It was the intent of the Legislature that the unencumbered balances affected by this language be the result of savings in state expenditure programs.

UC's unencumbered balances, however, result from two factors—budgetary savings and income in "excess" of budget projections. Table 20 shows that over the past four years excess income has accounted for 96 percent (\$48.9 million) of UC's unencumbered balance. This excess income was primarily the result of UC's underestimation of overhead income from federal contracts and grants.

Table 20
The University of California
Item 6440-490 Unencumbered Balances and Allocations
1983-84 through 1986-87
(dollars in millions)

Source of unencumbered balance	1983-84	1984-85	1985-86	1986-87	Totals	
					Amount	Percent
Excess income.....	\$4.4	\$14.5	\$15.2	\$14.8	\$48.9	95.9%
Savings.....	1.8	0.3	—	—	2.1	4.1
Totals, Unencumbered balances..	\$6.2	\$14.8	\$15.2	\$14.8	\$51.0	100.0%
Subsequent year allocation						
Returned to state.....	—	\$6.0 ^a	\$5.0 ^a	—	\$11.0	21.6%
Expended by UC.....	\$6.2	8.8	10.2	\$14.8	40.0	78.4

^a The 1985 and 1986 Budget Acts required that \$6 million and \$5 million respectively, of unencumbered balances be returned to the state ("recaptured") before UC received any remaining balances.

Incentive of Language Works Against the General Fund. As mentioned, the central justification for the reappropriation language was to allow UC to retain savings that it realized during the year through prudent use of its state dollar resources. We agree with this concept. Our analysis, however, indicates that the majority of the "savings" have not been the result of prudent management but rather of *underestimating of income*.

UC's *projected* income is a direct offset to the General Fund. Thus, if income is *projected* to increase during a budget year, the amount appropriated from the General Fund to UC correspondingly decreases. However, if UC income actually increases above the *projected* amount once the budget is enacted, the reappropriation language enables UC to keep *all* of the excess.

THE UNIVERSITY OF CALIFORNIA—Continued

We believe that the current arrangement creates an incentive for UC to underestimate income and should be removed from the budget language. We therefore recommend that the following Budget Bill language be added to Item 6440-490 to exclude excess income from the amount available for reappropriation while still retaining the incentive for UC to prudently manage its General Fund dollars:

The unencumbered balance subject to reappropriation shall not include excess income.

5. Budgetary Savings

We recommend deletion of the requested \$7.3 million from the General Fund to provide a reduction in UC's budgetary savings target because there is no analytical reason to grant UC a reduction to its savings target when similar adjustments are not made for other state agencies. (Reduce Item 6440-001-001 by \$7,349,000.)

In the current year, UC's budgeted savings target for personal services and operating expense and equipment is 3.9 percent (\$74.1 million) of its state General Fund appropriation. The budget proposes to reduce this savings target to 3.3 percent (\$66.7 million) with a corresponding increase of \$7.3 million in General Fund support.

An augmentation of \$12 million for 1988-89 was requested by UC as the first year of a three-year \$36 million plan to reduce the savings target to a 2 percent level. The university argues that this reduction is justified because the current 3.9 percent target is not "natural" but rather the result of "unspecified budget cuts mandated by the state and underfunding of staff merit and price increases, which had to be funded by increasing savings targets."

As discussed in our earlier recommendation on price increases, most state programs, including the university, have experienced a loss of purchasing power in recent years due to the effects of inflation and the underfunding of merit salary adjustments. Our analysis, however, has not identified any unique analytical reason to reduce UC's budgetary savings target. While the savings target has increased due to unspecified reductions, we find that these reductions were applicable to most state agencies. For example, the California State University (CSU) has been subject to the same unspecified reductions. The budget, however, proposes no augmentation to the CSU budget to restore its past underfunding of merit or price increases. Provision of such an adjustment for UC is appropriately a policy issue for the Legislature. We therefore recommend that this request be deleted, for a General Fund savings of \$7.3 million in 1988-89.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY

Item 6440-301 from the 1988
 Higher Education Capital
 Outlay Bond Fund and the
 High Technology Education
 Bond Fund

Budget p. E 86

Requested 1988-89.....	\$185,467,000
Recommended approval.....	75,208,000
Recommended reduction.....	7,143,000
Recommendation pending.....	90,657,000
Recommended Fund Transfer.....	12,459,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

1. Insufficient Funds to Complete Projects. Recommend the Legislature make appropriations to projects that are consistent with the Legislature's policy guidelines and funding criteria and which can be completed within the Legislature's financing plan. 987
2. University Hospitals Should Pay Revenue Bonds Costs. Recommend the Legislature adopt Budget Bill language specifying that the University of California pay the annual debt service costs for revenue bonds issued for hospital improvements from hospital funds. (Future General Fund savings up to \$119.5 million.) 988
3. Davis and San Diego Hospital Improvement Projects. Withhold recommendation on \$33,303,000 in Item 6440-301-525 for three hospital improvement projects at Davis and San Diego Medical Center Hospitals pending receipt of preliminary plans and cost estimates. Recommend the University of California, prior to completing preliminary plans and cost estimates for the Davis Medical Center intensive care unit expansion, take steps to reduce the estimated construction cost. (Future savings: up to \$785,000.) 991
4. *Irvine—Cancer Center. Reduce Item 6440-301-785(4) by \$1,014,000.* Recommend deletion of equipment funds for the Cancer Center because the facility will not be completed in 1988-89 and thus the equipment will not be needed. 992
5. *Irvine—Psychiatric Inpatient Facility. Reduce Item 6440-301-525(5) by \$657,000.* Recommend reduction of funds for construction of the Irvine Medical Center's psychiatric inpatient facility to reflect cost authorized by the Legislature. 992
6. San Diego—Undergraduate Sciences Building. Withhold recommendation on \$404,000 in Item 6440-301-785(28) for preliminary plans and working drawings for renovation of the Undergraduate Sciences Building at San Diego pending receipt of additional information and final cost estimates. 993
7. *Irvine—Science Library. Reduce Item 6440-301-525(16) by \$352,000.* Recommend reduction of funds for preliminary 995

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

- plans of the new science library project at Irvine because the proposed construction cost is in excess of state guidelines for other state library facilities. (Future savings: \$10.6 million.)
8. San Diego—Central Library Addition. Withhold recommendation on \$1,079,000 in Item 6440-301-785 (24) for working drawings of the central library addition at San Diego pending completion of preliminary plans. 995
 9. Davis—*Engineering Unit 2. Reduce Item 6440-301-785 (12) by \$215,000.* Recommend reduction of funds for preliminary plans for Engineering Unit 2 at Davis because the estimated cost for class laboratory, support, and office space is too high and construction of a second wind tunnel has not been justified. (Future savings: \$5.8 million.) 996
 10. Los Angeles—*Fowler Museum. Reduce Item 6440-301-785 (20) by \$1,836,000.* Recommend deletion of funds for working drawings and construction for completion of new space in the Fowler Museum at Los Angeles because state-funded new space for classrooms, research laboratories, and an organized research unit is not justified. 998
 11. San Diego—*Sciences Building. Reduce Item 6440-301-785 (29) by \$1,530,000.* Recommend deletion of funds for preliminary plans for the new science building at San Diego because project space exceeds state guidelines. (Future savings: \$46 million) 999
 12. Santa Cruz—Earth and Marine Sciences Building. Withhold recommendation on \$2,790,000 in Item 6440-301-785 (37) for preliminary plans and working drawings for the New Earth and Marine Sciences Building at Santa Cruz pending additional information concerning space allocations for laboratories. 1000
 13. Preliminary Plans Not Completed for New Research Projects. Withhold recommendation on \$33,899,000 in Item 6440-301-785 for Los Angeles—Chemistry and Biological Sciences Addition (\$32,929,000) and (31) Santa Barbara—Physical Sciences Building (\$970,000) pending receipt of preliminary plans and cost estimates for these projects. 1001
 14. Preliminary Plans Not Completed for Research Renovation Projects. Withhold recommendation on \$5,997,000 in Item 6440-301-785 for five projects to upgrade research space on four campuses pending receipt of preliminary plans and cost information (please see Table 12, page 1002). 1002
 15. Irvine—Steinhaus Hall. Withhold recommendation on \$944,000 in Item 6440-301-785 (15) for preliminary plans and working drawings for renovation of Steinhaus Hall at Irvine pending receipt of additional information to substantiate project cost and deletion of classroom space. 1003
 16. Riverside—*Fawcett Laboratory. Reduce Item 6440-301-785 (21) by \$1,335,000.* Recommend deletion of funds for working drawings and construction because the university has not provided any justification for this project. 1004
 17. Berkeley—*Northwest Animal Facility. Approve \$12,459,000 under Item 6440-301-782 (1) (1986 General Obligation Bonds) rather than as proposed under Item 6440-301-* 1004

- 525(1) (High Technology Revenue Bonds)* for construction of the Northwest Animal Facility at Berkeley because it is more appropriate and less costly to use general obligation bonds than revenue bonds to fund this support facility.
18. Berkeley—Northwest Animal Facility. Adopt supplemental report language directing UC to sell its existing animal facilities at 800 and 806 Hearst Avenue in Berkeley and use the proceeds to offset the cost of constructing the new Northwest Animal Facility. 1005
19. Project Information Needed on Other Projects. Withhold recommendation on \$12,001,000 in Item 6440-301-785 for one university-wide project and four general improvement projects at four campuses pending receipt of additional information (please see Table 14, page 1006). 1006
20. Irvine—Campus Roadway Improvements. Withhold recommendation on \$240,000 in Item 6440-301-785(17) for preliminary plans and working drawings of campus roadway improvements at Irvine pending receipt of additional information. 1007
21. *Santa Cruz—Meyer Drive Extension. Reduce Item 6440-301-785(38) by \$204,000.* Recommend deletion of funds for preliminary plans and working drawings for extension of Meyer Drive at Santa Cruz because the need for the project has not been substantiated. (Future savings: \$2.3 million.) 1007

ANALYSIS AND RECOMMENDATIONS

The budget includes \$185.5 million for the University of California's (UC) capital outlay projects in 1988-89. The proposed amount includes (1) \$124 million in Item 6440-301-785 from the proposed 1988 Higher Education Capital Outlay Bond Act and (2) \$61.5 million in Item 6440-301-525 from the sale of High Technology Education Revenue Bonds by the State Public Works Board. At the time this analysis was prepared, the 1988 bond program proposed in SB 703 in the amount of \$600 million, had not been enacted by the Legislature. Assuming that the Bond Act is approved by the voters in November 1988, work on the projects will not be started until loans are arranged from the Pooled Money Investment Account. We estimate that this would not occur until at least January 1989. Thus, no work could commence on this portion of UC's 1988-89 capital program until the last half of the fiscal year.

Insufficient Funds to Complete Previously Approved and Proposed Projects

We recommend that the Legislature make appropriations for those 1988-89 higher education capital outlay projects that (1) are consistent with the Legislature's policy guidelines and funding priority criteria and (2) can be completed within the Legislature's financing plan.

The 1986 Higher Education Facilities Bond Act provided \$400 million for capital improvements in the state's system of public higher education. According to the Department of Finance, there is an unappropriated balance of about \$16 million in this bond fund. In addition, SB 703 (which is currently under consideration in the Assembly) includes a \$600 million bond program to be presented to the voters on the November 1988 ballot. (On page 4 of the Governor's Budget Summary, the Governor has indicated that he would support a bond program of \$700 million.)

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

Substantial Additional Funds Needed to Complete Projects. Table 1 shows the amounts previously appropriated from the 1986 Bond Act and proposed from the anticipated 1988 Bond Act for the UC, CSU, and CCC capital outlay programs. The table also includes an estimated amount that will be needed to complete these projects.

Table 1
Previously Funded and Proposed Capital Outlay Projects
1986 and 1988 Higher Education Facilities Bond Acts
(dollars in millions)

	<i>Projects Previously Funded 1986 Bond Act (\$400m)</i>	<i>Projects Proposed in 1988-89^a 1988 Bond Act (\$600m)^b</i>	<i>Funds Needed to Complete Projects^c</i>	<i>Total Cost</i>
University of California.....	\$140	\$127	\$367	\$634
California State University.....	144	135	295	576
California Community Colleges.....	100	84	75	259
Totals.....	\$384	\$346	\$737	\$1,469
Less total of bond acts.....				-1,000
Total amount unfunded.....				\$469

^a Includes \$47 million included in the UC, CSU, and CCC support/operations budget. No amounts are included for these costs in the future.

^b Amount currently included in SB 703.

^c Includes funds to complete planning, construction, provide equipment, and complete secondary effects.

Because of the various phases of the capital outlay process, projects take several years to plan, construct, procure equipment, and potentially relocate units into space vacated by units relocated to the new facility. As indicated in Table 1, an additional \$467 million will be needed beyond the amounts available from existing *and proposed* sources to complete the previously approved *and proposed* projects for higher education.

In view of this significant financing problem, and in order to avoid initiating projects that cannot be completed, we believe it is essential that the Legislature consider funding only those projects which (1) meet the Legislature's policies and funding priorities *and* (2) can be funded fully within the Legislature's financing plans.

Specifically, the Legislature has several options to address this funding gap and develop a financing plan. We believe the following options warrant legislative consideration:

- Increase the proposed bond issue to cover the estimated costs.
- Commit to another bond issue within two years as part of the 1988 bond issue proposal.
- Use other fund sources to complete the projects such as the General Fund, tidelands oil revenue, or revenue bonds.
- Approve only those high-priority projects which can be financed within available funds plus the proposed 1988 bond issue.

Whichever option is selected by the Legislature, we recommend that the Legislature approve only those projects which can be completed with the funding available from the financing alternative selected.

University Hospitals Should Pay Revenue Bond Costs

We recommend that the Legislature adopt Budget Bill language specifying that the University of California pay the annual debt service

costs for all revenue bonds issued for hospital facility improvements from hospital funds. (Potential General Fund savings of up to \$119.5 million over the 20-year period of the bonds.)

The University of California currently operates five hospitals—the UCLA Medical Center, the UCSF Hospitals and Clinics, the UC Davis Medical Center, the UC Irvine Medical Center, and the UC San Diego Medical Center—as part of its overall mission of teaching, service, and research.

In order to address projected net operating losses at the Davis, Irvine, and San Diego teaching hospitals, the Legislature has approved \$45.9 million in revenue bond financing over the last three years to enable the three hospitals to undertake capital improvements and procure equipment which would (1) reduce their operating costs through increased efficiencies and (2) increase operating revenues by attracting more privately insured patients. Payment received from privately insured patients is generally higher than for publicly supported patients. The Legislature has also provided contingency funding in the 1985, 1986, and 1987 Budget Acts to offset any operating losses, should they actually occur.

The Davis, Irvine, and San Diego teaching hospitals are proposing additional capital outlay projects in 1988-89 totalling \$49 million to be financed with revenue bonds. Under the administration's current plan, the annual cost for debt service to repay the bond issues is to be paid from the General Fund. Over the 20-year term of the bonds, this cost would be about \$119.5 million (assuming an interest rate of 8.5 percent).

Hospitals Should Pay Cost. The hospitals are nonprofit enterprises that generate revenues to cover their operating, maintenance, and capital improvement costs. The revenue bond projects are proposed on the premise that the projects will result in reduced costs and enhance revenues for the hospitals. Based on UC's data, the projects will, in most cases, reduce costs or generate sufficient revenue to repay the project cost in five years or less. Thus, these projects are "self-financing" and should be paid for through the revenue/cost savings realized by the hospital rather than the state's General Fund.

Adoption of this recommendation would not be inconsistent with our findings and recommendations discussed earlier in the *Analysis* under UC's support budget. Specifically, we point out that the Davis, Irvine, and San Diego hospitals have not actually required the budgeted operating subsidy in the past. This is because while the hospitals projected net operating losses at the time the budget was introduced, they instead actually realized net operating gains.

If our recommendation is adopted, the cost of the debt payment would become part of the total operating expenses of the hospitals. If any hospital has a net loss for the year, the university would, in effect, be held harmless by our recommendation in the support item.

If the hospitals continue to experience net operating gains, then the state would not be required to provide an operating subsidy and the General Fund could realize a savings of up to \$119.5 million over the 20-year period of the revenue bonds. Under these circumstances, we see no advantage to unconditionally committing the state General Fund to 20 years of payments on these bonds.

Accordingly, we recommend that the Legislature adopt the following language in Item 6440-301-525:

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

Provided that the State Public Works Board, when entering into lease agreements with the University of California for the teaching hospital projects in this item, shall issue revenue bonds which are to be repaid from university hospital funds.

1988-89 UC Capital Outlay Program

For discussion purposes, we have divided the university's program into the 9 descriptive categories detailed in Table 2. Where projects include space for a variety of purposes, we have included the project in the most appropriate category based on the primary purpose of new/remodeled space included in the project. The projects and the proposed funding source, by category, are summarized in Table 2.

Table 2
University of California
1988-89 Capital Outlay Program
Funding Summary by Project Category
(dollars in thousands)

<i>Project/Category Item (Fund Source)</i>	<i>Projects</i>	<i>Budget Bill Amount</i>	<i>Estimated Future Cost^a</i>
A. Hospital Projects			
Item 6440-301-525 (High-Technology Revenue Bonds)	5	\$49,008	\$1,371
B. Mitigate Hazards			
Item 6440-301-785 (General Obligation Bonds)	2	3,046	6,269
C. Complete Newly Constructed Facilities			
Item 6440-301-785 (General Obligation Bonds)	5	11,206	—
D. Instructional Space			
Item 6440-301-785 (General Obligation Bonds)	1	7,678	—
E. Library Space			
Item 6440-301-785 (General Obligation Bonds)	4	21,656	67,166
F. New Research Space			
Item 6440-301-785 (General Obligation Bonds)	6	41,370	159,505
G. Upgrading Research Space			
Item 6440-301-785 (General Obligation Bonds)	9	22,020	74,258
H. New Support Space			
Item 6440-301-785 (General Obligation Bonds)	2	16,368	1,123
I. Other Projects			
Item 6440-301-785 (General Obligation Bonds)	10	13,115	13,070
Totals	44	\$185,467	\$322,762

^a UC estimates.

A. HOSPITAL PROJECTS

The budget includes \$49 million in capital outlay improvements for hospitals operated by the UC. The projects in this category and our recommendations on each are summarized in Table 3.

Table 3
University of California
1988-89 Capital Outlay Program
A. Hospital Projects
Item 6440-301-525 (High-Technology Revenue Bonds)
(dollars in thousands)

<i>Project</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recom- mendation</i>	<i>Estimated Future Cost^b</i>
(2) Davis Medical Center— Intensive care unit expansion.....	wc	\$2,345	pending	—
(3) Davis Medical Center— Operating room expansion.....	wc	4,902	pending	—
(4) Irvine Medical Center— Cancer center.....	e	1,014	—	—
(5) Irvine Medical Center— Psychiatric inpatient facility.....	c	14,691	\$14,034	\$1,371
(6) San Diego Medical Center— Inpatient tower modernization.....	c	<u>26,056</u>	<u>pending</u>	<u>—</u>
Totals.....		<u>\$49,008</u>	<u>\$14,034</u>	<u>\$1,371</u>

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

^b University estimates.

Davis and San Diego Hospital Improvement Projects

We withhold recommendation on \$33,303,000 in Item 6440-301-525 for three hospital improvement projects: (2) Davis Medical Center, intensive care unit expansion (\$2.3 million); (3) Davis Medical Center, operating room expansion (\$4.9 million); and (6) San Diego Medical Center, inpatient tower modernization (\$26 million), pending the receipt of preliminary plans and cost estimates.

Further, we recommend that the university, prior to completing preliminary plans and cost estimates for the Davis Medical Center intensive care unit expansion, take steps to reduce the estimated construction cost. (Future savings: up to \$785,000.)

The budget includes \$33 million for three hospital expansion and remodeling projects at the Davis Medical Center (intensive care unit, expansion, and operating room expansion) and the San Diego Medical Center (inpatient tower completion and modernization). The university, using both state and nonstate funds, has been in the process of developing preliminary plans and cost estimates for these projects. These plans and cost estimates, however, are not yet available to the Legislature for evaluation. Consequently, we withhold recommendation on funds for working drawings and construction of all three projects.

Moreover, we recommend that the university, prior to completing preliminary plans and a cost estimate for the Davis intensive care unit, take steps to reduce the estimated unit construction costs (\$292/asf) to a level consistent with the estimated construction unit cost of the Irvine intensive care unit (\$178/asf). The Irvine project, which is presently under construction, appears to be similar in size and complexity to the Davis project. Using the Irvine construction estimate as the basis, estimated construction cost of the Davis project could be reduced by up to \$785,000.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**Irvine Cancer Center**

We recommend deletion of \$1,014,000 in Item 6440-301-525(4) for equipping the new Cancer Center at Irvine because the facility will not be completed in 1988-89 and thus the equipment will not be needed.

The budget includes \$1 million to procure new hospital equipment for the new Cancer Center at Irvine. According to UC's quarterly building report, construction of this \$10.5 million project will not be completed until December 1989 at the earliest, several months after the conclusion of the budget year. For that reason, we recommend deletion of \$1 million for procurement of equipment in 1988-89.

Irvine Hospital Modernization Project

We recommend a reduction of \$657,000 in Item 6440-301-525(5) for construction of the Irvine Medical Center's psychiatric inpatient facility to reflect the estimated construction cost authorized by the Legislature in the 1987 Budget Act.

The budget requests \$14.7 million for construction of a new psychiatric inpatient facility (43,492 asf) at Irvine Medical Center. (This amount includes \$12,790,000 for building construction.) The new facility would replace facilities which are functionally inadequate and code deficient. Included in the new facility will be six inpatient units, with a total of 92 licensed beds and space to develop specialized psychiatric services. The Legislature previously appropriated \$1,819,000 in the 1986 Budget Act for preliminary plans and working drawings for this project. This amount was reappropriated to the university in the 1987 Budget Act and the project scope and cost were revised.

The university is now requesting \$657,000 more for construction of the building than what was previously authorized by the Legislature (\$12,138,000). The university has not provided an explanation for this cost increase. Moreover, when the preliminary plans for this project were approved by the State Public Works Board in December 1987, the Department of Finance certified to the Legislature that "the project as submitted is consistent with the project program scope and cost approved by the Legislature."

Lacking any explanation for the increase in cost and in view of the Department of Finance certification in December, we recommend a reduction of \$657,000 in Item 6440-301-525(5) to restore the construction cost of the new psychiatric inpatient facility to the amount previously authorized by the Legislature.

B. MITIGATE HAZARDS

The budget includes \$3 million for projects that would correct seismic safety deficiencies in buildings on the Berkeley and San Diego campuses as shown in Table 4. The Berkeley project is consistent with prior legislative approval. We therefore recommend approval. A discussion of the San Diego project follows.

Table 4
University of California
1988-89 Capital Outlay Program
B. Mitigate Hazards
Item 6440-301-785 (General Obligation Bonds)
(dollars in thousands)

Sub-Item	Project	Phase ^a	Budget Bill Amount	Analyst's Recom- mendation	Estimated Future Cost ^b
(6)	Berkeley—California Hall seismic safety corrections.....	c	\$2,642	\$2,642	—
(28)	San Diego—Undergraduate Sciences Building renovation and seismic corrections	pw	<u>404</u>	<u>pending</u>	<u>6,269</u>
	Totals.....		\$3,046	\$2,642	\$6,269

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

^b UC estimates.

San Diego—Undergraduate Sciences Building

We withhold recommendation on \$404,000 in Item 6440-301-785 (28) for preliminary plans and working drawings for renovation and seismic reinforcement of the Undergraduate Sciences Building at San Diego pending receipt of (1) specific justification for renovating existing laboratory space, (2) results of seismic investigations, and (3) final cost estimates.

The budget proposes \$404,000 for preliminary plans and working drawings to renovate and seismically reinforce the Undergraduate Sciences Building at San Diego. The renovation and seismic correction work is intended to meet the growing undergraduate teaching needs of the biology and chemistry departments through the renovation of 29,260 asf of laboratory space in the Undergraduate Sciences Building as a secondary effect of the Instruction and Research Facility project. Completion of the Instruction and Research Facility project is currently scheduled in May 1989, and completion of the Undergraduate Sciences Building project is projected in April 1991.

Project Not Substantiated. The Undergraduate Sciences Building has been identified as a high-priority structure requiring seismic corrections in a 1981 Seismic Safety Commission report on a survey of state-owned buildings. The university is preparing detailed program plans to identify (1) what specific seismic corrections need to be made and what the estimated costs will be and (2) what room-by-room renovation, alterations, and building system enhancements are necessary for this project. At the time this analysis was written, however, these data had not been received. In addition, the university has not responded to a request for information substantiating the need for renovation of a portion of the existing laboratory space which, based on an on-site review, is usable without renovation. Consequently, we withhold recommendation on the \$404,000 in Item 6440-301-785 (28) for the Undergraduate Sciences Building project, pending receipt of this information.

C. COMPLETE NEWLY CONSTRUCTED FACILITIES

We recommend approval.

The budget includes \$11.2 million for five equipment procurement projects to complete newly constructed facilities. Our analysis indicates

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

these requested equipment items and associated costs are reasonable. The proposed projects in this category are summarized in Table 5.

Table 5

**University of California
1988-89 Capital Outlay Program
C. Complete Newly Constructed Facilities
Item 6440-301-785 (General Obligation Bonds)
(dollars in thousands)**

Sub-Item	Project	Phase ^a	Budget Bill Amount	Analyst's Recommendation
(4)	Berkeley—Genetics and Plant Biology Building..	e	\$1,380	\$1,380
(14)	Irvine Physical Sciences, Unit 2	e	4,488	4,488
(22)	San Diego—Instruction and Research Facility....	e	2,911	2,911
(23)	San Diego—Graduate School of International Relations and Pacific Study.....	e	608	608
(32)	Santa Cruz—Natural Sciences, Unit 3.....	e	1,819	1,819
Totals.....			\$11,206	\$11,206

^a Phase symbol indicates: e = equipment.

D. NEW INSTRUCTIONAL SPACE*We recommend approval.*

The budget includes \$7.7 million in Item 6440-301-785 (9) to construct a new replacement building (36,300 asf) for Hart Hall at Davis. This facility will house classrooms, instructional laboratories, and offices for the Department of Applied Behavioral Sciences, the Division of Statistics, the Department of Rhetoric, and the Chicano Studies Program. The construction phase will complete this project and there will be no future costs. The Legislature approved preliminary plans and working drawings for this project in the 1985 Budget act. The proposed work and estimated costs are consistent with prior legislative action. Accordingly, we recommend approval.

E. LIBRARY SPACE

The budget includes \$21.7 million for four projects to provide new library facilities. We recommend approval of two projects for working

Table 6

**University of California
1988-89 Capital Outlay Program
E. Library Space
Item 6440-301-785 (General Obligation Bonds)
(dollars in thousands)**

Sub-Item	Project	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
(3)	University-wide—Northern Regional Library Facility, phase 2	c	\$7,836	\$7,836	—
(16)	Irvine—science library	p	952	600	\$31,417
(24)	San Diego—central library addition.....	w	1,079	pending	35,274
(34)	Santa Cruz—science library	c	11,789	11,789	475
Totals.....			\$21,656	\$20,225	\$67,166

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

^b UC estimates (including secondary effects where estimate is available).

drawings and construction of new library space at the Northern Regional Library and Santa Cruz campuses because the scope and estimated cost of these projects has been previously approved by the Legislature. The requested projects and our recommendations on each are summarized in Table 6.

Irvine—Science Library

We recommend a reduction of \$352,000 in Item 6440-301-785 (16) for preliminary plans of the new science library project at Irvine because the proposed construction unit cost (\$185 asf) is excessive in comparison to the cost guidelines (\$115 asf) for other state library facilities. (Future savings: \$10.6 million.)

The budget includes \$952,000 for preliminary plans for construction of a new science library at Irvine. The new facility would contain 131,300 asf to provide library support for the schools of physical sciences, biological sciences, engineering, and computer science, and medicine which anticipate substantial enrollment growth through the year 2000. In addition, the science library will house the library technical services division and a 3,100 asf multi-media learning laboratory.

The existing branch library space (24,500 asf) will be released for nonlibrary use, (i.e., engineering 6,515 asf; biology 2,185 asf; and medicine 15,800 asf) resulting in a net gain of 106,800 asf of library space. This means that when the project is completed in mid 1992, the total campus-wide library space would be increased to about 266,000 asf or 102 percent of what is allowed by state space standards. Campus staff indicates that preliminary assessments of the secondary effect alterations indicate a cost of about \$1 million to accommodate the new functions in the old branch library space.

Based on current space and projected need, the proposed increase in library space is certainly justified. The university's estimated construction cost, however, is too high (\$185 asf) for this type of facility. In comparison, guidelines used by the California State University (CSU) indicate that estimated construction costs for typical library facilities should be much lower (\$118 asf). Thus, UC's proposed cost is 57 percent higher than the comparable cost for a CSU library. While the cost for certain facilities at UC are more expensive (such as research laboratories), there is no analytical basis for providing more funds for UC libraries than for CSU libraries. Consequently, we recommend that the estimated future cost to construct the proposed Irvine science library be reduced from \$30.1 million to \$19.5 million, a difference of \$10.6 million.

Accordingly, we recommend that the \$952,000 requested for preliminary plans for this project be proportionally reduced by \$352,000 and approved in the reduced amount of \$600,000.

San Diego—Central Library Addition

We withhold recommendation on \$1,079,000 in Item 6440-301-785 (24) for working drawings of the central library addition at San Diego pending completion of preliminary plans.

The budget proposes \$1.1 million for working drawings for construction of a 136,850 asf addition to the central library at San Diego. The total cost

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

of the project is estimated to be slightly more than \$37.2 million, including \$29 million for new construction and \$8.2 million for renovation of existing space. This is consistent with the cost previously approved by the Legislature.

The university indicates that without the addition, the main campus libraries will have 54 percent of estimated space needs by 1994-95. This is because of the projection of significant enrollment growth over the next six years.

Currently, the campus has 135,312 asf of library space. Upon completion of the addition, and reassignment of space (15,472 asf) to the Physics Department, the campus will have 258,690 asf of library space. This will provide the libraries with 107 percent of their estimated 1994-95 space needs.

The university has not yet provided the Legislature with preliminary plans for this project. Consequently, the estimated project cost is not based on completed preliminary plans. Pending receipt of these documents, we withhold recommendation on the \$1.1 million requested for working drawings.

F. NEW RESEARCH SPACE

The budget includes \$41.4 million for six projects that will provide new research space on five campuses. The projects are summarized in Table 7. Our findings and recommendations for these projects are as follows:

Table 7
University of California
1988-89 Capital Outlay Program
F. New Research Space
Item 6440-301-785 (General Obligation Bonds)
(dollars in thousands)

Sub-Item	Project	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
(12)	Davis—Engineering, unit 2.....	p	\$1,315	\$1,100	\$46,601
(19)	Los Angeles—Chemistry and Biological Sciences addition.....	c	32,929	pending	1,040
(20)	Los Angeles—Fowler Museum, academic space.....	wc	1,836	—	—
(29)	San Diego—Sciences Building.....	p	1,530	—	46,033
(31)	Santa Barbara—Physical Sciences Building.....	w	970	pending	28,816
(37)	Santa Cruz—Earth and Marine Sciences Building.....	pw	2,790	pending	40,015
	Totals.....		\$41,370	\$1,100	\$159,505

^a Phase symbols indicate: p = preliminary plans, = working drawings, and c = construction.

^b UC estimates (includes secondary effects where estimate is available).

Davis—Engineering, Unit 2

We recommend a reduction of \$215,000 in Item 6440-301-785(12) for preliminary plans for construction of Engineering, Unit 2 facility at Davis because (1) the estimated cost for class laboratory, support and office space is too high and should be reduced and (2) construction of a second wind tunnel has not been justified. (Future savings: \$5.8 million.)

The budget includes \$1,315,000 for preliminary plans for construction of a 112,050 asf Engineering Unit 2 facility at Davis to house research and instruction programs. The facility will:

- Provide additional space for the Department of Electrical Engineering and Computer Science, the Division of Computer Science, the Division of Materials Science and Engineering and a portion of the Department of Mechanical Engineering;
- Reallocate existing permanent space in Bainer (Engineering Unit 1), Walker and Everson Halls to allow the expansion and consolidation of other engineering departments.

Total costs to complete Engineering Unit 2 are estimated to be \$42.7 million, with completion scheduled in 1992-93. Renovation costs for Bainer Hall, estimated at \$3.9 million will be requested in a later year.

Table 8 summarizes the proposed space allocations in Engineering Unit 2.

Table 8
Davis, Engineering Unit 2
Space Allocation by Major Functional Areas
(Assignable Square Feet)

<i>Function</i>	<i>Agricultural Engineering</i>	<i>Elect. Engr. and Computer Science</i>	<i>Mechanical Engineering</i>	<i>College Admin. & Support Space</i>	<i>Totals</i>
Undergraduate class laboratories/support.	—	14,350	—	—	14,350
Research laboratories and support.....	1,220	41,770	17,360	—	60,350
Academic offices	—	9,550	1,690	—	11,240
Graduate offices	—	6,250	—	—	6,250
Administration and service	—	6,980	550	12,350	19,880
Totals.....	1,220	78,900	19,600	12,350	112,070

Our analysis indicates that the proposed increase in undergraduate class laboratory space, research laboratory space and associated graduate and faculty office space is justified to meet the campus's projected enrollment in engineering sciences through 1992-93. As Table 8 indicates, however, the new building will contain research laboratories and research support functions that will occupy over four times the amount of space that will be devoted to undergraduate class laboratories and support functions. This emphasis on research space, rather than undergraduate class laboratory space, is not consistent with the campus's substantial growth in engineering and computer science undergraduate enrollment.

Table 9
Davis—Engineering Science Programs
1992 Proposed Laboratory Space Allocation Versus Need
(Assignable Square Feet)

<i>Category</i>	<i>Existing</i>	<i>Proposed^a</i>	<i>1992 Need</i>	<i>Excess (deficit)</i>	<i>Percent of Need^a</i>
Undergraduate class laboratories/support.	29,000	43,350	72,000	(28,650)	60%
Graduate/faculty research laboratories/ support	52,100	112,450	146,500	(34,400)	77%

^a Upon completion of the Engineering Unit 2 facility.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

As shown by Table 9, the engineering and computer science programs at Davis will, with the completion of Engineering Unit 2, still face a sizeable deficit in both categories of space in 1991. The deficit in classroom laboratory space (60 percent) will remain more acute than the deficit in research laboratory space (77 percent). Moreover, data are not available on the amount of graduate research space that will be provided within the 60,350 asf of research space in Engineering Unit 2. Thus, it is not clear as to how much of the projected 34,400 asf deficit in graduate research space will be accommodated in this facility. We have asked the university to provide this information, but had not received a response when this analysis was written.

Construction Cost is Too High. Our analysis indicates that the estimated total cost of the project (\$44 million) is too high for this type of building. The estimate is based on an average cost of \$270 per assignable square foot to construct 112,070 asf. This cost is higher than the cost guideline (\$181 per asf) used by the California State University (CSU) for engineering laboratories. It is reasonable to expect this higher cost for the specialized research laboratory space proposed at Davis. This cost, however, is not reasonable for construction of undergraduate class laboratories and office/administration space. We find no analytical basis to exceed CSU cost guidelines for undergraduate class laboratories (\$181 per asf) and office/administration (\$160 per asf). On this basis, the total cost of the project should be reduced by \$5,226,000 to \$38,774,000 and the cost of preliminary plans should be proportionally reduced by \$215,000 to \$1,100,000.

Wind Tunnel Not Justified. In addition, the proposed construction of a second research wind tunnel (estimated to cost \$567,000) is not adequately supported in the project proposal. The existing tunnel is used for instruction and research. The proposed tunnel would be used exclusively for research. The university has not provided any justification of the need for an additional tunnel. We have requested data concerning the level of utilization of the existing wind tunnel along with projected utilization of the two tunnels. The university has not provided this information. Lacking any justification for this additional expensive item of equipment, we recommend deletion of the new wind tunnel from the project. This would provide an additional future savings of \$567,000.

Los Angeles—Fowler Museum

We recommend deletion of \$1,836,000 in Item 6440-301-785(20) for working drawings and construction for completion of new space in the Fowler Museum at Los Angeles because state funded new space for (1) classrooms and research laboratories and (2) an organized research institute is not justified.

The budget includes \$1,836,000 to complete 22,320 asf of unfinished space in the Fowler Museum of Cultural History at Los Angeles. The Fowler Museum was financed with \$20.5 million of nonstate funds and is scheduled to be completed by December 1989. According to the campus's "North Campus Space Plan", the units that will be relocated into the Fowler Museum are as follows:

- 3,470 asf—general campus classroom,
- 5,680 asf—archaeology laboratories,
- 1,595 asf—interdepartmental Archaeology program,

- 7,850 asf—Institute of Archaeology (an organized research unit),
- 760 asf—undergraduate interdepartmental World Arts and Cultures program, and
- 2,965 asf—storage.

We recommend deletion of the \$1,836,000 proposed for this project because the proposal to use state funds to complete space in this facility for classrooms, research laboratories and an organized research unit is not justified. Clearly, the proposed 3,470 asf of new classroom space is not justified because under state space guidelines, the campus currently has 20,500 asf excess classroom capacity and will continue to have an excess of 19,200 asf through 1992-93. Moreover, the existing laboratories/administration offices and organized research units will be provided 18,850 asf in place of 18,575 asf that they currently occupy. We question the use of \$1.8 million of limited state bond funds to relocate the laboratories and the organized research unit to provide a net increase of only 275 asf for these activities.

Given the demand for higher education bond funds, we recommend deletion of \$1,836,000 for this project. If the university continues to assign high priority to relocating research laboratories and an organized research organization into this building, it should consider using nonstate funds to complete the unfinished space consistent with the use of nonstate funds to construct the Fowler Museum building.

San Diego—Sciences Building

We recommend deletion of \$1,530,000 in Item 6440-301-785(29) for preliminary plans for a new Sciences Building at San Diego because the project provides a greater amount of space for biological science and physical science than is justified under state guidelines. (Future savings: \$46.1 million.)

The budget includes \$1.5 million for preliminary plans to construct a 110,000 asf Science Building at San Diego. The total cost of this project is estimated to be \$47.6 million and completion is scheduled for November 1992. The university has not identified the estimated cost for alterations of space vacated as a result of this project.

Table 10
San Diego—Sciences Building Space Program

	ASF	Percent of Total Building
<i>Biology</i>		
Research laboratories.....	23,940	22%
Laboratory support.....	8,768	8
Subtotals.....	(32,708)	(30%)
Office/office support.....	11,781	11
Animal facilities.....	6,111	5
Student services.....	3,465	3
Total Biology.....	54,065	49%
<i>Chemistry</i>		
Research laboratories.....	33,075	30%
Laboratory support.....	10,920	10
Subtotals.....	(43,995)	(40%)
Office/office support.....	8,757	8
Nuclear Magnetic Resonance facility.....	3,087	3
Total Chemistry.....	55,839	51%
Total Building.....	<u>109,904</u>	<u>100%</u>

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

As shown in Table 10, about 90 percent of the building will be devoted to research laboratories/support and associated office space for the Departments of Biology and Chemistry.

Our analysis indicates that the proposed project should not be approved because (1) it provides more space for biology and chemistry than is justified under state guidelines and (2) the estimated cost exceeds a reasonable level for this type of facility.

Proposed Amount of Biology/Chemistry Space Exceeds State Guidelines. Based on state space guidelines, university data indicate that the San Diego campus currently has 104,400 asf of faculty/graduate research laboratory space for biology and chemistry and that it will need 138,000 asf by 1991. This project would add 77,000 asf to the biology and chemistry laboratory space bringing the campus total to 181,400 asf or 43,400 asf (31 percent) more than state guidelines would indicate are necessary. Moreover, other approved projects that will be completed by 1990 will add another 47,000 asf for biology and chemistry. The university data on these other projects is unclear as to the type of space provided (class laboratories for undergraduates, graduate research, or faculty research). We have asked the university to provide this information, but we had not received a response at the time this analysis was written. Nevertheless, even if none of the additional 47,000 asf is for faculty/graduate research, the proposed project would provide space in excess of state guidelines.

Finally, this project does *not* include any space for undergraduate class laboratories. Based on state guidelines, however, existing undergraduate laboratory space for these disciplines (21,000 asf) provides about 50 percent of the space for *current* enrollment needs (42,400 asf). Future enrollment growth would exacerbate this situation.

Recommendation. Based on the above, we recommend deletion of \$1.5 million under Item 6440-301-785(29) for preliminary plans for the sciences building on the San Diego campus. This would provide a future savings of about \$46 million.

Santa Cruz—Earth and Marine Sciences Building

We withhold recommendation on \$1,785,000 in Item 6440-301-785(37) for preliminary plans and working drawings for construction of the new Earth and Marine Sciences Building at Santa Cruz pending additional information to explain proposed space allocations for biology undergraduate class laboratories and faculty/graduate research laboratories.

The budget includes \$2.8 million for preliminary plans and working drawings for construction of the Earth and Marine Sciences Building at Santa Cruz. The estimated cost to complete the project is \$32 million, and project completion is scheduled for Fall of 1991. The estimated cost to alter space vacated as a result of this project is \$8 million. This new facility will provide 83,000 asf of space primarily for faculty/graduate research laboratories for biology, marine sciences and earth sciences. Two Organized Research Units—the Institute of Marine Sciences and the Institute of Tectonics—will also be provided space in this facility.

Table 11
Santa Cruz—Biology and Physical Sciences Program
1991 Proposed Laboratory Space Allocation Versus Need
After Completion of the Earth and Marine Sciences Building
(Assignable Square Feet)

<i>Category</i>	<i>Existing</i>	<i>Proposed</i>	<i>1991 Need</i>	<i>Excess (deficit)</i>	<i>Percentage of Need</i>
Biology undergraduate class laboratories..	7,400	8,700	25,800	(17,100)	33%
Biology faculty/graduate research laboratories	30,320	50,770	37,500	12,220	133
Physical Science undergraduate class laboratories	18,000	23,000	27,200	(4,200)	85
Physical Science faculty/graduate research laboratories	34,900	57,500	63,700	(7,200)	89

Excess Faculty/Graduate Research Space. Table 11 shows the proposed laboratory space allocations for the biology and physical sciences programs at Santa Cruz after completion of the Earth and Marine Sciences Building in 1991. It is significant that the biology program will be provided with undergraduate class laboratory space that is only 33 percent of state space standards based on projected enrollment, while faculty research space will be increased to 133 percent of state space guidelines. The university has provided a class-by-class breakdown in support of the proposed space allocations in the new facility. It is not clear from the university's data, however, how the biology program can perform its teaching mission with only one-third the state guidelines for undergraduate class laboratory space while at the same time the requirement for faculty research laboratory space is one-third greater than state guidelines. Pending further discussions with the university regarding this space allocation, we withhold recommendation on the proposal.

Project Costs Exceed Guidelines. In addition, our analysis indicates that the estimated cost of this project is too high and should be reduced. The estimated construction cost for this project is based on an average unit cost of \$306 per asf. This cost greatly exceeds the guideline unit cost of \$256 per asf used by the California State University (CSU) for this type of multi-use laboratory, support and office building. If the CSU cost guideline is used (allowing for the UC's higher cost for research laboratories), the estimated future cost for this project could be reduced by about \$6 million, and the cost of preliminary plans and working drawings could be reduced by \$570,000. Moreover, funds for projects financed from the 1988 bond program will not be available before January 1989. Thus, on a timing basis, only funds for preliminary plans should be required in the budget year. On a project of this size, it is not possible to complete the preliminary plans *and* begin working drawings within a six-month period. On this basis, we would recommend a \$1.7 million reduction in Item 6440-301-785 (37) to delete working drawing funds. We withhold final recommendations, however, pending clarification of the proposed space allocation.

Preliminary Plans Not Completed for New Research Projects

We withhold recommendation on \$33,899,000 in Item 6440-301-785 for (19) Los Angeles—Chemistry and Biological Sciences Addition (\$32,929,000) and (31) Santa Barbara—Physical Sciences building (\$970,000) pending receipt of preliminary plans and cost estimates for these projects.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

The budget includes \$33.9 million for construction of the Los Angeles—Chemistry and Biological Sciences Addition and for working drawings of the Santa Barbara—Physical Sciences Building. The Legislature has previously approved these projects. The preliminary plans and cost estimates, however, had not been received at the time this analysis was written. This information should be available prior to budget hearings. Thus, we withhold recommendation on these projects pending receipt of the preliminary plans and the cost estimates.

G. UPGRADE RESEARCH SPACE

The budget includes nine projects totaling \$22 million that primarily upgrade existing space for research. Table 12 summarizes the projects in this category. We recommend approval of \$13.7 million for two projects—Davis - Asmundson Hall and Mann Laboratory Remodel and Santa Cruz - Natural Science Building Alterations—because both projects are consistent with scope and cost authorizations previously made by the Legislature. Our findings and recommendations on the remaining projects are as follows:

Table 12
University of California
1988-89 Capital Outlay Program
G. Upgrade Research Space
Item 6440-301-785 (General Obligation Bonds)
(dollars in thousands)

<i>Sub-item</i>	<i>Project</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>	<i>Estimated Future Cost^b</i>
(5)	Berkeley—Life Science Building renovation	w	\$2,603	pending	\$41,054
(10)	Davis—Asmundson Hall and Mann Laboratory remodel	c	4,770	\$4,770	—
(13)	Davis—Food Science and Technology remodel	w	102	pending	1,439
(15)	Irvine—Steinhaus Hall renovation	pw	944	pending	13,232
(18)	Los Angeles—School of Engineering and Applied Science, retrofit	w	740	pending	15,300
(21)	Riverside—Fawcett Laboratory renovation	wc	1,335	—	—
(25)	San Diego—Urey Hall renovation	c	1,514	pending	1,039
(26)	San Diego—Computer Science Building renovation	c	1,038	pending	312
(35)	Santa Cruz—Natural Science Building Alterations	c	8,974	8,974	1,882
	Totals		\$22,020	\$13,744	\$74,258

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

^b UC estimates (includes secondary effects where estimates available).

Preliminary Plans Not Completed for Research Renovation Projects

We withhold recommendation on \$5,997,000 in Item 6440-301-785 for (5) Berkeley—Life Science Building renovation (\$2,603,000), (13) Davis—Food Science and Technology remodel (\$102,000), (18) Los Angeles—School of Engineering and Applied Sciences, retrofit (\$740,000), (25) San Diego—Urey Hall renovations (\$1,514,000), and

(26) San Diego—Computer Science Building renovation (\$1,038,000) pending receipt of preliminary plans and cost estimates for these projects. We also withhold on the (13) Davis—Food Science and Technology remodel project because the proposed high cost of remodeling existing space has not been substantiated.

The budget includes \$6 million for (1) working drawings of the Berkeley Life Science Building renovation project, Davis Food Science and Technology remodel project and Los Angeles School of Engineering and Applied Science, retrofit project and (2) construction of the San Diego—Urey Hall renovation project and San Diego—Computer Science Building renovation project. Preliminary plans and cost estimates for these projects have not been received by the Legislature at the time this analysis was written but should be available prior to budget hearings. Therefore, we withhold recommendation on these projects pending receipt of the preliminary plans and the cost estimates.

We also withhold recommendation on the Davis—Food Science and Technology remodel project because the university has not substantiated the high unit cost of construction (\$108 asf) for this project, which is about 50 percent higher than the cost of similar remodeling projects.

Irvine—Steinhaus Hall

We withhold recommendation on \$944,000 in Item 6440-301-785(15) for preliminary plans and working drawings for renovation of Steinhaus Hall at Irvine pending receipt of additional information to substantiate (1) the high cost of the project and (2) the deletion of 1,000 asf of general classroom space.

The budget includes \$944,000 for preliminary plans and working drawings for renovation of the Steinhaus Hall at Irvine. This \$14.2 million project consists of the reallocation and renovation of approximately 56,335 asf within Steinhaus Hall, 53,837 asf of which will accommodate the Department of Ecology and Evolutionary Biology and the School of Biological Sciences' undergraduate class laboratories, and 2,498 asf of which will be renovated for two general assignment classrooms. (The Departments of Developmental and Cell Biology, Molecular Biology and Biochemistry, and Psychobiology, all presently in Steinhaus Hall, will be housed in Biological Sciences Unit 2 upon completion in 1990.) The space to be renovated represents 83 percent of the 68,048 asf currently in Steinhaus Hall. The project also involves upgrading the various building systems (e.g., mechanical and structural) to accommodate the reconfigured spaces as well as to respond to code deficiencies or to standard building systems maintenance and energy conservation guidelines.

Renovation of Steinhaus Hall is coordinated with construction of the new Biological Sciences Building Unit 2, to meet the future program needs of the School of Biological Sciences.

According to the university, the estimated cost of renovation work is based upon a unit cost of \$146 per asf. This is about 50 percent higher than the unit cost for renovating the Physical Science Unit 1 building at Irvine. The university's proposal provides no explanation to substantiate this high cost of construction. In addition, the university's proposal indicates that the 2,498 asf of classroom space is about 1,000 asf less than originally planned. In view of the apparent shortage of classroom space (61 percent of state guidelines) on the Irvine campus, we asked the university to

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

provide an explanation for this change. To date, the university has not responded.

We withhold recommendation on this project pending receipt of additional information to substantiate (1) the high cost of the renovation work and (2) the need to delete the 1,000 asf of classroom space.

Riverside—Fawcett Laboratory Renovation

We recommend deletion of \$1,335,000 in Item 6440-301-785(21) for working drawings and construction of the Fawcett Laboratory renovation project at Riverside because no project planning proposal has been received by the Legislature for this project.

The budget includes \$1.3 million for working drawings and construction of the Fawcett Laboratory renovation project at Riverside. The university's budget document indicates that current-year funds available to the university will be used to develop preliminary plans. The university, however, has not submitted any documentation in support of this project. Lacking this information, we recommend deletion of \$1.3 million for the project.

H. NEW SUPPORT SPACE

The budget includes \$16.4 million for two projects that provide new support facilities on the Berkeley and Santa Cruz campuses. The projects in this category are summarized in Table 13. The construction phases of the proposed projects are consistent with project scope and cost previously approved by the Legislature. Thus, we recommend approval. In recommending approval of the Berkeley campus, Northwest Animal Facility, however, we further recommend that the Legislature (1) change the funding source to the 1986 General Obligation Bond Program and (2) adopt supplemental report language directing UC to sell the off-campus animal facility site and use the proceeds to repay the bond fund. A discussion of our recommendation follows:

Table 13
University of California
1988-89 Capital Outlay Program
H. New Support Space
(dollars in thousands)

Sub-item	Project	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
Item 6440-301-525	(High Technology Revenue Bonds)				
(1)	Berkeley—Northwest Animal Facility.....	c	\$12,459	\$12,459	\$936
Item 6440-301-785	(General Obligation Funds)				
(36)	Santa Cruz—College Eight academic unit.	c	3,909	3,909	187 ^c
	Totals.....		\$16,368	\$16,368	\$1,123

^a Phase symbols indicate: c = construction.

^b UC estimates.

^c Estimated cost to alter approximately 10,000 asf of vacated space has not been identified.

Berkeley Northwest Animal Facility

We recommend that \$12,459,000 be approved under Item 6440-301-782(1) (1986 General Obligation Bonds) rather than as proposed under

Item 6440-301-525(1) (High Technology Revenue Bonds) for construction of the Northwest Animal Facility at Berkeley because it is more appropriate and less costly to use general obligation bonds than revenue bonds to fund this support facility.

In addition, we recommend adoption of supplemental report language directing UC to sell its existing animal facilities at 800 and 806 Hearst Avenue in Berkeley and use the full proceeds to offset the cost of constructing the new Northwest Animal Facility.

The budget proposes \$12.5 million from high technology revenue bonds for construction of the new Northwest Animal Facility at Berkeley. The total cost of the project is estimated to be \$14.6 million. Projected completion is scheduled for the summer of 1990. The university also plans to use about \$850,000 of nonstate funds to undertake additional work to enhance the site development.

This project is the last step in a series of projects to consolidate the Berkeley campus's various animal facilities and correct several serious deficiencies in the existing facilities. The new 31,200 asf facility consists of two levels, mainly below ground, designed to conform with the National Institute of Health's *Guide for the Care and Use of Laboratory Animals*. The proposed project and estimated costs are consistent with prior legislative action on this project. Consequently, we recommend approval.

Recommend Change in Funding Source. The Northwest Animal Facility should be funded with general obligation bonds rather than with revenue bonds for two basic reasons. *First*, financing with revenue bonds is more costly than with general obligation bonds. This is mainly because revenue bonds are *not* backed by the full faith and credit of the state while general obligation bonds are. *Second*, there is no revenue generated by the animal facility. The revenue bonds are secured by lease payments on the facilities for the 20-year term of the bonds. These lease payments are from the General Fund and are subject to the constitutional appropriations limit established by Article XIII B.

There is no overriding reason to finance this project from revenue bonds. Based on prior appropriations and administrative actions there should be an unappropriated balance of about \$16 million in the 1986 Higher Education Capital Outlay Bond Fund. In view of the undesirable and unnecessary use of revenue bonds for this project, we recommend that the Legislature finance the Northwest Animal Facilities from the 1986 bond program.

Sale of Hearst Avenue Animal Facilities. Construction of the Northwest Animal Facility will allow the campus to vacate the state-owned animal facility (14,700 asf) at 800 and 806 Hearst Avenue. Lacking further need for this facility, we recommend the Legislature stipulate that the university should sell these facilities and use the proceeds to repay the bond fund for the cost to construct the new animal facility. Accordingly, we recommend adoption of the following supplemental report language.

Berkeley Northwest Animal Facilities. It is legislative intent that:

The University of California upon completion of the Berkeley - Northwest Animal Facility sell the existing animal facilities at 800 and 806 Hearst Avenue in Berkeley and use the proceeds to repay the 1986 Higher Education Capital Outlay Bond Fund for the cost to construct the Northwest Animal Facility.

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued**I. OTHER PROJECTS**

The budget includes \$13.1 million for 10 projects which we have categorized as "other" projects. These include universitywide planning, minor capital outlay improvements, road improvements, electrical system modifications, and removal of architectural barriers to the mobility impaired. The proposed projects and our recommendations on each are summarized in Table 14. We recommend approval of \$670,000 for two of these projects because the scope and estimated costs of these projects appear to be reasonable. A discussion and our recommendations on the remaining projects follow.

Table 14
University of California
1988-89 Capital Outlay Program
I. Other Projects
Item 6440-301-785 (General Obligation Bonds)
(dollars in thousands)

<i>Sub-item</i>	<i>Project</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>	<i>Estimated Future Cost^b</i>
(1)	University-wide—minor capital outlay	c	\$6,528	pending	—
(2)	University-wide—project programming....	p	200	\$200	—
(7)	Berkeley—handicapped access improvements, step 5	w	87	pending	\$1,314
(8)	Berkeley—electrical distribution system—expansion and renovation.....	pw	470	470	4,656
(11)	Davis—electrical system—modification and expansion	c	2,787	pending	—
(17)	Irvine—campus roadway improvements, step 1	pw	240	pending	3,164
(27)	San Diego—handicapped access improvements, step 2	w	59	pending	1,098
(30)	San Diego—central plant chilled water system improvements.....	wc	2,515	pending	—
(33)	Santa Cruz—handicapped access improvements, step 4	w	25	pending	510
(38)	Santa Cruz—Meyer Drive Extension, phase I.....	pw	204	—	2,328
	Totals.....		\$13,115	\$670	\$13,070

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

^b UC estimates.

Project Information Needed

We withhold recommendation on \$12,001,000 in Item 6440-301-785 for (1) university-wide minor capital outlay (\$6,528,000); (7) Berkeley handicapped access improvements (\$87,000); (11) Davis—electrical system—modification and expansion (\$2,787,000); (27) San Diego—handicapped access improvements (\$59,000); (30) San Diego—central plant chilled water system improvements (\$2,515,000); and (33) Santa Cruz—handicapped access improvements (\$25,000) pending receipt of (1) the university's minor capital outlay program proposal and (2) preliminary plans and cost estimates for the other projects.

Minor Capital Outlay Program Proposal Not Available. The budget includes \$6.5 million for the university's minor capital outlay projects

(\$200,000 or less per project) in 1988-89. Normally, the university submits details of its proposed minor capital outlay program two months prior to release of the Governor's Budget preceding the upcoming budget year. This proposal lists and describes each proposed minor capital outlay project by campus. At the time this analysis was written, the university had not submitted any information on this program for the budget year. Consequently, we withhold recommendation on the \$6.5 million pending receipt of the university's minor capital outlay program proposal.

Preliminary Plans not Completed. The budget includes \$5.5 million for five projects (1) to remove architectural barriers for the mobility impaired at the Berkeley, San Diego and Santa Cruz campuses, (2) to improve the electrical system and chilled water system at the Davis and San Diego campuses, respectively, and (3) to improve the roadway system at the Irvine campus. The university is in the process of preparing preliminary plans and cost estimates for these projects which should be available prior to budget hearings. Therefore, we withhold recommendation on the \$5.5 million for these projects, pending receipt of the preliminary plans.

Irvine—Campus Roadway Improvements

We withhold recommendation on \$240,000 in Item 6440-301-785(17) for preliminary plans and working drawings of campus roadway improvements at Irvine pending receipt of additional information.

The budget requests \$240,000 for preliminary plans for construction of campus roadway improvements (step 1) at Irvine to relieve existing and projected traffic congestion. The proposed \$3.4 million project would include the following improvements:

- Extension of Health Sciences Road to provide a new campus entrance at the intersection of Bison Road and Bonita Canyon Road. (This involves 2,400 feet of new two-lane road and 800 feet of road improvements);
- Realignment of Physical Sciences Road and a portion of South Circle View Drive to complete the southern half of the campus's inner loop road. (This involves 2,400 feet of new three-lane roadway); and
- Widening of Mesa Road to provide turning pockets, bicycle lanes, and sidewalks. (This involves widening of 1,350 feet of existing road to provide one additional lane each way and improvement of the Bridge Road/Mesa Road intersection to add turn lanes.)

The proposed road improvements on Bison Road, South Circle View Drive, and Physical Sciences Road are needed to provide additional traffic capacity by 1990-91. Based on data submitted by the university, however, the improvements to Mesa Road are not needed because there is currently sufficient capacity to handle projected traffic volume through 1990-91. In addition, the impact the other improvements may have on Mesa Road traffic is unknown at this time. Consequently, we recommend that this portion of the project not proceed at this time. We have asked the university for the cost estimate for this element of the project. At the time this analysis was written, the university had not responded. Thus, we withhold recommendation on the \$240,000 for preliminary plans of this road improvement project, pending receipt of this cost estimate.

Santa Cruz—Meyer Drive Extension

We recommend deletion of \$204,000 in Item 6440-301-785(38) for preliminary plans and working drawings for construction of an

UNIVERSITY OF CALIFORNIA—CAPITAL OUTLAY—Continued

extension to Meyer Drive at Santa Cruz because the need for the project has not been substantiated. (Future savings: \$2.3 million.)

The budget includes \$204,000 for preliminary plans and working drawings for expanding the campus road system and water system. The roadway expansion includes (1) a 2,300 foot two-lane road (including a bridge) to provide a second cross-campus roadway (connecting Meyer and Hager Drives) and (2) widening an 810-foot segment of Meyer Drive. In addition, the project includes installation of an unspecified length of eight-inch waterline. The estimated future cost of this project is \$2.3 million.

We recommend deletion of the \$204,000 for preliminary plans and working drawings because (1) the need for this project has not been substantiated, (2) it is not clear what improvements will be made and what the costs would be of the various elements of the project, such as the roadway, the bridge, and the waterline, and (3) a vehicle transit and pedestrian traffic flow and parking plan has not been provided. The university has not responded to requests for information addressing these issues.

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 these items.

HASTINGS COLLEGE OF THE LAW

Item 6600 from the General

Fund and various other funds

Budget p. E 99

Requested 1988-89	\$15,643,000
Estimated 1987-88	14,951,000
Actual 1986-87	14,606,000
Requested increase (including amount for salary increases) \$692,000 (+4.6 percent)	
Total recommended reduction.....	None
Recommendation pending	77,000

1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6600-001-001—Main support	General	\$11,765,000
6600-001-814—Lottery revenue	Lottery	151,000
6600-006-001—Financial aid	General	516,000
6600-011-001—Compensation	General	272,000
6600-490—Reappropriation	—	—
Federal Trust		363,000
Reimbursements	—	2,576,000
Total		\$15,643,000

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

1. Faculty Salary Increases. Withhold recommendation on \$77,000 proposed for faculty salary increases, in order to evaluate whether it is financially feasible to provide increases which are at parity with comparison institutions. 1010

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. In accordance with legislative direction approved in 1987, Hastings plans to enroll 1,250 students in 1988-89 and to reduce enrollment to 1,200 students by 1989-90.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes a total of \$15.6 million from all fund sources for support of Hastings in 1988-89. Table 1 summarizes expenditures and funding sources for Hastings in the prior, current, and budget years. From the General Fund, the 1988-89 budget proposes an appropriation of \$12.6 million, an increase of \$692,000 (5.8 percent). This increase includes \$272,000 associated with the cost of salary and benefit increases in 1988-89.

Table 1
Hastings College of the Law
Expenditures and Funding
1986-87 through 1988-89
(dollars in thousands)

Programs	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Change from 1987-88	
				Amount	Percent
Instruction.....	\$5,827	\$6,475	\$6,730	\$255	3.9%
Public and professional services.....	179	179	179	—	—
Academic support—law library.....	1,593	1,588	1,638	50	3.1
Student services.....	2,351	2,254	2,254	—	—
Institutional support.....	2,948	2,896	2,850	-46	-1.6
Operation and maintenance of plant.....	1,708	1,559	1,421	-138	-8.9
Provisions for allocation.....	—	—	571	571	— ^a
Totals.....	\$14,606	\$14,951	\$15,643	\$692	4.6%
Funding Sources					
General Fund.....	\$11,639	\$11,861	\$12,553	\$692	5.8%
Lottery Education Fund.....	127	151	151	—	—
Federal funds.....	432	363	363	—	—
Reimbursements.....	2,408	2,576	2,576	—	—
Personnel-years.....	218.7	211.7	211.7	—	—

^a Not a meaningful figure.

Table 2 identifies the specific factors accounting for the net \$692,000 increase in General Fund support proposed for 1988-89.

HASTINGS COLLEGE OF THE LAW—Continued

Table 2

**Hastings College of the Law
Proposed 1988-89 General Fund Budget Changes
(dollars in thousands)**

1987-88 Expenditures (Revised)	\$11,861
<i>Baseline Adjustments</i>	
Annualization of 1987-88 salary increase	\$285
Merit and promotions for faculty	51
Price changes	74
UC Retirement System reduction	-119
Reduction for one-time augmentations	-46
Income adjustment	125
Subtotal, Baseline Adjustments	(\$370)
<i>Program Changes</i>	
Library automated legal services system	\$50
<i>Salary and Benefit Increases</i>	
Faculty salary	\$77
Staff salary	138
Benefits	57
Subtotal, Salary and Benefit increase	(\$272)
1988-89 Expenditures (Proposed)	\$12,553
Change from 1987-88:	
Amount	\$692
Percent	5.8%

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the proposed changes shown in Table 2 with the exception of the faculty salary increase proposal which we discuss later. In addition, we recommend approval of the following Budget Bill items not discussed elsewhere in this analysis:

- *California State Lottery Education Fund (Item 6600-001-814)*—\$151,000 for instructionally related expenditures that supplement Hastings' budget.
- *General Fund (Item 6600-006-001)*—\$516,000 for student financial aid.
- *General Reappropriation (Item 6600-490)*—a provision reappropriating unexpended General Fund balances from Hastings' main support item. Expenditure of the reappropriated funds is limited to instructional equipment, deferred maintenance and special repairs. A similar provision was approved by the Legislature in the 1987 Budget Act.

Faculty Salary Proposal Would Not Achieve Parity (Item 6600-011-001)

We withhold recommendation on the proposed Hastings' faculty salary increase until the May Revision, in order to evaluate whether it is financially feasible to provide faculty salary increases which are at parity with UC's comparison institutions.

The Hastings' budget proposes an expenditure of \$77,000 to provide a 3 percent faculty salary increase effective January 1, 1989. The Legislature has traditionally granted Hastings' faculty the same change in salary as that granted to faculty at the University of California (UC).

In our analysis of the UC faculty salary request we note that a full year faculty salary increase of 3 percent would be needed in 1988-89 for UC to

achieve parity with its comparison group. As mentioned, however, the budget proposes a January 1989 increase of 3 percent—one-half of the amount required for a 3 percent increase for the *full year*.

In the past, we have consistently recommended that faculty receive a salary increase sufficient to bring them to a parity level with comparison institutions. We continue to believe that salary parity is the appropriate method to determine annual salary levels. Because of the state's fiscal situation, however, this may not be possible. Consequently, we withhold recommendation until the "May Revision" when updated budget information on expected revenues and expenditures will be available. At that time we will advise the Legislature on the financial feasibility of augmenting the budget to provide full year salary parity for faculty. Our recommendation is discussed in greater depth in our UC analysis (see Item 6440).

CALIFORNIA STATE UNIVERSITY

Item 6610 from the General
Fund and various funds

Budget p. E 104

Requested 1988-89.....	\$2,382,099,000
Estimated 1987-88.....	2,235,028,000
Actual 1986-87.....	2,112,190,000
Requested increase \$147,071,000 (+6.6 percent)	
Total recommended reduction.....	8,836,000
Recommended General Fund revenue reduction.....	84,000
Recommendation pending.....	16,908,000
Recommended transfer to another Budget Bill item.....	4,479,000

1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6610-001-001—Support	General	\$1,479,809,000
6610-002-001—Support	General	836,000
6610-003-001—Support	General	2,274,000
6610-006-001—Support	General	350,000
6610-010-001—Support	General	326,632,000
6610-021-001—Support	General	10,716,000
6610-031-001—Support	General	41,434,000
6610-001-814—Support	Lottery Education	22,502,000
6610-490—Reappropriation	General	—
6610-001-785—Support	Capital Outlay Bond	10,600,000
6610-001-890	Federal Trust	79,974,000
Subtotal, Budget Bill Items		(\$1,975,127,000)
Non-Budget Bill Funding		
Reimbursements		\$33,414,000
Expenditures from other fund sources		373,558,000
Subtotal, Non-Budget Bill Funding		(\$406,972,000)
Total		\$2,382,099,000

CALIFORNIA STATE UNIVERSITY—Continued

	<i>Analysis page</i>
SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS	
1. <i>Callexico Off-Campus Center. Reduce Item 6610-001-001 by \$243,000.</i> Recommend that budgeted FTE enrollment for the Callexico off-campus center be reduced from 300 to 205, to be consistent with historical enrollment patterns.	1022
2. <i>Fullerton Enrollment. Reduce Item 6610-001-001 by \$184,000 and reduce Item 6610-010-001 by \$84,000.</i> Recommend that budgeted enrollment for CSU Fullerton in 1988-89 be reduced by 100 FTE students in order to correct a technical error in the budget.	1022
3. <i>Joint Doctoral Program Enrollment. Reduce Item 6610-001-001 by \$83,000.</i> Recommend that enrollment in CSU's joint doctoral programs be excluded from total FTE enrollment, for purposes of calculating the budgeted number of faculty positions, because the positions needed to support these programs are funded by a separate formula based specifically on joint doctoral program enrollment.	1023
4. <i>Statewide Nursing Program. Reduce Item 6610-001-001 by \$673,000.</i> Recommend reduction of funding requested to establish state support of the off-campus Statewide Nursing Program in order to fund the program on the same basis as comparable on-campus nursing programs.	1024
5. <i>Continuing Education Concurrent Enrollment. Reduce Item 6610-001-001 by \$2,497,000.</i> Recommend increasing General Fund reimbursements from the Continuing Education Revenue Fund, to reflect the increase in revenues from fees paid by students concurrently enrolled in regular (General Fund) courses.	1028
6. <i>San Diego Joint Doctoral Program. Reduce Item 6610-001-001 by \$186,000.</i> Recommend deletion of funding for a new joint doctoral program because the program's objectives can be achieved at less cost by expanding existing doctoral programs.	1030
7. <i>Student Writing Skills Program. Reduce Item 6610-001-001 by \$238,000.</i> Recommend funding the Student Writing Skills program on the basis of eligibility criteria actually used by the campuses, thereby eliminating overbudgeting.	1031
8. <i>Student Writing Skills Program.</i> Recommend adoption of supplemental report language directing the CSU to report on the desirability of implementing uniform eligibility criteria for the Student Writing Skills program.	1031
9. <i>Financial Aid Funding Transfer. Reduce Item 6610-001-001 by \$4,479,000 and increase Item 7980-101-001 by \$4,479,000.</i> Recommend transferring funds from CSU's State University Grant program to the Student Aid Commission's Cal Grant program, because the programs serve the same purpose.	1034
10. <i>State University Grant Program. Reduce Item 6610-001-001 by \$184,000.</i> Recommend reducing the amount proposed to increase the State University Grant in order to eliminate double-budgeting.	1035

11. *New Teacher Retention Program. Reduce Item 6610-001-001 by \$200,000.* Recommend deleting the amount proposed to expand the New Teacher Retention Program because the program should not be expanded prior to completion of an evaluation. 1037
12. *Comprehensive Teacher Institutes. Reduce Item 6610-001-001 by \$350,000.* Recommend deletion of the amount proposed to expand the Comprehensive Teacher Institutes because the program should not be expanded prior to completion of an evaluation. 1037
13. *Expendable Items. Reduce Item 6610-001-001 by \$716,000.* Recommend reducing the amount proposed for an initial complement of expendable items (supplies for new and remodeled buildings) because these items are not required for remodeling projects where no new function is added. 1039
14. *Telephone Installation. Reduce Item 6610-001-001 by \$238,000.* Recommend reducing the amount proposed for telephone installation at CSU campuses, due to double-budgeting and a premature budget request. 1039
15. *Faculty Salary Increase.* Withhold recommendation on the proposed CSU faculty salary increase until the May Revision, in order to evaluate whether it is financially feasible to provide salary increases which are at parity with CSU's comparison institutions. 1042
16. *Faculty Salary Methodology. Reduce Item 6610-031-001 by \$2,960,000.* Recommend reducing the amount proposed for CSU faculty increases, in order to eliminate the effect of law school faculty in determining salary parity with CSU's comparison institutions. 1043
17. *Collective Bargaining Agreements.* Recommend adoption of supplemental report language expressing legislative intent that collective bargaining agreements not require CSU to fund salary and benefit increases irrespective of legislative action to provide funding for such purposes. 1044

Overview of Legislative Analyst's Recommendations

We recommend (1) reductions to the CSU's General Fund support budget totaling \$13.3 million, of which \$4.5 million would be transferred to the Student Aid Commission's budget, and (2) a decrease in revenues amounting to \$84,000, for a net savings of \$8.8 million to the General Fund.

We withhold recommendation on the proposed increase for faculty salaries, pending a review of the state's fiscal situation in order to determine whether an augmentation would be feasible.

Table 1 summarizes the fiscal impact of our recommendations.

CALIFORNIA STATE UNIVERSITY—Continued

Table 1
Summary of Changes to the CSU's 1988-89 Budget
Recommended by the Legislative Analyst

<i>Program</i>	<i>Program Changes</i>	<i>Impact on General Fund</i>	
		<i>Expenditures</i>	<i>Revenues</i>
Calexico off-campus center.....	-\$243,000	-\$243,000	
Fullerton enrollment.....	-268,000	-268,000	-\$84,000
Joint doctoral program enrollment.....	-83,000	-83,000	
Statewide nursing program.....	-673,000	-673,000	
Concurrent enrollment.....	-2,497,000	-2,497,000	
San Diego joint doctoral program.....	-186,000	-186,000	
Student writing skills program.....	-238,000	-238,000	
Financial Aid—interagency transfer.....	—	-4,479,000	
State University Grant.....	-184,000	-184,000	
New Teacher Retention Program.....	-200,000	-200,000	
Comprehensive Teacher Institutes.....	-350,000	-350,000	
Expendable items for new buildings.....	-716,000	-716,000	
Telephone installation.....	-238,000	-238,000	
Faculty salary increase.....	-2,960,000	-2,960,000	
Totals.....	-\$8,836,000	-\$13,315,000	-\$84,000

GENERAL PROGRAM STATEMENT

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

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

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.

The system has an estimated 258,120 full-time equivalent (FTE) students and 33,573 personnel-years in 1987-88.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes General Fund expenditures of \$1.9 billion for support of the CSU system in 1988-89. This is an increase of \$118.7 million, or 6.8 percent, over estimated current-year General Fund expenditures. We note that the proposed General Fund expenditures include \$326.6

million in revenues, primarily from student fees. The budget projects that these appropriated fee revenues will increase by \$34 million in 1988-89. Consequently, fees fund 29 percent of the proposed General Fund increase of \$118.7 million.

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

Table 2
The California State University
Budget Summary
1986-87 through 1988-89
(dollars in thousands)

<i>Programs</i>	<i>Actual</i> 1986-87	<i>Est.</i> 1987-88	<i>Prop.</i> 1988-89	<i>Change from</i> 1987-88	
				<i>Amount</i>	<i>Percent</i>
Instruction.....	\$981,451	\$1,050,929	\$1,096,726	\$45,797	4.4%
Public Service.....	1,117	1,191	1,191	—	—
Academic Support.....	181,213	187,936	189,508	1,572	0.8
Student Services.....	206,627	229,487	236,028	6,541	2.9
Institutional Support.....	410,121	423,060	445,214	22,154	5.2
Independent Operations.....	67,639	67,148	73,436	6,288	9.4
Auxiliary Organizations.....	264,022	274,583	285,566	10,983	4.0
Provisions for Allocation.....	—	694	12,996	12,302	— ^a
Unallocated Salary Increase.....	—	—	41,434	41,434	— ^a
Totals, Expenditures.....	\$2,112,190	\$2,235,028	\$2,382,099	\$147,071	6.6%
Funding Sources					
<i>General Fund</i>	\$1,596,491	\$1,743,329	\$1,862,051	\$118,722	6.8%
<i>Reimbursements</i>	60,870	31,550	33,414	1,864	5.9
<i>Special Account for Capital Outlay</i>	5,824	—	—	—	—
<i>Continuing Education Revenue Fund</i>	42,803	41,623	44,176	2,553	6.1
<i>Dormitory Revenue Fund (Housing)</i>	26,162	29,658	32,415	2,757	9.3
<i>Dormitory Revenue Fund (Parking)</i>	10,347	10,329	11,391	1,062	10.3
<i>Higher Education Capital Outlay Bond</i> <i>Fund</i>	—	—	10,600	10,600	— ^a
<i>Lottery Education Fund</i>	32,380	22,502	22,502	—	—
<i>Federal Trust Fund</i>	73,211	81,420	79,974	-1,446	-1.8
<i>Special Projects Fund</i>	80	34	10	-24	-70.6
Auxiliary Organizations					
<i>Federal</i>	41,980	43,659	45,405	1,746	4.0
<i>Other</i>	222,042	230,924	240,161	9,237	4.0
Personnel-years.....	33,695.5	33,573.0	34,504.1	931.1	2.8%

^a Not a meaningful figure.

The CSU budget is divided into nine major programs, which are shown in Table 3 by funding source. In the analysis that follows, we discuss the budget proposal for (1) the four programs—Instruction, Academic Support, Student Services, and Institutional Support—that are supported with state funds, (2) provisions for allocation, and (3) employee compensation. 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.

CALIFORNIA STATE UNIVERSITY — Continued

Table 3
The California State University
Expenditures by Subprogram and Funding Source
1988-89
(dollars in thousands)

Programs	General Fund			Other State Funds			Special Funds					Grand Totals
	Net	Reimburse-ments	Totals	HECO Bond Fund	Special Projects	Lottery Educa-tion	Continu-ing Educa-tion	Dormi-tory	Parking	Federal Trust	Founda-tions and Auxiliary Organiza-tions	
1. Instruction												
Regular instruction	\$1,068,265	\$2,000	\$1,070,265	—	—	—	—	—	—	—	—	\$1,070,265
Special session instruction	—	—	—	—	—	—	\$16,040	—	—	—	—	16,040
Extension instruction	—	—	—	—	—	—	10,421	—	—	—	—	10,421
Subtotals, Instruction	(\$1,068,265)	(\$2,000)	(\$1,070,265)	—	—	—	(\$26,461)	—	—	—	—	(\$1,096,726)
2. Public Service												
Campus community service	—	(\$1,191)	(\$1,191)	—	—	—	—	—	—	—	—	(\$1,191)
3. Academic Support												
Libraries	\$89,355	—	\$89,355	—	—	—	\$49	—	—	—	—	\$89,404
Audio-Visual services	19,197	—	19,197	—	—	—	34	—	—	—	—	19,231
Computing support	54,645	—	54,645	—	—	—	146	—	—	—	—	54,791
Ancillary support	26,082	—	26,082	—	—	—	—	—	—	—	—	26,082
Subtotals, Academic Support	(\$189,279)	—	(\$189,279)	—	—	—	(\$229)	—	—	—	—	(\$189,508)
4. Student Services												
Social and cultural development	\$7,218	—	\$7,218	—	—	—	—	—	—	—	—	\$7,218
Supplementary educational services-EDP	22,654	—	22,654	—	—	—	—	—	—	—	—	22,654
Counseling and career guidance	31,625	—	31,625	—	—	—	\$9	—	—	—	—	31,634
Financial aid	34,371	\$10,209	44,580	—	—	—	—	—	—	\$79,974	—	124,554
Student support	42,676	—	42,676	—	—	—	4	\$7,288	—	—	—	49,968
Subtotals, Student Services	(\$138,544)	(\$10,209)	(\$148,753)	—	—	—	(\$13)	(\$7,288)	—	(\$79,974)	—	(\$236,028)
5. Institutional support												
Executive management	\$34,289	—	\$34,289	—	—	—	\$11,765	—	—	—	—	\$46,054
Financial operations	33,850	—	33,850	—	—	—	1,164	\$1,635	\$984	—	—	37,633

General administrative services	77,804	—	77,804	—	—	—	621	—	—	—	—	78,425
Logistical services	64,614	\$1,028	65,642	—	—	—	1,962	3,914	6,087	—	—	77,605
Physical plant operation	164,656	—	164,656	\$10,600	\$10	—	45	19,376	2,340	—	—	197,027
Faculty and staff services	194	—	194	—	—	—	—	—	—	—	—	194
Community relations	6,583	—	6,583	—	—	—	1,693	—	—	—	—	8,276
Subtotals, Institutional Support	(\$381,990)	(\$1,028)	(\$383,018)	(\$10,600)	(\$10)	—	(\$17,250)	(\$24,925)	(\$9,411)	—	—	(\$445,214)
6. Independent operations	(\$52,525)	(\$18,986)	(\$71,511)	—	—	—	—	—	(\$1,925)	—	—	(\$73,436)
7. Auxiliary Organizations	—	—	—	—	—	—	—	—	—	—	(\$285,566)	(\$285,566)
8. Provisions for Allocation	(-\$9,986)	—	(\$9,986)	—	—	(\$22,502)	(\$223)	(\$202)	(\$55)	—	—	(\$12,996)
9. Employee Compensation	(\$41,434)	—	(\$41,434)	—	—	—	—	—	—	—	—	(\$41,434)
Totals, Support Budget Expenditures.	\$1,862,051	\$33,414	\$1,895,465	\$10,600	\$10	\$22,502	\$44,176	\$32,415	\$11,391	\$79,974	\$285,566	\$2,382,099

CALIFORNIA STATE UNIVERSITY—Continued**1988-89 Budget Changes**

As detailed in Table 4, the budget for CSU in 1988-89 reflects several offsetting increases and decreases. The table shows that:

- **Baseline adjustments** result in a net increase of \$20.2 million. These include various adjustments in personnel costs and reductions for nonrecurring expenditures.
- **Workload changes**, which include enrollment-related adjustments, result in an increase of \$44.3 million.
- **Program changes** result in an increase of \$10.5 million. (Each of these augmentations is discussed later in this analysis.)
- **Unallocated salary and benefit increases**, also discussed later in this analysis, total \$41.4 million.

Table 4
The California State University
Proposed 1988-89 General Fund Budget Changes
(dollars in thousands)

1987-88 Expenditures (Revised)	\$1,743,329
<i>Baseline Adjustments</i>	
Merit salary adjustments	\$10,220
Unscheduled reduction to nonfaculty merit salaries	-5,808
Full-year funding	40,641
Faculty promotions	1,320
Retirement	-18,500
Teacher's retirement	-7
OASDI	2,422
Dental—annuitants	103
Unemployment compensation	-100
Workers' compensation	500
Industrial disability leaves	200
Nonindustrial disability leaves	-50
Nonrecurring items	-17,325
Price increase	6,596
Subtotal, Baseline Adjustments	(\$20,212)
<i>Workload Changes</i>	
Enrollment adjustment	\$25,835
Special cost factors	
Instruction	4,063
Academic support	450
Student services	2,549
Institutional support	7,584
Independent operations	6,696
Provisions for allocation	30
Reimbursements	-1,864
Systemwide offices	102
Systemwide provisions	-1,162
Subtotal, Workload Changes	(\$44,283)
<i>Program Changes</i>	
Faculty recruitment	\$500
Financial aid	2,041
Student underrepresentation and teacher improvement	750
Faculty research	2,502
San Diego doctoral program	186
Minority Engineering Program	250
Instructional computing	4,290
Subtotal, Program Changes	(\$10,519)

Salary and Benefit Increases

Faculty salary.....	\$19,868
Staff salary.....	14,297
Benefits.....	7,269
Subtotal, Salary and Benefit Increases.....	(\$41,434)
<i>Capital Outlay Revenue Bonds</i>	
Lease payments on revenue bonds.....	(\$2,274)
1988-89 Expenditures (Proposed).....	\$1,862,051
Change from 1987-88:	
Amount.....	\$118,722
Percent.....	6.8%

ANALYSIS AND RECOMMENDATIONS

We recommend approval of all baseline adjustments and the following program change proposals:

- **Faculty Recruitment**—\$500,000 to augment funds allocated for faculty recruitment. These funds are justified on the basis of cost data submitted by CSU.
- **Minority Engineering Program**—\$250,000 to expand the Minority Engineering Program, which provides retention and support services for underrepresented minority engineering students. A report submitted by the California Postsecondary Education Commission indicates that this program has increased the retention rate of participating students.

The remaining budget change proposals are discussed elsewhere in this analysis.

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

- **Fellows Program (Item 6610-002-001)**—The budget proposes \$836,000 for the Senate, Assembly, and Executive Fellows Programs, which are administered by CSU Sacramento. This is an increase of \$87,000 over the amount appropriated in the current year. The increase will be used to augment stipends for program participants.
- **Revenue Bond Payments (Item 6610-003-001)**—The budget proposes \$2,274,000 from the General Fund for debt service payments required for lease-purchase revenue bonds for capital construction projects at several CSU campuses. These projects were approved by the Legislature in prior Budget Acts.
- **Student Housing (Item 6610-006-001)**—The budget proposes to transfer \$350,000 from the General Fund to the Affordable Student Housing Revolving Fund in 1988-89, the same amount appropriated in the current year. These funds are used to subsidize interest costs in connection with bond financing for construction of affordable student housing at the CSU Fullerton and Hayward campuses. Our analysis indicates that the amount proposed is consistent with the Legislature's intent in establishing the subsidy.
- **Appropriated Revenue (Item 6610-010-001)**—The budget proposes to appropriate \$326.6 million in revenues—primarily from student fees—for support of CSU in 1988-89. Our analysis indicates that the estimated level of revenues is consistent with the proposed enrollment and level of student fees in the budget year.

CALIFORNIA STATE UNIVERSITY—Continued

- **Special Repairs and Deferred Maintenance (Item 6610-021-001)**—The budget proposes \$10.7 million from the General Fund for special repairs and deferred maintenance in 1988-89, the same amount appropriated in the current year. Our analysis indicates that these funds are needed for CSU's ongoing special repair requirements.
- **Asbestos Abatement (Item 6610-001-785)**—The budget proposes \$10.6 million from the 1988 Higher Education Capital Outlay Bond Fund for asbestos abatement at CSU in 1988-89, to be expended for projects identified in specified categories in CSU's feasibility study. This is an increase of \$4.6 million, or 77 percent, over the amount appropriated for this purpose in the current year. Our analysis indicates that the proposed expenditures are warranted.
- **Reappropriation (Item 6610-490)**—The Budget Bill contains language reappropriating any unexpended balances from CSU's 1987 Budget Act appropriation (main support item). This provision requires CSU to use the first \$1,868,000 reappropriated for the replacement of instructional equipment. Additional funds reappropriated by this language may be used only for instructional equipment, deferred maintenance and special repairs, student computer workstations, On-Line Public Access Catalog projects, or the concurrent enrollment program. A similar provision was included in the 1987 Budget Act. CSU generally has year-end balances of approximately \$5 million. Consequently, the proposed language is likely to result in a reallocation of about \$5 million, to be expended on the items listed above. Our analysis indicates that the authorized reallocation of funds is warranted.
- **Federal Funds (Item 6610-001-890)**—The budget proposes an appropriation of \$80 million from the Federal Trust Fund for support of CSU. This is a decrease of \$1.4 million, or 1.8 percent, from estimated current-year expenditures. Our analysis indicates that the proposed use of these funds for financial aid is justified.

I. INSTRUCTION

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

Table 5 shows expenditures for instruction in the prior, current, and budget years. The table indicates that the budget proposes an increase of \$45.8 million, or 4.4 percent, in General Fund expenditures for instruction in 1988-89. This is due primarily to a projected enrollment increase.

Table 5
The California State University
Instruction Program Budget Summary
1986-87 through 1988-89
(dollars in thousands)

Program	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Change from 1987-88	
				Amount	Percent
Regular instruction.....	\$957,967	\$1,025,234	\$1,070,265	\$45,031	4.4%
Special session instruction.....	14,611	15,662	16,040	378	2.4
Extension instruction.....	8,873	10,033	10,421	388	3.9
Totals, Expenditures.....	\$981,451	\$1,050,929	\$1,096,726	\$45,797	4.4%

Funding Sources					
<i>General Fund</i>	\$937,120	\$1,003,811	\$1,068,265	\$64,454	6.4%
<i>Continuing Education Revenue Fund</i>	23,484	25,695	26,461	766	3.0
<i>Lottery Fund</i>	19,496	19,423	— ^a	-19,423	-100.0
<i>Reimbursements</i>	1,351	2,000	2,000	—	—
Personnel:					
Regular instruction.....	18,916	19,000	19,522	521.9	2.7%
Extension and special session.....	343	347	351	4.1	1.2
Totals, Personnel-years.....	19,259	19,347	19,873	526.0	2.7%

^a Lottery expenditures in 1988-89 are shown as an unallocated expenditure in a separate program. We estimate that lottery expenditures in the instruction program in 1988-89 will be approximately the same as in the current year.

A. ENROLLMENT

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

As Table 6 shows, the latest estimate of CSU enrollment in the current year (1987-88) is 258,120 FTE students. This estimate is 4,270 FTE (1.7 percent) above the enrollment budgeted for 1987-88, and 5,331 FTE (2.1 percent) above the actual 1986-87 FTE enrollment.

The budget proposes enrollment of 261,195 FTE students in 1988-89, an increase of 7,345 FTE (2.9 percent) over the budgeted level for 1987-88, and 3,075 FTE (1.2 percent) over the latest estimate for the current year.

Table 6
The California State University
Annual Full-Time Equivalent Students
1986-87 through 1988-89

<i>Campus</i>	<i>1986-87</i> <i>Actual</i>	<i>1987-88</i>		<i>1988-89</i> <i>Prop.</i>	<i>Change from</i> <i>Budgeted</i> <i>1987-88</i>	
		<i>Budgeted</i>	<i>Revised</i> <i>Estimate</i>		<i>Number</i>	<i>Percent</i>
Bakersfield.....	3,033	3,250	3,310	3,500	250	7.7%
Chico.....	13,026	13,300	13,434	13,500	200	1.5
Dominguez Hills.....	4,899	5,200	5,049	5,855	655	12.6
Fresno.....	14,542	14,400	14,928	15,400	1,000	6.9
Fullerton.....	16,698	16,500	16,906	17,000	500	3.0
Hayward.....	9,720	9,850	9,735	9,810	-40	-0.4
Humboldt.....	5,290	5,500	5,584	5,750	250	4.5
Long Beach.....	23,562	23,200	24,285	23,600	400	1.7
Los Angeles.....	15,656	15,650	15,648	15,850	200	1.3
Northridge.....	20,903	20,600	20,873	20,900	300	1.5
Pomona.....	14,966	15,200	15,201	15,500	300	2.0
Sacramento.....	17,758	17,950	17,899	18,250	300	1.7
San Bernardino.....	5,346	5,900	6,061	6,700	800	13.6
San Diego.....	26,219	25,800	26,672	26,100	300	1.2
San Francisco.....	18,737	18,400	18,814	19,200	800	4.3
San Jose.....	19,090	19,100	19,746	20,000	900	4.7
San Luis Obispo.....	15,174	15,570	15,424	15,480	-90	-0.6
Sonoma.....	4,320	4,450	4,550	4,600	150	3.4
Stanislaus.....	3,392	3,550	3,581	3,750	200	5.6
International Program.....	458	480	420	450	-30	-6.3
Totals.....	252,789	253,850	258,120	261,195	7,345	2.9%

CALIFORNIA STATE UNIVERSITY—Continued**1. San Diego's Calexico Off-Campus Center Enrollment Is Overbudgeted**

We recommend that FTE enrollment budgeted for San Diego's Calexico center be reduced from 300 to 205, to be more consistent with historical enrollment patterns, for a General Fund savings of \$243,000. (Reduce Item 6610-001-001 by \$243,000.)

San Diego State University operates an off-campus center at Calexico. The budget is based on a projected enrollment of 300 full time equivalent (FTE) students at the Calexico center in 1988-89, the same as budgeted enrollment for the center in the current year. A review of past year and estimated current year enrollment levels, however, reveals that the budget projection is unrealistically high. In fact, enrollment at Calexico has consistently been overbudgeted in past years, as detailed in Table 7.

Table 7
Annual FTE Enrollment of Calexico Center
1980-81 through 1987-88

	Enrollment		Difference
	Budgeted	Actual	
1980-81.....	300	224	-76
1981-82.....	300	220	-80
1982-83.....	300	224	-76
1983-84.....	300	192	-108
1984-85.....	300	180	-120
1985-86.....	300	201	-99
1986-87.....	300	207	-93
1987-88 (est.).....	300	203	-97

These data indicate that actual enrollment at the Calexico center has been stable since 1985-86, ranging from 201 to 207 FTE. The CSU Chancellor's Office, moreover, has been unable to cite any factors which might lead to an unusual increase in enrollment at Calexico next year. Consequently, we estimate that FTE enrollment for the center will be 205 in 1988-89, and recommend that the budget be adjusted accordingly. This would result in the elimination of 8.3 positions, for a General Fund savings of \$243,000.

2. Technical Error in Budgeted Level of Enrollment

We recommend that the budgeted level of enrollment for CSU Fullerton in 1988-89 be reduced by 100 FTE students in order to correct a technical budgeting error, for a net General Fund savings of \$184,000. (Reduce Item 6610-001-001 by \$184,000 and reduce Item 6610-010-001 by \$84,000.)

The CSU Trustees requested a General Fund augmentation of \$587,000 and 100 FTE student enrollment in 1988-89 to support an off-campus center at CSU Fullerton. This proposal was rejected and the budget does not include the \$587,000 requested for operating expenses and five support positions. The budget, however, inadvertently includes the 100 FTE associated with the proposed off-campus center and \$268,000 associated with this enrollment. In order to correct this technical budgeting error, we recommend deletion of the \$268,000 and eight new positions that would be supported by these funds. Because this would also

result in a General Fund revenue loss of \$84,000 (in fee revenues), our recommendation would result in a net General Fund savings of \$184,000.

3. Enrollment in Joint Doctoral Programs is Double-Counted

We recommend that enrollment in CSU's joint doctoral programs be excluded from total FTE enrollment, for purposes of calculating the budgeted number of faculty positions, because the positions needed to support these programs are funded by a separate formula based specifically on joint doctoral program enrollment. This would result in a General Fund savings of \$83,000. (Reduce Item 6610-001-001 by \$83,000.)

CSU operates seven joint doctoral programs in conjunction with other universities. Faculty positions required to support these programs at CSU are derived by a specific budget formula, under the Academic Support program element. This formula is based on headcount enrollment in the programs and specified student/faculty ratios applicable only to joint doctoral programs. The budget projects 208 joint doctoral students at CSU in 1988-89, and an average student/faculty ratio of approximately 8 to 1.

Joint Doctoral Students are Counted Twice. All regular instructional faculty positions at CSU are generated by another budget formula—under the Instruction program element—based on FTE enrollment and the average student/faculty ratio at each campus. The Chancellor's Office, however, *includes* CSU's joint doctoral program enrollment in this calculation as well as the formula developed specifically for the joint doctoral program. Staff at the Chancellor's Office indicate that this is intentional, noting that it is "roughly equivalent to UC's weighting doctoral level students at twice that of undergraduates."

We are not persuaded by this argument. The formula devised specifically for joint doctoral programs, by itself, generates *10 times* the number of faculty positions as do other programs. This occurs because (1) the joint doctoral formula is based on headcount enrollment, which differs significantly from the FTE enrollment used to generate faculty positions in the main instructional program at CSU, and (2) the 8 to 1 student/faculty ratio assumed in the joint doctoral formula is less than half the ratio used for the regular instructional program (18 to 1, on the average). Doctoral programs at the University of California, moreover, are budgeted according to the *same* student/faculty ratio as all other programs.

We find no justification, therefore, for including joint doctoral enrollment in the total FTE enrollment in order to generate additional faculty positions beyond the number provided by the special formula used for these programs. Consequently, we recommend deletion of \$83,000 from the budget, and elimination of three positions, for a corresponding General Fund savings in 1988-89. Savings of approximately the same amount would be realized annually thereafter, depending on the level of enrollment in joint doctoral programs at CSU.

B. REGULAR INSTRUCTION

1. Lottery Funds (Item 6610-001-814)

We recommend approval.

The budget estimates that CSU will spend \$22.5 million in lottery funds in the current year. Table 8 shows how the CSU intends to spend these funds, according to a report submitted to the Legislature in November

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1987. The budget estimate consists of \$18.2 million for program support and \$4.3 million for an endowment account. Funds allocated to the endowment will be retained in a special account for investment, from which the interest earnings will be expended for purposes determined by the CSU campuses, according to guidelines adopted by the trustees. As the table shows, CSU estimates that an additional \$4.4 million will be available as a "reserve" in the current year.

The budget proposes that CSU spend \$22.5 million in lottery funds in 1988-89, to be budgeted as an unallocated expenditure. The CSU Trustees will determine the manner in which these funds will be expended. Because this procedure is in accordance with current state policy, we recommend approval of this item.

Table 8
CSU Lottery Fund Expenditure Plan, 1987-88

<i>Programs</i>	<i>Amount</i>
Master teacher stipends and scholarships	\$1,200,000
Teacher education clinical supervision	900,000
Instructional computing—student access (ongoing)	1,578,759
Instructional equipment	2,000,000
Instructional program improvement	800,000
Forgivable Loan Program for minorities and women	600,000
Student internships—community service and outreach	1,001,000
Visiting scholars and artists	2,500,000
Fine arts initiative	1,000,000
Educational equity (retention programs)	800,000
Closure costs of 1986-87 programs	321,241
Campus/Chancellor's Office discretionary funds	4,300,500
Administration	1,200,000
Subtotal, Program Support	(\$18,201,500)
Other:	
Endowment account	\$4,300,500
Reserve	4,373,249
Subtotal, Other	(\$8,673,749)
Totals	\$26,875,249
Funding:	
1987-88 revenue	\$21,500,000
Interest income	1,211,648
Carry-over from 1986-87	4,163,601

2. Proposed Funding Level for Off-Campus Nursing Program Is Excessive

We recommend that the proposed General Fund augmentation for state support of the off-campus Statewide Nursing Program be reduced by \$673,000 in order to fund the program on the same basis as comparable on-campus nursing programs. (Reduce Item 6610-001-001 by \$673,000.)

The CSU Statewide Nursing Program (SNP) is a systemwide off-campus program in which licensed registered nurses can earn B.S. and M.S. degrees in Nursing. The SNP formerly was operated as part of CSU's Consortium program, which CSU dissolved on June 30, 1987. It is characterized by a series of one-unit and two-unit courses, each lasting from six to eight weeks. Courses are offered at local sites such as hospitals,

medical centers, and community colleges. Students can also receive credit by passing standardized examinations. The program has been supported entirely by student fees.

General Fund Support Proposed. In response to a request by the CSU Trustees, the budget proposes a General Fund augmentation of \$3.9 million in order to initiate state support of the SNP in 1988-89. Under this proposal, the program (with an enrollment of 655 FTE students) would be supported in the same manner as existing state-funded CSU programs.

Because the off-campus Statewide Nursing Program has the same objectives as CSU's on-campus nursing programs, we agree with the basic premise of providing state support for the SNP. We do not find adequate justification, however, for the proposed level of funding. The budget is based on an assumed student/faculty ratio of approximately 8 to 1. As is the case with other CSU programs, the student/faculty ratio was derived by adjusting the projected enrollment for "mode and level" assumptions—the mode of course (laboratory, for example) and the level of student (lower division, upper division, or graduate). Our review, however, indicates that the mode assumptions for the SNP are inappropriate. The budget assumes that the program combines seminar and "supervision" (such as independent study) modes, whereas the program administrators informed us that all courses are seminars.

Legislative Analyst Compromise. Applying only the seminar mode to the SNP would yield a student/faculty ratio of approximately 14 to 1. The Chancellor's Office contends that this may not be adequate to support the program because it operates differently from other programs. We do not have sufficient data on the cost and staffing of the SNP to validate this argument. In our field visits, however, the SNP administrators indicated that they should be able to operate the program at the same cost as comparable on-campus programs. As a compromise, therefore, we recommend that the program be funded on the basis of the average student/faculty ratio—approximately 10 to 1—reported by the four on-campus CSU nursing programs which, like the SNP, are designed specifically for students who are licensed registered nurses. This would result in the elimination of 22.2 proposed new positions and a General Fund reduction of \$673,000 in the 1988-89 budget.

3. Budget Proposes State Support for Research at CSU

The budget proposes \$2.5 million from the General Fund to establish a program of state support for faculty research at CSU in 1988-89. These funds would be used for grants, summer scholarships, and leaves of absence for CSU faculty to conduct research. Funds would be allocated to campuses in proportion to their reported number of full-time-equivalent faculty, and would be distributed within the campuses pursuant to a plan developed by a faculty-administration committee. The Chancellor's Office indicates that the campuses would submit a year-end report on research expenditures and a "full evaluation" after the second year.

This budget proposal represents an important policy initiative in that it would provide, for the first time, direct unrestricted state support for research at CSU. The state's policy has been to limit General Fund support for faculty research almost exclusively to the University of California (UC). About \$170 million was appropriated from the General Fund to UC specifically for research grants during the current year, and research comprises a significant portion of the workload for full-time UC

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faculty members. The state has provided a relatively minor amount of funding for faculty research at CSU—directly through a few selected programs such as the Agricultural Technology Institute at CSU Fresno, and indirectly by faculty workload assumptions whereby a limited amount of released time may be granted for research.

CSU Research is a Policy Issue. We have no analytical basis for determining whether research should be funded at CSU; essentially, it is a policy issue. In order to assist the Legislature in its deliberations, however, we offer a brief summary of the historical background and raise some questions concerning the issue.

Background. The 1960 Master Plan for Higher Education—enacted as the Donahoe Higher Education Act—designates the University of California (UC) as the primary academic institution for research, and further declares that CSU's primary function is the provision of instruction. Faculty research at CSU, according to the Master Plan, is authorized if consistent with the primary function of the institution.

The Commission for the Review of the Master Plan for Higher Education, in its 1987 report, noted that the Master Plan "left ambiguous the state's commitment to support research at CSU." The commission concluded its review by recommending specifically that the state provide support for research at CSU.

Pursuant to the *Supplemental Report of the 1986 Budget Act*, the California Postsecondary Education Commission (CPEC) contracted for an independent study of higher education faculty development in 1987. The consultant's final report, which includes research as one of the components of faculty development, was submitted to CPEC in January 1988. The commission is scheduled to submit recommendations (developed by an advisory committee) to the Legislature in March.

Related Factors. The provision of state support for research at CSU raises the following questions:

- *What will be the impact on teaching?* This question has itself been the subject of considerable research. Two alternative hypotheses have been formulated: (1) Faculty research complements teaching by keeping faculty members aware of current developments in their field, and (2) faculty research is antagonistic to teaching because it detracts from the amount of time faculty members can devote to preparation for instruction. Support for both hypotheses can be found in the literature.
- *What will be the impact on faculty recruitment?* Providing support for research may facilitate recruitment of prospective faculty members who have an interest in research, including those who have gained recognition in their field through research. Whether this will be beneficial to CSU depends primarily on the answer to the preceding question. We also note that the Chancellor's Office recently convened a task force to study faculty recruitment at CSU.
- *What is the role of research in CSU's faculty promotion policies?* Although the significance of research in faculty promotion and tenure policies at CSU varies considerably among the campuses and the academic departments within campuses, it is apparent that research frequently constitutes an important factor in these decisions. This may conflict with CSU's faculty workload assumptions, which do not provide time specifically for research.

- *Is state support necessary to enable CSU faculty to conduct research?* Although the level of activity is minor compared to UC, faculty at CSU conduct a significant amount of research. The higher education faculty development study indicated that more than \$20 million (from all funding sources) was expended on faculty research at CSU in 1985-86.
- *Is state support for faculty research at CSU the most effective use of funds for the purpose of faculty development?* The higher education faculty development study found that CSU faculty gave research the highest priority among the various types of faculty development activities. The study concluded, however, by emphasizing the need for more instruction-related, rather than research-related, faculty development activities and programs.
- *What are the long-range cost implications?* Once a precedent is established for providing support specifically for faculty research at CSU, requests for additional support in subsequent years can be anticipated. This could extend to the capital outlay budget, based on the state's policy of providing space specifically for research at UC.

Conclusion. As stated previously, we have no analytical basis for measuring the impact of providing state support for research at CSU. Additional insight, however, might be provided by CPEC's policy recommendations submitted in response to the higher education faculty development study. We will review these recommendations when they are submitted and will be prepared to comment during the budget hearings.

4. Continuing Education Concurrent Enrollment

As part of its fee-supported Continuing Education program, CSU authorizes students to enroll in continuing education courses by attending "regular" campus courses, with the consent of the instructor. Fees paid by these "concurrently enrolled" students are deposited in the Continuing Education Revenue Fund, and subsequently shared between the Continuing Education program and the regular education program. The current sharing arrangement calls for the Continuing Education program to allocate 55 percent of the concurrent enrollment revenues to the academic departments that provide the courses. These funds are used to support a variety of departmental activities—such as the purchase of supplies and services and faculty travel—which are outside the normal budgetary process.

Policy of Revenue Sharing. Because the General Fund supports CSU's regular education courses, the cost of the concurrent enrollment program is funded primarily by the state. Recognizing this, the Governor proposed, in the 1985-86 budget, that the state share in the revenues generated by concurrent enrollment. Based on estimated revenues of \$4 million and assuming that a 50 percent sharing arrangement would be reasonable, the budget proposed a reimbursement of \$2 million from the Continuing Education Revenue Fund to the General Fund. The Legislature adopted the \$2 million reimbursement, but added Budget Act language permitting CSU to expend funds reappropriated from prior-year unexpended General Fund balances in order to support the concurrent enrollment program, if such support were necessary. This \$2 million reimbursement policy has been continued in subsequent annual budgets.

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General Fund Reimbursement Should Be Increased

We recommend that the budgeted level of reimbursements from the Continuing Education Revenue Fund to the General Fund, for continuing education students concurrently enrolled in regular (General Fund) courses, be increased by \$2.5 million to reflect the increase in revenues from concurrent enrollment. This would result in a state General Fund savings of \$2.5 million. (Reduce Item 6610-001-001 by \$2,497,000.)

The Governor again proposes to continue the \$2 million reimbursement from concurrent enrollment revenues in 1988-89, along with the reappropriation provision. We recommend that this reimbursement amount be increased by \$2.5 million (to a total of \$4.5 million) for the following reasons:

- Because concurrent enrollment revenues are projected to increase to \$9.0 million in 1988-89, the original assumption of a 50 percent sharing arrangement between the General Fund and the Continuing Education Revenue Fund calls for a reimbursement of \$4.5 million.
- CSU's prediction (made during hearings on the 1985-86 budget) that the imposition of a General Fund assessment would lead to the demise of the concurrent enrollment program has proven to be unfounded. As Table 9 shows, the number of students enrolled concurrently has been stable at approximately 4,100 FTE since the establishment of the reimbursement in 1985-86, and CSU projects an increase in enrollment and corresponding revenues in 1988-89.

Table 9
Continuing Education Concurrent Enrollment Program
Enrollment and Revenues
1981-82 through 1988-89

	FTE Students	Total Revenues	Distribution of Revenues	
			General Fund Reimburse- ment	Continuing Education Programs
1981-82	2,705	\$3,911,669	—	\$3,911,669
1982-83	3,166	4,908,246	—	4,908,246
1983-84	3,454	5,709,730	—	5,709,730
1984-85	3,709	6,317,744	—	6,317,744
1985-86	4,106	7,550,931	\$2,000,000	5,550,931
1986-87	4,155	8,000,000 ^a	2,000,000	6,000,000 ^a
1987-88	4,065	8,012,000 ^a	2,000,000	6,012,000 ^a
1988-89	4,236	8,994,038 ^a	2,000,000	6,994,038 ^a

^a Estimated.

- Under our proposal, CSU would retain \$4.5 million in revenues, which exceeds the \$4 million initially estimated for *total* concurrent enrollment revenues when the Governor's proposal was introduced in 1985-86. This should be adequate incentive for the academic departments to continue to admit concurrently enrolled students.
- The Continuing Education program (of which concurrent enrollment is one component) at CSU appears to be in good financial

condition. Year-end balances amounted to \$10.3 million on June 30, 1986 (24 percent of total expenditures) and increased to \$11.8 million at the end of fiscal 1986-87 (27 percent of total expenditures). These fund balances are far in excess of normal requirements for contingencies and reserves.

For these reasons, we recommend that the proposed reimbursement from the Continuing Education Revenue Fund to the General Fund be increased by \$2,497,000, resulting in a state savings of the same amount.

II. ACADEMIC SUPPORT

The Academic Support program is composed of those functions which directly aid and support the CSU's primary program of instruction. The budget identifies four elements in this program: (1) libraries, (2) audiovisual services and television services, (3) computing (EDP) support, and (4) ancillary support.

Table 10 shows expenditures for the Academic Support program in the prior, current, and budget years. The budget proposes an increase of \$3.4 million, or 1.8 percent, in General Fund expenditures for academic support in 1988-89. This is due primarily to baseline and workload adjustments.

Table 10
The California State University
Academic Support Program Expenditures
1986-87 through 1988-89
(dollars in thousands)

Programs	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Change from 1987-88	
				Amount	Percent
Libraries	\$79,607	\$87,848	\$89,404	\$1,556	1.8%
Audiovisual services	17,026	18,958	19,231	273	1.4
Computing support	61,921	55,948	54,791	-1,157	-2.1
Ancillary support	22,659	25,182	26,082	900	3.6
Totals, Expenditures	\$181,213	\$187,936	\$189,508	\$1,572	0.8%
Funding Sources					
General Fund	\$169,011	\$185,867	\$189,279	\$3,412	1.8%
Continuing Education Revenue Fund	259	190	229	39	20.5
Lottery Fund	11,943	1,879	— ^a	-1,879	-100.0
Personnel-Years:					
Libraries	1,524	1,575	1,615	40.6	2.6
Computing support	701	688	729	40.8	-0.1
Other	815	822	836	14.4	1.8
Totals, Personnel-years	3,040	3,084	3,180	95.8	3.1%

^a Lottery expenditures in 1988-89 are shown as an unallocated expenditure in a separate program. We estimate that lottery expenditures in the Academic Support program in 1988-89 will be approximately the same as in the current year.

A. COMPUTING SUPPORT

1. Instructional Computing

Pursuant to the *Supplemental Report of the 1984 Budget Act*, the CSU developed a new methodology for determining its needs for computing support. According to this methodology, CSU requires a total of 20,127 computer "workstations" (microcomputers or computer terminals). This

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represents an increase of 9,888 workstations over the current-year level. As part of a phased approach to fund the additional workstations, CSU requested \$9.6 million to acquire 1,236 student workstations in 1988-89.

The budget proposes to continue the current-year level of support for instructional computing. This includes \$18.9 million for general campus instructional computing. Because the current-year level of spending includes \$4.3 million allocated for the purchase of computers, this amount will be available for the procurement of new computers in the budget year. This will be sufficient to purchase an additional 555 computer workstations, including related operating expenses.

We also note that lottery revenues serve as a potential source of revenue for instructional computing support. The CSU Trustees allocated \$5.9 million in lottery funds for the acquisition of 1,110 computer workstations in 1986-87. As mentioned previously, the budget projects that CSU will spend \$22.5 million in lottery revenues in 1988-89. At this time, however, we do not know how the Trustees will use the lottery funds in the budget year.

B. ANCILLARY SUPPORT**1. New Joint Doctoral Program Is Not Needed**

We recommend that the \$186,000 General Fund augmentation requested for a new CSU-UC joint doctoral program be deleted, because the program's objectives can be achieved at less cost by expanding existing doctoral programs. (Reduce Item 6610-001-001 by \$186,000.)

The Donahoe Higher Education Act of 1960 assigns to the University of California (UC) the sole authority among the three public segments of higher education to award doctoral degrees, except that UC and CSU may award joint doctoral degrees in selected fields. Currently, there are seven joint doctoral programs in operation.

The budget proposes \$186,000 from the General Fund to establish a new joint doctoral program in engineering (specifically "Engineering Sciences/Applied Mechanics") in 1988-89. The program would be operated by San Diego State University's College of Engineering and UC San Diego's Department of Applied Mechanics and Engineering Sciences.

Our analysis indicates that the proposed new program is not justified, for two reasons: (1) the cost of the program is excessive, and (2) comparable programs currently are available at UC campuses.

Cost Too High. The proposed augmentation of \$186,000 would be allocated to San Diego State University for 4.7 new positions, in order to support a projected first-year enrollment of seven students. These funds would be supplemented by regular enrollment-generated funds, provided in accordance with FTE reported by both UC and CSU for enrollment growth in the new program. (UC indicates that the system will not budget any enrollment for this program until 1989-90. This enrollment would be supported within UC's regular budget allocation.)

This funding arrangement illustrates the relatively high cost of joint doctoral programs. When UC expands or establishes a new Ph.D. program, the state does not provide any funding beyond the regular marginal cost per FTE—\$4,903 in 1988-89. In contrast, the budget proposal would result in a first-year expenditure of approximately \$27,000 per student for the enrollment projected at CSU's San Diego campus.

No Uniqueness Shown. Presumably, the rationale for providing CSU with a budget allocation beyond the regular enrollment-generated funds is that CSU's ongoing level of funding is not based on the need to accommodate the relatively high instructional costs associated with the education of doctoral students. It is, therefore, incumbent upon CSU, when proposing the establishment of a joint doctoral program, to justify the high cost of the program by showing that the proposed joint arrangement would be more effective than the less expensive alternative of establishing or expanding a comparable program solely within the UC. In the case of the proposed new joint doctoral program in engineering, however, the system has not justified these additional costs.

In our review of the proposed San Diego State University/UC San Diego program, we find nothing to indicate why a comparable program could not be established by the less costly method of expanding the existing engineering programs at UC. Six campuses of the University of California (Berkeley, Los Angeles, San Diego, Santa Barbara, Davis, and Irvine) operate doctoral programs in engineering. Each of these campuses, moreover, offers a specific degree in the fields of Mechanical Engineering or Applied Mechanics, with related specializations in the same areas that would be emphasized in the proposed joint doctoral program. The UC could expand enrollment in its engineering programs if a need for additional Ph.Ds in this program area, relative to others, were demonstrated. This could be accomplished either through a reallocation of UC's budgeted enrollment—at no additional state cost—or by augmenting UC's budget at the regular marginal rate for graduate students.

For these reasons, we recommend that the request for funds to support a new joint doctoral program be denied, for a General Fund savings of \$186,000.

2. Student Writing Skills Program is Overbudgeted

We recommend that the Student Writing Skills program be budgeted on the basis of program eligibility criteria (English Placement Test scores) actually used by the campuses, thereby eliminating overbudgeting, for a General Fund savings of \$238,000. (Reduce Item 6610-001-001 by \$238,000.)

We further recommend that the Legislature adopt supplemental report language directing the CSU to submit a report on the desirability of implementing uniform program eligibility criteria for the Student Writing Skills program.

The budget proposes \$3 million from the General Fund in 1988-89 to support the Student Writing Skills program at the CSU campuses. This represents a decrease of \$189,000, or 5.9 percent, from the current year, due primarily to programmatic changes implemented by the Chancellor's Office.

The Student Writing Skills Program. CSU students must complete a course in English composition as part of the system's General Education requirements. Under the Student Writing Skills program, students who—according to CSU's criteria—are not likely to be able to complete a baccalaureate English course must take a remedial English course. Students do not earn baccalaureate degree credit for this course. Funding for the remedial English courses consists of regular enrollment-generated funds, supplemented by funds from the Student Writing Skills program in

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order to provide a relatively low student/faculty ratio (12:1).

According to the program standards promulgated by the Chancellor's Office, freshman students and sophomore transfer students qualify for placement directly into a baccalaureate English course either by (1) achieving a specified minimum score on one of two standardized achievement tests (SAT or ACT) normally taken prior to admission to CSU or (2) achieving a score of 151 on CSU's English Placement Test (EPT). In effect, then, all lower division students who do not meet the required score on either the SAT or ACT test, and who score below 151 on the EPT, must take at least one remedial English course. Based on the existing criteria, over one-third of all incoming lower division students at CSU are required to take remedial English.

Evaluation Committee Report. In December 1986, CSU published a report on the English Placement Test, written by the EPT Evaluation Committee (an internal CSU committee). The report includes the results of a statistical analysis of the EPT at three campuses, conducted by CSU in order to determine the effect of different "passing" scores. According to this analysis, the number of students *incorrectly* placed in English courses would be *reduced* by lowering the cut-score from 151 to 146. The report also noted that passing scores varied considerably among the campuses, in spite of the systemwide standard of 151. In order to provide a certain amount of flexibility to the campuses due to their "unique" circumstances, the EPT Evaluation Committee recommended that the campuses be given discretion to set their own passing scores within a range of 146-151.

The Chancellor's Office indicates that it will permit campuses to continue to set their own passing scores in 1988-89, within the 146-151 range. Nine campuses, according to the Chancellor's Office, use passing scores below 151. The budget proposal, however, is based on a uniform requirement of 151, resulting in overbudgeting at these campuses in the amount of \$238,000. We recommend, therefore, that the budget for the Student Writing Skills program be reduced by this amount (eliminating 7 positions), for a corresponding General Fund savings.

Study of Eligibility Criteria Needed. Our recommendation is designed to eliminate overbudgeting by making the budget assumptions consistent with actual program practices. We are concerned, however, about the implications of permitting campuses to use different passing scores on the EPT. In doing so, a student's choice of campus could be the determining factor in whether he or she is placed in a remedial or baccalaureate course.

This problem could be resolved by conforming to the evidence provided by the statistical analysis in the EPT committee report, which supports a uniform score of 146. The program administrators that we contacted, however, believe that the study is not based on a representative sample of campuses and does not adequately reflect the conditions that prevail on their campuses.

In order to explore potential solutions to this problem, we recommend that the Chancellor's Office study the desirability of implementing uniform eligibility criteria for the Student Writing Skills program. We suggest that the Chancellor's Office consider at least two alternatives: (1) a cut-score of 146 statewide, and (2) a score of 151, or 146-150 plus a specified score on the essay portion of the EPT.

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

The CSU shall submit a report to the Legislature, by March 1, 1989 on the desirability of implementing uniform "passing" scores on the English Placement Test for the Student Writing Skills program. The report shall consider at least the following alternatives: (1) a uniform score of 146 on the test, and (2) a score of 151, or 146-150 plus a specified score on the essay portion of the test.

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 11 shows Student Services program expenditures and personnel for the prior, current, and budget years.

The budget proposes an increase of \$7.1 million, or 5.4 percent, in General Fund expenditures for student services in 1988-89. This includes \$3 million to augment the State University Grant and EOP financial aid programs.

Table 11
The California State University
Student Services Program Expenditures
1986-87 through 1988-89
(dollars in thousands)

Programs	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Change from 1987-88	
				Amount	Percent
Social and cultural development.....	\$7,853	\$6,982	\$7,218	\$236	3.4%
Supplemental services—EOP.....	19,844	21,137	22,654	1,517	7.2
Counseling and career guidance.....	28,014	30,575	31,634	1,059	3.5
Financial aid.....	111,440	122,532	124,554	2,022	1.7
Student support.....	39,476	48,261	49,968	1,707	3.5
Totals, Expenditures.....	\$206,627	\$229,487	\$236,028	\$6,541	2.9%
Funding Sources					
General Fund.....	\$120,089	\$131,477	\$138,544	\$7,067	5.4%
Continuing Education Revenue Fund.....	75	12	13	1	8.3
Dormitory Revenue Fund.....	5,279	6,707	7,288	581	8.7
Federal Trust Fund.....	71,085	81,420	79,974	-1,446	-1.8
Reimbursements.....	10,099	9,871	10,209	338	3.4
Personnel-Years:					
Social and cultural development.....	179	153	159	5.8	3.8%
Supplemental services—EOP.....	355	384	408	23.4	6.1
Counseling and career guidance.....	661	680	698	18.4	2.7
Financial aid.....	414	448	461	13.0	2.9
Student support.....	962	1,065	1,098	33.2	3.1
Totals, Personnel-years.....	\$2,569	\$2,730	\$2,824	93.8	3.4%

A. TUITION AND FEES

The budget proposes an increase in revenues to correspond with an 8.6 percent increase in full-time resident student fees and an 8.2 percent fee increase for part-time students at the CSU in 1988-89. This would increase the State University Fee by \$54 (from \$630 to \$684) for full-time students, and by \$30 (from \$366 to \$396) for part-time students. The proposed fee increase is consistent with the statutory fee policy enacted by Chapter

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1523, Statutes of 1985. (The policy calls for an 8.6 percent increase. The proposed increase for part-time students is somewhat lower, for technical reasons.)

The higher fees would increase General Fund revenues in 1988-89 by \$16.7 million. In order to offset the effect of the increase in fees on students having demonstrated financial need, the budget also proposes to increase the amount budgeted for CSU's State University Grant program by \$2 million.

Table 12 shows the resident student fee levels at CSU for the past and current years, and the proposed fees for the budget year.

Table 12
The California State University
Student Fees
1986-87 through 1988-89

State University Fee	1986-87	1987-88	1988-89	Change from 1987-88	
				Amount	Percent
Full-time.....	\$573	\$630	\$684	\$54	8.6%
Part-time.....	333	366	396	30	8.2

B. PROGRAM SERVICES

1. Financial Aid Funds for Cal Grant Recipients Should be Transferred to the Student Aid Commission

We recommend that \$4,479,000 be transferred from the amount budgeted for CSU's State University Grant program to the Student Aid Commission's Cal Grant program, because the programs serve the same purpose. Our recommendation would fully fund the Cal Grant program to offset systemwide student fees for CSU students who would otherwise receive both Cal Grants and State University Grants. (Reduce Item 6610-001-001 by \$4,479,000 and increase Item 7980-101-001 by \$4,479,000.)

As discussed in our analysis of the Student Aid Commission (SAC), the state provides General Fund support for a statewide Cal Grant program, under which financial aid grants are awarded to students in public and private postsecondary education institutions. The Cal Grant "A" program provides funds to offset student fees, and the Cal Grant "B" program covers fees as well as other expenses. These awards were originally intended to cover the entire systemwide mandatory fees at UC and CSU. The commission indicates that approximately 20,000 Cal Grants will be allocated to CSU students in the budget year.

Bifurcated Program. The state also funds the State University Grant program, which provides student financial aid directly to CSU students. This program was established in 1982-83 in order to provide student aid specifically to offset the significant increase in the systemwide mandatory fee implemented in that year. The Legislature, in other words, created a new campus-based program for student aid needed to offset the increase in fees. It did not augment the Cal Grant awards, however, to keep pace with the fee increase. This has led to a bifurcated system in which Cal Grants now cover only a portion of CSU fees—about 50 percent of the \$630 fee in 1987-88.

Since 1982-83, the State University Grant program has been augmented to cover all fee increases, and the budget proposes an augmentation

sufficient to offset the proposed fee increase in 1988-89 for financially needy students. Specifically, the budget proposes \$17.8 million from the General Fund to support the State University Grant program in 1988-89. This is an increase of \$2.4 million—\$2 million related to the fee increase, and \$0.4 million related to additional students—over estimated current-year expenditures.

Because the Cal Grant program is not funded at a level sufficient to fully offset student fees, a large number of students at CSU—estimated at 12,539 in 1988-89—will receive both Cal Grants and State University Grants. Given that both programs are designed to achieve the same objective, we find no policy basis for continuing this bifurcated system. We believe that it would be more cost effective to transfer to the Cal Grant program that portion of the State University Grant program associated with awards to CSU students who also receive Cal Grants. These funds would be designated for allocation to Cal Grant recipients attending CSU, and should be sufficient, when combined with budgeted Cal Grant awards, to fully offset systemwide mandatory fees at CSU. This would be beneficial to students receiving these grants because the students would not have to wait until a decision is made on the campus-based State University Grant program in order to determine the amount of aid that will be provided to offset fees.

Accordingly, we recommend that \$4.5 million be transferred from CSU's budget to the Student Aid Commission's budget. This would not change the total level of funding allocated for student aid.

We make a similar recommendation in our analysis of the University of California. Both recommendations are discussed in greater depth in our analysis of the Student Aid Commission.

2. State University Grant Program Is Overbudgeted

We recommend that \$184,000 in General Fund support proposed for increasing the State University Grant be deleted, in order to eliminate double-budgeting. (Reduce Item 6610-001-001 by \$184,000.)

As noted in the preceding recommendation, the budget proposes an increase of \$2.4 million for the State University Grant program in 1988-89. This increase would provide for a projected increase in student participation in the program and would *fully offset* the proposed increase of \$54 in student fees at CSU for all students receiving grants. Because the Governor also proposes in the Student Aid Commission's budget a 4.5 percent increase in Cal Grants to offset CSU student fee increases, there is double-budgeting associated with those CSU students who will receive both a Cal Grant and a State University Grant. We estimate that this amounts to \$184,000.

In order to correct this technical error in the budget, we recommend deletion of the \$184,000 from the amount proposed to support the State University Grant program, for a corresponding General Fund savings.

IV. INSTITUTIONAL SUPPORT

The Institutional Support program provides systemwide services to the other programs at CSU. 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 13 shows estimated personnel and expenditures for institutional support in the prior, current, and budget years. The budget proposes an

CALIFORNIA STATE UNIVERSITY—Continued

increase of \$8.2 million, or 2.2 percent, in General Fund expenditures for institutional support in 1988-89. This is due to various baseline and workload adjustments, and the following budget change proposals: \$750,000 for the intersegmental program to address student underrepresentation and teacher improvement, \$500,000 for faculty recruitment, and \$250,000 to augment the Minority Engineering Program.

Table 13
The California State University
Institutional Support Program Expenditures
1986-87 through 1988-89
(dollars in thousands)

Programs	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Change from 1987-88	
				Amount	Percent
Executive management.....	\$46,785	\$45,191	\$46,054	\$863	1.9%
Financial operations.....	37,262	37,905	37,633	-272	-0.7
General administrative services.....	65,998	70,636	78,425	7,789	11.0
Logistical services.....	74,932	74,648	77,605	2,957	4.0
Physical plant operations.....	165,662	186,868	197,027	10,159	5.4
Faculty and staff services.....	9,820	194	194	—	—
Community relations.....	9,662	7,618	8,276	658	8.6
Totals, Expenditures.....	\$410,121	\$423,060	\$445,214	\$22,154	5.2%
Funding Sources					
General Fund.....	\$354,576	\$373,730	\$381,990	\$8,260	2.2%
Special Account for Capital Outlay.....	5,824	—	—	—	—
Lottery Fund.....	941	1,200	— ^a	-1,200	-100.0
Continuing Education Revenue Fund.....	18,706	15,607	17,250	1,643	10.5
Dormitory Revenue Fund.....	20,289	22,808	24,925	2,117	9.3
Parking Account, Dormitory Fund.....	8,777	8,563	9,411	848	9.9
Special Projects Fund.....	80	34	10	-24	-70.6
Capital Outlay Bond Fund.....	—	—	10,600	10,600	— ^b
Reimbursements.....	928	1,118	1,028	-90	-8.1
Personnel-Years:					
Executive management.....	806	727	751	24.4	3.4%
Financial operations.....	928	869	901	31.8	3.7
General administrative services.....	1,590	1,491	1,675	184.2	12.4
Logistical services.....	1,226	1,094	1,147	52.8	4.8
Physical plant operations.....	3,169	3,315	3,483	167.8	5.1
Community relations.....	158	97	97	—	—
Totals, Personnel-years.....	7,876	7,593	8,054	461.0	6.1%

^a Lottery expenditures in 1988-89 are shown as an unallocated expenditure in a separate program. We estimate that lottery expenditures in the Institutional Support program in 1988-89 will be approximately the same as in the current year.

^b Not a meaningful figure.

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 14 shows the major divisions in the Chancellor's Office, and the expenditures for these divisions in the current and budget years. The budget includes \$40.7 million for the office in 1988-89, an increase of \$1.3 million, or 3.3 percent, over estimated current-year expenditures. The increase is due primarily to baseline adjustments, miscellaneous increases in operating expenses, and an accounting change

involving the transfer of 6.5 existing positions from "systemwide provisions" to the Chancellor's Office.

Table 14
The California State University
Chancellor's Office Expenditures
1987-88 and 1988-89
(dollars in thousands)

	<i>Estimated</i>		<i>Proposed</i>		<i>Change</i>		
	<i>1987-88</i>		<i>1988-89</i>				
	<i>Posi- tions</i>	<i>Amount</i>	<i>Posi- tions</i>	<i>Amount</i>	<i>Posi- tions</i>	<i>Amount</i>	<i>Percent</i>
Chancellor's Office							
Executive office.....	5.0	\$335	5.0	\$358	—	\$23	6.9%
Administration.....	55.1	2,250	55.1	2,331	—	81	3.6
Academic affairs.....	90.4	4,598	91.4	4,852	1.0	254	5.5
Business affairs.....	98.4	4,789	104.9	5,148	6.5	359	7.5
Faculty and staff relations.....	41.4	2,190	40.4	2,199	-1.0	9	0.4
Legal services.....	21.5	1,274	21.5	1,326	—	52	4.1
Faculty and staff services.....	—	956	—	1,088	—	132	13.8
Salary savings.....	-9.1	-317	-9.1	-568	—	-231	-72.9
Operating expense and equip- ment.....	—	8,348	0.0	8,802	—	454	5.4
Subtotals, Chancellor's Office.	(302.7)	(\$24,419)	(309.2)	(\$25,552)	(6.5)	(\$1,133)	(4.6%)
Trustees Audit							
Personal services.....	9.6	\$619	10.6	\$658	1.0	\$39	6.3%
Operating expense and equip- ment.....	—	153	—	168	—	15	9.8
Subtotals, Trustees Audit.....	(9.6)	(\$772)	(10.6)	(\$826)	(1.0)	(\$54)	(7.0%)
Computing and Communication Resources							
Personal services.....	131.6	\$6,584	131.6	\$6,712	—	\$128	1.9%
Operating expense and equip- ment.....	—	7,564	—	7,564	—	—	—
Subtotals, Computing and Communications.....	(131.6)	(\$14,148)	(131.6)	(\$14,276)	—	(\$128)	(0.9%)
Special Funds							
Personal services.....	—	—	—	—	—	—	—
Operating expense and equip- ment.....	—	\$19	—	\$20	—	\$1	5.3%
Subtotals, Special Funds.....	—	(\$19)	—	(\$20)	—	(\$1)	(5.3%)
Grand Totals.....	443.9	\$39,358	451.4	\$40,674	7.5	\$1,316	3.3%

B. SYSTEMWIDE OPERATIONS

1. Intersegmental Program Proposal

We recommend that the amount proposed for expansion of the New Teacher Retention program (\$200,000 for CSU and \$140,000 for the State Department of Education) be deleted, for a net General Fund savings of \$340,000, because the program should not be expanded prior to completion of an evaluation. (Reduce Item 6110-191-001 by \$140,000 and reduce Item 6610-001-001 by \$200,000.)

We recommend that the amount proposed for expansion of the Comprehensive Teacher Institutes be deleted, for a General Fund savings of \$350,000, because the program should not be expanded prior to completion of an evaluation. We recommend approval of the amount proposed for an evaluation of the program. (Reduce Item 6610-001-001 by \$350,000.)

CALIFORNIA STATE UNIVERSITY—Continued

As part of a joint intersegmental program proposal from the public education segments, the budget requests a General Fund augmentation of \$750,000 for CSU, to be allocated as follows:

- \$200,000 to CSU (with an additional \$200,000 to UC) to expand the California Articulation Number (CAN) project, which assists students and counselors in identifying transferable courses common to the community colleges, CSU, and UC;
- \$200,000 to CSU (with an additional \$140,000 to the Department of Education) to expand the New Teacher Retention program, in which first-year teachers in selected urban schools receive a reduced teaching load and additional support services from CSU faculty and school district mentor teachers; and
- \$350,000 to CSU (with an additional \$40,000 to the State Department of Education) to expand the Comprehensive Teacher Institutes, in which CSU and school district personnel develop and implement plans to integrate academic and professional teacher preparation with classroom experience.

CAN and Retention Programs. Our analysis indicates that expansion of the CAN project is justified, and we recommend approval of this component of the intersegmental program proposal. Elsewhere in this *Analysis* (Item 6110), we recommend deletion of the proposed augmentation for the New Teacher Retention program because the program has not been evaluated. This is discussed in detail in the K-12 Education section of the *Analysis*.

No Evaluation of Teacher Institutes. With respect to the Comprehensive Teacher Institutes, we recommend approval of the \$40,000 requested for the Department of Education, and deletion of the \$350,000 proposed for the CSU.

The Comprehensive Teacher Institutes were established in 1986-87, at a General Fund cost of \$500,000, as part of an intersegmental program administered by CSU and the State Department of Education. As stated above, this program is designed to integrate academic and professional teacher preparation with classroom experience. Two teacher institutes were established on a pilot basis in 1986-87—one administered by San Diego State University and the other by Cal Poly San Luis Obispo—and support was continued in the current year at the same level of funding.

The budget proposes \$350,000 to establish three new institutes, and \$40,000 to fund the first year of a two-year evaluation of the program. Because the baseline level of funding does not include funds for a program evaluation, we recommend approval of the \$40,000 proposed for this purpose. We recommend deletion of the amount proposed for expansion, however, because it is not prudent to expand a pilot program prior to completion of an evaluation of the program's effectiveness.

We note that our recommendation, if adopted, would not necessarily preclude CSU from expanding the Teacher Institutes. The Chancellor has the authority to allocate additional funds to the existing or new institutes by awarding grants from either of the following two programs:

- **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 Chancellor. The budget proposes \$1.6 million from the General Fund to support the program in 1988-89.

- *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 1988-89.

While we believe that expansion of the Teacher Institutes in 1988-89 would be premature, the CSU could accomplish this—at no additional state cost—if the Chancellor determines that the institutes warrant funding when rated against other proposals competing for grants in either of these two programs.

2. Budget Proposal for "Expendable Items" Exceeds the Amount Required

We recommend that the budget proposal for an initial complement of expendable items (supplies for new and remodeled buildings) be reduced by \$716,000 because the budget inappropriately includes funds for remodeling or renovation projects where no new function was added. (Reduce Item 6610-001-001 by \$716,000.)

The budget proposes \$1.7 million from the General Fund to provide an initial complement of expendable items (laboratory supplies, for example) needed for new or remodeled buildings. According to the Chancellor's Office, expendable items allocated for remodeling projects are required only in those cases where the existing spaces have been remodeled or renovated so as to add a new function or activity. Our analysis of the budget proposal, however, indicates that \$716,000 of this request is associated with project renovations where *no* new function or activity has been added. These projects are located at the following campuses: San Diego (\$313,000), Los Angeles (\$209,000), and Chico (\$194,000). New supplies will not be required in these cases, and we therefore recommend deletion of \$716,000 from the budget proposal, for a corresponding General Fund savings.

3. Overbudgeting for Telephone Installation

We recommend that the budget proposal for telephone installation at CSU campuses in 1988-89 be reduced by \$238,000, for a corresponding General Fund savings, due to (1) double-budgeting of \$168,000 and (2) a premature budget request for \$70,000. (Reduce Item 6610-001-001 by \$238,000.)

The budget proposes \$1.8 million from the General Fund for telephone installation and wiring at CSU campuses in 1988-89. Our analysis indicates that \$238,000 should be deleted from the budget proposal, for the following reasons:

- \$168,000 is associated with two capital outlay projects which already received funding for telephone installation in the 1987-88 capital outlay budget. Thus, the budget proposal represents double-budgeting, and should be eliminated.
- \$70,000 is associated with a capital outlay project (Founder's Hall at the Humboldt campus) which is scheduled for construction in 1989-90. The request for telephone installation in 1988-89, therefore, is premature.

Accordingly, we recommend that the amount proposed for telephone installation be reduced by \$238,000.

CALIFORNIA STATE UNIVERSITY—Continued
V. SALARY INCREASE
(Item 6610-031-001)

A. 1987-88 EMPLOYEE COMPENSATION

1. Collective Bargaining Agreements for the 1987-88 Fiscal Year

The 1987-88 Memoranda of Understanding (MOU) between the CSU and bargaining units that represent CSU employees, together with the employee compensation increases provided to managerial, supervisory, and other personnel not covered by collective bargaining, resulted in an allocation of \$42,032,896 for salary and benefit increases in the current year. Because the 1987 Budget Act appropriated \$42,309,000 for this purpose, \$276,104 was not required and will revert to the General Fund at the end of the current year. Table 15 shows the compensation program for 1987-88.

Faculty. CSU and its faculty signed an agreement which provides all faculty with a 6.9 percent salary increase for 1987-88, subject to the availability of funding. (The amount appropriated in the Budget Act was sufficient to provide a 6.9 percent increase, effective January 1, 1988.) Faculty also receive (1) stipends for department chairpersons, (2) awards for exceptional merit service, and (3) a salary supplement for faculty in "designated market disciplines" where recruitment and retention problems exist.

The MOU also:

- Agrees to use the results of the comparison institution methodology as the basis for annual salary increases for each year covered by the MOU (through 1990-91), subject to the availability of funds;
- Revises the salary schedule by expanding the ranges for newly-hired assistant and associate professors;
- Agrees to add no new disciplines to the "designated market discipline" salary schedule during the term of the agreement; and
- Provides that CSU and the faculty bargaining agent shall jointly study the issue of faculty workload.

Executive, Management, and Supervisory Employees. The nonrepresented executive, management, and supervisory personnel received a 4 percent salary increase, effective January 1, 1988, based on the average increase granted to represented staff employees.

B. 1988-89 CSU SALARY INCREASE PROPOSAL

1. Governor's Budget Proposal

The budget requests \$41.4 million for CSU employee compensation increases in 1988-89. Of this amount, \$7.3 million would be used to fund employee benefits, while the balance of \$34.1 million would be used to provide the following salary increases, effective January 1, 1989: 4.7 percent for faculty, 4 percent for nonfaculty, and an additional 1 percent for "special salary and other adjustments" for nonfaculty employees. Table 16 summarizes the budget proposal for salary increases.

Table 15
The California State University
1987-88 Employee Compensation Program

	<i>Unit 1 Physicians</i>	<i>Unit 2 Health Care</i>	<i>Unit 3 Faculty</i>	<i>Unit 4 Academic Support</i>	<i>Unit 5 Operations Support</i>	<i>Unit 6 Crafts</i>	<i>Unit 7 Clericals</i>	<i>Unit 8^a Public Safety</i>	<i>Unit 9 Technical Support</i>	<i>Subtotals, All Units</i>
A. MOU Agreements										
Number of Positions	140.6	317.4	1,496.3	1,848.1	827.4	5,599.2	263.4	263.4	2,752.1	28,685.5
1. Salary Increase	\$197,363	\$210,706	\$26,751,349	\$1,049,168	\$857,561	\$527,065	\$2,805,791	\$200,231	\$1,927,809	\$34,527,043
Percent (1/1/88)	4%	4%	6.9%	4%	4%	3.8%	4%	4%	4%	—
2. Health Insurance	\$35,342	\$37,626	\$2,421,812	\$189,314	\$195,352	\$125,764	\$503,298	\$45,724	\$316,935	\$3,871,167
3. Other Protective Clothing						\$25,655				\$25,655
		<i>Executive, Management and Supervisory</i>		<i>Confidential Classes</i>		<i>Excluded and Unclassified and Miscellaneous</i>				<i>Subtotals, Nonrepresented</i>
B. Nonrepresented Employees										
Number of Positions		2,389.7		5.5		490.7				2,885.9
1. Salary Increase		\$2,835,090		\$3,348		\$210,100				\$3,048,538
Percent (1/1/88)		4%		4%		4%				—
2. Health Insurance		\$522,418		\$482		\$37,593				\$560,493
C. Total Allocated										\$42,032,896
D. Total Appropriated										\$42,309,000
E. Unallocated Balance										\$276,104

^a Estimated.

CALIFORNIA STATE UNIVERSITY—Continued

Table 16

**The California State University
Proposed Salary Increases
1988-89**

(dollars in thousands)

	<i>Amount</i>	<i>Percent</i>
Faculty.....	\$19,868	4.7% ^a
Staff.....	11,438	4.0 ^b
Staff—Special Adjustments.....	2,859	1.0 ^b

^a Effective January 1, 1989. 1 percent increase would cost \$8,454,000 (annualized).

^b Effective January 1, 1989. 1 percent increase would cost \$5,719,000 (annualized).

2. Comparison Institution Methodology for CSU Faculty Salaries

Pursuant to SCR 51 of 1965, each year CPEC submits an analysis of faculty salaries and fringe benefits at those higher education institutions that UC and CSU have agreed to use as a basis for comparing the adequacy of faculty salaries. The CPEC changed the composition of CSU's list of comparison institutions in 1985-86. Four of the institutions on that list, however, did not agree to provide the necessary data. Consequently, the comparison group was revised in 1986-87. The current group is listed in Table 17:

Table 17

**The California State University
Comparison Institutions for Faculty Salaries
1988-89**

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)

3. Faculty Salary Proposal Would Not Achieve Parity

We withhold recommendation on the proposed CSU faculty salary increase until the May Revision is available, in order to evaluate whether it is financially feasible to provide faculty salary increases which are at parity with CSU's comparison institutions.

As summarized in Table 18, the comparison institution methodology (as reported by CPEC) indicates that a *full-year* increase of 4.7 percent would be needed in 1988-89 to achieve faculty salary parity with CSU's list of comparison colleges and universities. As mentioned, however, the budget proposes \$19.9 million for a January 1989 increase of 4.7 percent—one-half of the amount required to achieve parity for the full year.

Table 18
The California State University
Faculty Salary Increase Required to Achieve Parity
With Comparison Institutions
1988-89

<i>Academic Rank</i>	<i>CSU Average Salaries 1987-88^a</i>	<i>Comparison Group Salaries</i>		<i>Percentage Increase Required In CSU Salaries</i>	
		<i>Actual 1987-88</i>	<i>Projected 1988-89</i>	<i>Actual 1987-88</i>	<i>Projected 1988-89</i>
Professor	\$52,573	\$53,294	\$56,533	1.37%	7.53%
Associate Professor	40,782	39,431	41,737	-3.31	2.34
Assistant Professor	32,888	32,737	34,874	-0.46	6.04
Instructor	28,324	25,087	26,585	-11.43	-6.14
All Ranks Averages:					
Weighted by CSU Staffing Pattern ^b	\$47,140	\$47,245	\$50,116	0.22%	6.31%
Weighted by Comparison Institution Staffing Pattern	<u>42,536</u>	<u>42,154</u>	<u>44,719</u>	<u>-0.90</u>	<u>5.13</u>
Mean All-Ranks Average	\$44,838	\$44,699	\$47,417	-0.31%	5.75%
Adjustments					
Turnover and Promotions			-\$90		-0.20%
Effect of Law School Faculty			-90		-0.20
Merit Award Adjustment			<u>-305</u>		<u>-0.68</u>
Net Parity Salary and Percentage			\$46,932		4.67%

^a Excluding merit awards.

^b CSU staffing pattern (1987-88): Professor 64% (7,409); Associate Professor 21% (2,468); Assistant Professor 13% (1,491); Instructor 2% (176).

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

4. Comparison Colleges' Law School Faculty Should Not Be Used in CSU's Salary Parity Calculation

We recommend that the amount budgeted for CSU faculty salary increases be reduced by \$2,960,000, for a corresponding General Fund savings, in order to eliminate the effect of law school faculty in determining salary parity with CSU's comparison institutions. (Reduce Item 6610-031-001 by \$2,960,000.)

As discussed above, CPEC's faculty salary report is based on a methodology designed to determine the salary increase needed to achieve parity with CSU's comparison institutions. Unlike CSU, eight of the 20 comparison institutions have law schools. Because law school faculty generally are paid higher salaries than other faculty members, and recognizing that CSU has no need to recruit law faculty, CPEC revised the salary methodology in 1985-86 in order to eliminate the effect of law

CALIFORNIA STATE UNIVERSITY—Continued

faculty on the comparison group salaries. In that year, CPEC adjusted the projected average salaries of the comparison group downward by 1 percent—based on a rough estimate of the total impact of all law school faculty—and requested CSU to collect and analyze the data in order to obtain a better estimate in subsequent years.

Effect of Law Faculty Distorts Comparison. In its response, CSU estimated that law school faculty had the effect of increasing the average salary level of the comparison group by 0.87 percent. The CSU also estimated that the impact of law faculty on the former group of comparison institutions (as discussed above, a new group was selected in 1985-86) was 0.67 percent. After reviewing the data, CPEC concluded that, rather than account for the full impact of law faculty—0.87 percent—the adjustment should be only the *difference* between the two groups—0.2 percent. The CPEC incorporated this latter figure in the 1987-88 and 1988-89 reports (see Table 18).

According to staff at CSU and CPEC, this decision was based on the rationale that no adjustment for law school faculty was made when using the former comparison group, and therefore only the marginal impact of the change in comparison institutions should be considered. We find this argument to be without merit. It is based on the faulty premise that the methodology used prior to 1985-86 (no adjustment for law faculty) was valid, even though the comparison institutions included law schools. If it makes sense to control for the impact of law faculty—and there seems to be common agreement on this point—then the *full* effect of this factor should be eliminated. Only in this way will the comparison group be comparable.

We recommend, therefore, that the adjustment for law faculty be revised from 0.2 percent to 0.87 percent, which would reduce the CSU faculty salary parity figure from 4.7 to 4.0 percent. Because we view this as a technical adjustment, we recommend that the amount budgeted for the Governor's proposed half-year salary increase in 1988-89 be adjusted accordingly, for a General Fund savings of \$2,960,000. Annual savings for the full-year cost of faculty salary increases in subsequent years would be approximately \$6 million.

5. Bargaining Agreement Commits CSU to Fund Future Benefit Increases

We recommend that the Legislature adopt supplemental report language expressing the intent that collective bargaining agreements not require CSU to fund salary and benefit increases irrespective of legislative action to provide funding for such purposes.

The CSU's 1987 collective bargaining agreement (memorandum of understanding) with the faculty bargaining unit includes a provision for supplemental life insurance benefits to CSU faculty, effective 1990-91. Under the terms of the agreement, this new benefit—costing an estimated \$2.5 million annually—must be paid by CSU *regardless* of whether the Legislature provides funding for the program. If the Legislature does not appropriate funds for this purpose, in other words, CSU would be obligated to redirect funds from existing resources.

Intent of HEERA Circumvented. We are not aware of any such "funding guarantee" provisions in previous collective bargaining agreements at CSU or any other state agencies. In our judgment, this provision—which could obligate CSU to reallocate funds appropriated for

specific purposes—undermines the authority of the Legislature to establish budgetary priorities. More specifically, it appears to be counter to the Legislature's intent in enacting the Higher Education Employer-Employee Relations Act (HEERA), which provides:

No written memoranda reached pursuant to the provisions of this chapter which require budgetary or curative action by the Legislature or other funding agencies shall be effective unless and until such an action has been taken.

We believe that the intent of this statutory provision is to prevent new benefits from being implemented unless the Legislature provides funding for such purposes. The bargaining agreement providing supplemental life insurance benefits, however, circumvents this provision by creating a new benefit which would be funded in the *absence* of specific action by the Legislature.

Accordingly, we recommend that the Legislature adopt the following supplemental report language to indicate its intent that funding guarantee mechanisms of this nature shall not be used in collective bargaining agreements:

It is the intent of the Legislature that CSU collective bargaining agreements not require CSU to fund salary and benefit increases irrespective of legislative action to provide funding for such purposes.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY

Item 6610-301 from the 1988
Higher Education Capital
Outlay Bond Fund

Budget p. E. 119

Requested 1988-89.....	\$124,000,000
Recommended approval.....	10,439,000
Recommended reduction.....	9,728,000
Recommended augmentation.....	17,000
Recommendation pending.....	103,833,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
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| 1. Information Needed on Equipment Projects. Withhold recommendation on \$1,849,000 in Item 6610-301-785 for three equipment procurement projects, pending the receipt of detailed equipment listings for these projects. | 1049 |
| 2. <i>Equipment Projects Are Premature. Reduce Item 6610-301-785 by \$7,266,000.</i> Recommend deletion of six equipment procurement projects because these equipment projects will not be needed until 1989-90. | 1050 |
| 3. Fullerton—Science Building Addition. Withhold recommendation on \$592,000 in Item 6610-301-785(15) for working drawings, pending the completion of preliminary plans and updated cost estimates. | 1051 |

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

4. Preliminary Plans Needed on Projects to Upgrade Instructional Space. Withhold recommendation on \$14,614,000 in Item 6610-301-785 for two projects—San Diego, Chemistry/Biology Building renovation (\$11.2 million) and San Jose Dwight Bental Hall renovation (\$3.4 million)—to upgrade instructional space, pending the receipt of preliminary plans and updated cost estimates for these projects. 1051
5. *Humboldt—Founders Hall. Increase Item 6610-301-785 (17) by \$17,000.* Recommend an augmentation of \$17,000 to provide preliminary plans, working drawings, and construction for seismic structural corrections, rather than planning for total rehabilitation of the building, because the substantial increase in the cost of the rehabilitation work has not been justified. (Future savings: \$8 million.) 1052
6. *Long Beach—Library Addition. Reduce Item 6610-301-785 (19) by \$137,000.* Recommend reduction in preliminary plans to reflect construction of library space based on projected enrollment. (Future savings: \$5.5 million.) 1053
7. Preliminary Plans Needed on New Support Projects. Withhold recommendation on \$81,567,000 in Item 6610-301-785 for 14 projects on 10 campuses for new support projects, pending receipt of preliminary plans and revised cost estimates. (Please see Table 6, page 1054.) 1054
8. Fresno—Music Building Remodel and Addition and Long Beach—Dance Facility/Auditorium. Withhold recommendation on \$723,000 in Item 6610-301-785 (11) and (21) for preliminary planning for new facilities on the Fresno and Long Beach campuses, pending the Legislature's review of and decisions on the policy implications of funding auditorium/theater facilities. 1055
9. *San Francisco—Faculty Office Addition to Science Building. Reduce Item 6610-301-785 (45) by \$324,000.* Recommend deletion of requested augmentation of construction cost for the San Francisco—Faculty Office Addition to the Science Building because the Legislature has previously set a cap on funding for this project and CSU has provided no justification for the proposed increase. 1056
10. *San Francisco—Remodel Arts/Industry and Addition. Reduce Item 6610-301-785 (46) by \$386,000.* Recommend deletion of additional working drawing funds to remodel and provide an addition for Arts and Industry on the San Francisco campus because the estimated construction cost is \$6.4 million (56 percent) higher than previously recognized by the Legislature and CSU has provided no justification for this excess cost. Working drawing funds are available in the current year to design the facility as approved by the Legislature. (Future savings: \$6.4 million.) 1057
11. San Luis Obispo—Physical Education Addition. Withhold recommendation on \$240,000 in Item 6610-301-785 (50) for working drawings, pending clarification of existing physical education space and justification for proposed addition. 1058

12. Preliminary Plans Needed on Projects to Upgrade Support Facilities. Withhold recommendation on \$2,423,000 in Item 6610-301-785 for two projects at the Fresno campus to upgrade support facilities, pending the receipt of preliminary plans and updated cost estimates for these projects. 1059
13. *Statewide Preliminary Planning—1989-90 Projects. Reduce Item 6610-301-785 (1) by \$150,000.* Recommend reduction in statewide preliminary planning because CSU has not justified an increase above the amount provided in the current year for this activity. We also recommend adoption of Budget Bill language restricting the expenditure of statewide preliminary planning funds on only those capital outlay projects for which preliminary plans and cost estimates can be developed prior to budget hearings on the 1989-90 Governor's Budget. 1060
14. *Statewide Energy Retrofit Projects. Reduce Item 6610-301-785 (4) by \$960,000.* Recommend deletion, without prejudice to the projects, because such projects would be more appropriately financed under the Energy Efficiency Revenue Bond program. 1061
15. *Contra Costa Off-Campus Center, Initial Facility. Reduce Item 6610-301-785 (16) by \$505,000.* Recommend deletion of preliminary plans and working drawing funds for the Contra Costa Off-Campus Center, Initial Facility because the California Postsecondary Education Commission (CPEC) has requested that the Legislature not approve funding for initial facilities until CPEC has received and approved a transportation access plan and environmental impact report for the project. Recommend further that CSU advise the Legislature, at the time of budget hearings, how it intends to finance the transportation plan and environmental impact report for this project. 1062
16. Off-Campus Centers—Ventura County and North San Diego County. Withhold recommendation on \$1,825,000 for development of the Ventura County Off-Campus Center and the North San Diego Campus pending (1) decisions on the acquisition of both sites and (2) receipt of the approved master plan and environmental impact report for the North San Diego Campus. 1063

ANALYSIS AND RECOMMENDATIONS

The budget includes \$124 million from the 1988 Higher Education Capital Outlay Bond Fund for capital outlay for the California State University (CSU) in 1988-89. At the time this analysis was prepared, the 1988 bond program proposed in SB 703, in the amount of \$600 million, had not been enacted by the Legislature. Assuming that the Bond Act is approved by the voters in November 1988, work on the projects will not be started until loans are arranged from the Pooled Money Investment Account. We estimate that this will not occur before January 1989. Thus, no work could commence on CSU's 1988-89 capital outlay program until the last half of the fiscal year.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued
Report on Capital Outlay Planning Process, Computer Space Planning and Faculty Offices

The *Supplemental Report of the 1987 Budget Act* directed the CSU to submit to the Legislature (1) a report on its capital outlay planning process, (2) a space plan for accommodating computers at each campus, and (3) a plan for addressing single-station offices for faculty at each campus. A brief discussion of the basis for the request for this information and the status for each follows.

- **Report on the Capital Outlay Process.** This report was requested because of the Legislature's concern that CSU improve its capital outlay planning process. The report was due prior to October 1, 1988, and had not been received at the time this analysis was prepared. According to CSU, it will be submitted to the Legislature in February 1988.
- **Computer Space Plan.** This report will assess the physical facilities requirements related to CSU's Systemwide Campus Information Resource Plan. The space plan was received in February 1988, too late to review for this analysis. We will review the document and provide the Legislature with comments and recommendations prior to budget hearings.
- **Faculty Offices.** This report is to address the trustees' policy on providing single-station offices for full-time faculty. The plan was due by November 1, 1987. CSU indicates it will be submitted to the Legislature by March 1, 1988.

After we have received and reviewed these documents, we will report to the Legislature, as appropriate.

PROJECTS REQUESTED IN THE 1988-89 BUDGET

For discussion purposes, we have divided the CSU capital outlay program into eight descriptive categories as shown in Table 1.

Table 1
California State University
1988-89 Capital Outlay Program
Funding Summary by Project Category
Item 6610-301-785 (General Obligation Bonds)
(dollars in thousands)

<i>Project Category:</i>	<i>Budget Bill Amount</i>	<i>Est. Future Cost^a</i>
A. Complete Newly Constructed Facilities	\$12,099	—
B. Additional Instructional Space	1,088	\$47,902
C. Upgrade Instructional Space	14,998	15,237
D. Library Space.....	386	14,588
E. New Support Facilities	83,341	136,348
F. Upgrade Support Facilities	2,423	8,161
G. Other Projects	7,335	569
H. Permanent Off-Campus Centers.....	2,330	37,693
Totals.....	\$124,000	\$260,498

^a CSU estimates.

A. PROJECTS TO COMPLETE NEWLY CONSTRUCTED FACILITIES

The budget includes \$12.1 million to purchase equipment for various capital outlay projects. Table 2 summarizes our findings and recommendations. We recommend approval of \$2,984,000 for five projects because the proposed equipment is justified to make the new/remodeled facilities fully operable. Our recommendations on the remaining projects follow.

Table 2
California State University
1988-89 Capital Outlay Program
A. Complete Newly Constructed Facilities
Item 6610-301-785
(dollars in thousands)

Sub-Item	Location/Project Title	Phase ^a	Budget Bill Amount	Analyst's Recommendation
(6)	Bakersfield—Gymnasium	e	\$184	\$184
(18)	Long Beach—North Campus, library addition....	e	575	pending
(22)	Long Beach—chemistry laboratories, renovate ...	e	550	—
(25)	Northridge—Library II	e	933	pending
(26)	Northridge—science addition and remodel	e	1,299	—
(30)	Pomona—library addition	e	889	889
(31)	Pomona—music building/office addition	e	341	pending
(33)	Sacramento—Library II	e	1,907	—
(33.1)	Sacramento—Engineering/Computer Science addition	e	2,190	—
(36)	San Diego—classroom/faculty office/student services building	e	756	—
(37)	San Diego—Women's Gymnasium rehabilitation	e	314	314
(47)	San Jose—old science building	e	564	—
(55)	Sonoma Theatre Arts Building	e	692	692
(56)	Stanislaus—Library II	e	905	905
Total			\$12,099	\$2,984

^a Phase symbol indicates: e = equipment.

Information Needed on Equipment Projects

We withhold recommendation on \$1,849,000 in Item 6610-301-785 for (18) Long Beach—North Campus Library, addition, equipment (\$575,000), (25) Northridge—Library II, equipment (\$933,000), and (31) Pomona—Music Building/Office addition, equipment (\$341,000), pending the receipt of detailed equipment listings for these projects by the Legislature.

The budget includes \$1.8 million for three equipment procurement projects for the following facilities:

- Long Beach—North Campus Library,
- Northridge—Library II, and
- Pomona—music building/office addition.

At the time this analysis was prepared, detailed listings of equipment items to be procured had not been received. For that reason, we withhold recommendation on \$1,849,000 for the three proposals, pending receipt of the equipment lists.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**Equipment Projects Are Premature**

We recommend deletion of \$7,266,000 in Item 6610-301-785 for six equipment procurement projects—(22) Long Beach—Chemistry Laboratories, renovate (\$550,000); (26) Northridge—Science addition and remodel (\$1,299,000); (33) Sacramento—Library II (\$1,907,000); (33.1) Sacramento—Engineering/Computer Science addition (\$2,190,000); (36) San Diego—classroom/faculty office/student services building (\$756,000); and (47) San Jose—Old Science Building (\$564,000) because the equipment will not be needed until 1989-90.

The budget includes \$7.3 million for six equipment procurement projects for new facilities.

According to the California State University, *December 1987 Quarterly Report on Capital Outlay Projects*, these projects would not be completed until late fall 1989, several months after the conclusion of the budget year. Moreover, under Government Code Section 15792, CSU may, with Department of Finance approval, order *long-lead-time equipment* for these projects in 1988-89 without a specific appropriation. Consequently, we recommend deletion of \$7,266,000 for the procurement of equipment for these projects because the equipment will not be needed until 1989-90.

B. NEW INSTRUCTIONAL SPACE

The budget includes \$1.1 million for two projects that provide primarily new instructional capacity space. Table 3 summarizes our findings and recommendations. We recommend approval of \$496,000 for preliminary plans for the 120,000 asf Business Administration/Economics and Education Building at Northridge. This facility will consolidate the School of Business and Economics and the School of Education into one facility. The project provides lecture space with a capacity of 3,894 FTE students and laboratory capacity of 94 FTE. Based on CSU's facilities plans, this building is justified and we recommend approval.

Table 3
California State University
1988-89 Capital Outlay Program
B. New Instructional Space
Item 6610-301-785
(dollars in thousands)

Sub-Item	Location/Project Title	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
(15)	Fullerton—science building addition renovation phase I	w	\$592	pending	\$20,102
(27)	Northridge—business administration/economics and education building	p	496	\$496	27,800
	Totals		\$1,088	\$496	\$47,902

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

^b CSU estimates.

Fullerton—Science Building Addition

We withhold recommendation on \$592,000 in Item 6610-301-785 (15) for working drawings for the Fullerton—Science Building Addition, pending the completion of preliminary plans and updated cost estimates.

The budget includes \$592,000 for working drawings for the Science Building Addition at Fullerton. Preliminary plans and updated cost estimates have not been completed for this project. For that reason, we withhold recommendation on \$592,000 for the project, pending receipt and evaluation of the preliminary plans and the cost estimates.

C. Upgrade Instructional Space

The budget includes \$15 million for four projects that are primarily to upgrade instructional space. The projects in this category and our recommendations on each are summarized in Table 4.

Table 4
California State University
1988-89 Capital Outlay Program
B. Upgrade Instructional Space
Item 6610-301-785
(dollars in thousands)

Sub-Item	Location/Project Title	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
(17)	Humboldt—Founders Hal—rehabilitation.	p	\$199	\$216	\$7,926
(20)	Long Beach—Engineering buildings, renovate.....	p	185	185	6,710
(38)	San Diego—Chemistry/Geology Building—renovation and addition—chilled water system expansion.....	wc	11,256	pending	601
(48)	San Jose—Dwight Bental Hall, renovate..	c	3,358	pending	—
Totals.....			\$14,998	\$401	\$15,237

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

^b CSU estimates.

Plans Needed on Projects to Upgrade Instructional Space

We withhold recommendation on \$14,614,000 in Item 6610-301-785 for two projects to upgrade instructional space—(38) San Diego—Chemistry/Biology Building—renovation and addition—chilled water system expansion (\$11,256,000) and (48) San Jose—Dwight Bental Hall—renovate (\$3,358,000), pending receipt of preliminary plans and updated cost estimates.

The budget includes \$14.6 million for two projects to upgrade instructional space—Dwight Bental Hall renovation at San Jose and Chemistry/Biology Building renovation and addition at San Diego.

At the time this analysis was prepared, preliminary plans and updated cost estimates had not been received. Thus, we withhold recommendation on \$14,614,000 for both projects, pending receipt of the preliminary plans and updated cost estimates.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**Humboldt—Founders Hall**

We recommend an augmentation of \$17,000 in Item 6610-301-785 (17) for preliminary plans, working drawings and construction for seismic structural corrections for Humboldt—Founders Hall in lieu of funds requested for preliminary plans for rehabilitation because (1) the substantial increase in the cost of the rehabilitation project has not been justified and (2) funds are justified to make seismic structural corrections to this building. (Future Savings: at least \$8 million.)

The budget includes \$199,000 to augment preliminary plans for rehabilitation (31,300 asf) of Founders Hall on the Humboldt Campus. The augmentation is requested to allow an increase in total project cost from \$3.2 million (1986 cost estimate) to \$8.4 million. Only 2 percent of this 163 percent increase is related to inflation.

Founders Hall, completed in 1922, was the initial building on the Humboldt Campus. The building currently houses six instructional departments and includes 35 percent of the campus's lecture space. The proposed project would upgrade instructional and office space, make structural changes and improve building systems, such as plumbing, electrical, and heating, ventilation and air conditioning (HVAC). The 1986 Budget Act previously appropriated \$72,000 for preliminary plans for this project.

Our analysis indicates that, when this project was first authorized for preliminary plans in the 1986 Budget Act, the proposed renovations justified the estimated \$3.1 million (\$80 per asf) cost of the project. The revised cost of \$8.4 million (\$179 per asf) to complete the project, however, is more than double the original estimate and now exceeds the cost of constructing a *new* building (\$159 asf) having the same mix of classrooms, office and laboratory space as the proposed project. Moreover, CSU has failed to provide a thorough explanation of the reasons for the dramatic increased cost beyond the project amount originally authorized by the Legislature.

Our analysis indicates that, although the CSU has not justified the high cost of the major rehabilitation of this building, there is sufficient justification, consistent with legislative intent, to fund preliminary plans, working drawings and construction of seismic structural corrections as soon as possible to strengthen the building against an earthquake. Consequently, we recommend that the \$199,000 requested in this sub item be augmented by \$17,000, providing a total of \$216,000 for preliminary plans, working drawings and construction of seismic corrections to Founders Hall.

D. LIBRARY SPACE

The budget includes \$386,000 for two projects to provide additional library space. We recommend approval of the Dominguez Hills—Educational Resources Center project because the library space is needed and the cost reasonable. Table 5 summarizes the requests and our recommendations.

Table 5
California State University
1988-89 Capital Outlay Program
D. Library Space
Item 6610-301-785
(dollars in thousands)

<i>Sub-Item</i>	<i>Location/Project Title</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>	<i>Estimated Future Cost^b</i>
(10)	Dominguez Hills—Educational resource center.....	pw	\$51	\$51	\$823
(19)	Long Beach—Library addition.....	p	335	198	13,765
	Total.....		\$386	\$249	\$14,588

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

^b CSU estimates.

Long Beach—Library Addition

We recommend a reduction of \$137,000 in Item 6610-301-785 (19) for preliminary plans for construction and renovation of the Long Beach—Library Addition to reflect construction of library space based on project enrollment. (Future savings: \$5.5 million.)

The budget includes \$335,000 for preliminary plans for remodeling of and addition to the main library at Long Beach. This project would remodel 10,000 asf and construct 66,000 asf of new space for additional reader stations, book stacks, and high-density storage for books and other materials.

The Long Beach campus has a significant shortage of library space based on state space guidelines. Consequently, a proposal to construct additional space is justified. The proposed project, however, is based on the need to accommodate 25,000 FTE students while CSU's projected enrollment for the Long Beach Campus is for 23,600 FTE students. Based on this enrollment level and providing for the same number of volumes in open stacks (as contained in CSU's proposal), the proposed library space should be reduced by 26,800 asf. This will provide for alterations of the 10,000 asf and construction of a 39,200 asf addition. This revision would meet 100 percent of library space needs for the Long Beach campus for the foreseeable future. Accordingly, we recommend a reduction of \$137,000 in preliminary plans to effect a reduction in future project costs of \$5.5 million.

E. NEW SUPPORT FACILITIES

The budget includes \$83.3 million for 19 projects that primarily provide new support facilities at various CSU campuses. We have divided this category into two parts: (1) 16 projects that primarily provide instructional support facilities and (2) three projects that primarily provide administrative support facilities. The requests and our recommendations on each are summarized in Table 6.

We recommend approval of the South Library conversion project in Item 6610-301-785 (28). This building will be vacated when the new library addition is completed in late 1989. Thus, planning for conversion to other proposed uses should begin in the budget year. The proposed conversions will provide space for student/faculty computers and the campus computer center. A discussion of the remaining projects follows.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

Table 6

California State University
1988-89 Capital Outlay Program
E. New Support Facilities
Item 6610-301-785
(dollars in thousands)

Sub-Item	Project Title	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
1. Primarily Instructional Support:					
(8)	Chico—Plumas Hall addition	c	\$9,799	pending	\$416
(9)	Chico—O'Connell Technology Center ...	w	287	pending	9,663
(11)	Fresno—Music Building remodel and addition	p	190	pending	10,342
(12)	Fresno—Engineering East addition	w	246	pending	8,257
(21)	Long Beach—Dance Facility/Auditorium	p	533	pending	27,775
(23)	Long Beach—School of Business	wc	12,517	pending	1,243
(24)	Los Angeles—Arts Complex	c	12,380	pending	564
(28)	Northridge— South Library conversion	p	101	\$101	4,333
(34)	Sacramento—Classroom Building	c	10,466	pending	1,093
(35)	San Bernardino—Classroom/Faculty— office/student services building	c	16,364	pending	896
(45)	San Francisco—Faculty office addition to science building	c	324	—	—
(46)	San Francisco—Remodel Arts and In- dustry Building and addition	w	386	—	16,423
(50)	San Luis Obispo—Physical education ad- dition	w	240	pending	7,168
(51)	San Luis Obispo—Dairy Science I, In- structional Center	w	150	pending	6,508
(53)	San Luis Obispo—Business Administra- tion and Education, remodel and addi- tion	c	13,086	pending	990
(54)	San Luis Obispo—Faculty/Offices I	wc	2,995	pending	25
2. Primarily Administrative Support:					
(32)	Pomona—Classrooms/laboratories/ad- ministration building, phase I	w	695	pending	26,064
(39)	San Diego—Classroom/student services building	w	440	pending	14,438
(52)	San Luis Obispo—Student services building	c	2,142	pending	150
Totals			\$83,341	\$101	\$136,348

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

^b CSU estimates.

New Support Facilities for Which We Withhold Recommendations

We withhold recommendation on \$81,567,000 in Item 6610-301-785 for 14 projects at 10 campuses, pending receipt of preliminary plans and cost estimates.

As summarized in Table 6, we have withheld recommendation on the total amount requested for 14 projects. These projects were approved previously by the Legislature, but preliminary plans and associated cost estimates have not been completed. In most cases, the projects are on schedule as approved by the Legislature. This necessary information,

which substantiates the size and cost of each project, should be available prior to budget hearings. Pending receipt of this information, we withhold recommendation on \$81,567,000 in Item 6610-301-785 for 14 new support projects.

**Balance Between Instructional Space and Ancillary Support—
Policy Choice for the Legislature**

We withhold recommendation on \$723,000 in Item 6610-301-785 (11) and (21) for preliminary plans for new facilities on the Fresno and Long Beach campuses, pending the Legislature's review of and decisions on the policy implications of funding auditorium/theater facilities.

Fresno—Music Building Remodel/Addition. The budget includes \$190,000 for preliminary plans for remodeling of and addition to the Music Building at Fresno which was built in 1954. The project consists of the construction of a 37,500 asf addition (\$184 per asf) and remodeling of an undefined amount of space in the existing building at a total project cost of about \$10.5 million.

The CSU indicates that the new music addition is needed to provide additional and improved space for the music program. The CSU proposal indicates that the 37,500 asf addition will provide 7,300 asf laboratory space and 4,000 asf for faculty offices. The remaining 26,200 asf will be for uses ancillary to the instruction space, and include a choral/opera theatre (17,600 asf) and practice studios (8,600 asf).

Long Beach—Dance Facility/Auditorium. The budget includes \$533,000 for preliminary plans for a dance facility and auditorium at Long Beach. The total cost of this project is estimated to be about \$28.3 million. The project consists of 101,800 asf of space. Of that amount, 32,600 asf would be allocated to the dance program and the balance to a new 1,200-seat auditorium (69,200 asf), stage and lobby. Moreover, of the 32,600 asf for dance, only 4,500 asf is for instructional purposes and 3,200 asf for faculty offices. The remaining 24,900 asf is space ancillary to the instruction program. Thus, 92 percent of the building consists of an auditorium and ancillary space.

Policy Issue Associated With Space Ancillary to Instructional Program. As indicated above, the projects at Fresno and Long Beach place a significant emphasis on the construction of space dedicated to functions, which are ancillary to the instruction program. This raises a significant policy issue for the Legislature to address. Current and projected enrollments are increasing at most campuses. As a result, there is a need to provide additional instructional space throughout the CSU system. The policy question then is *what balance the Legislature wants to achieve between instructional space and ancillary support space when allocating limited capital outlay funds.* In deciding this question the Legislature is faced with several policy implications. For example, if ancillary space has priority over instructional space, should each campus have a 1,200 seat auditorium/theater? If the answer is yes, then when should such a facility be provided? In addition, how many small theaters should be constructed on a campus? These policy decisions have major cost implications because these facilities and other ancillary elements are expensive to construct.

Most campuses have a little theater of approximately 400 seats. Currently, two campuses also have a large auditorium/theater. These are located at Chico (about 1,400 seats) and San Jose (about 1,000 seats). These facilities were constructed over 50 years ago. A new theater complex with a 1,200-seat auditorium on the Los Angeles campus was

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

approved by the Legislature in the 1986 Budget Act and construction funds are included in the Budget Bill in Item 6610-301-785 (24). This latter project is funded with state and nonstate funds. Thus, for the second time in two years, a new 1,200 seat auditorium for one CSU campus is requested in the budget. The Legislature may wish to establish a policy for considering such requests including the two factors noted below.

First, should ancillary space be constructed on a campus, if there are instructional space needs on the campus or elsewhere in the system? If so, what criteria, including campus enrollment level, should be used to make such an allocation?

Second, if all campuses should have a 1,200 seat theater, and multiple small theaters, the Legislature will be faced with major expenditures in the future. These types of facilities serve a broad purpose. They are used for student performances and provide a close tie with the community through various cultural events. Should the community share in the costs of such facilities? This community impact was recognized in the case of the Los Angeles project where nonstate funds provide about 30 percent of the project cost. We recommend that, if the Legislature adopts a policy to provide these large facilities on each campus, part of this policy include a requirement that nonstate funds be available to share in the cost of the project.

Pending further discussion of this policy issue with CSU and the Legislature's review and decisions concerning this matter, we withhold recommendation on the Fresno music and Long Beach dance projects under Item 6610-301-785 (11) and (21), respectively.

San Francisco—Faculty Office Addition to Science Building

We recommend deletion of \$324,000 in Item 6610-301-785(45) for augmentation of construction cost for the San Francisco—Faculty Office Addition to the Science Building because the Legislature has set a cap on funding for this project.

The budget includes \$324,000 for augmentation of the construction cost for the faculty office addition to the Science Building at San Francisco. The project will construct 71 faculty offices on the east wing roof of the science building, an area of 12,770 gross square feet.

The total project cost has increased from \$1,228,000 (approved by the Legislature in the 1985 Budget Act) to \$1,637,000 (approved in the 1986 Budget Act). In order to limit further increases in the project cost, the Legislature placed Budget Bill language in the 1986 Budget Act stipulating that "any augmentation authorized by the State Public Works Board for the Faculty Office Addition project at San Francisco shall be limited to inflation cost increases based on the Engineering News Record Construction Cost Index."

In November 1987, CSU indicated that an augmentation was needed immediately to permit award of the construction contract for this project. No basis for the 20 percent increase in project cost was given other than "the bids came in high." The construction contract award date has passed and CSU indicates that the augmentation is still needed. The CSU has not provided any explanation as to why the cost of the project has increased above what the Legislature authorized or what steps were taken to keep the project within the approved cost.

Our review of the 1986 proposal for this project indicates that the CSU should be able to control project cost to the level approved by the

Legislature. Consequently, we recommend deletion of the \$324,000 proposed for augmentation of this project.

San Francisco—Remodel Arts/Industry and Addition

We recommend deletion of \$386,000 in Item 6610-301-785 (46) for additional working drawing funds to remodel and provide an addition for Arts and Industry on the San Francisco campus because the estimated construction cost is \$6.4 million (56 percent) higher than previously recognized by the Legislature and CSU has provided no justification for this excess cost. Working drawing funds are available in the current year to design the facility as approved by the Legislature. (Future savings: \$6.4 million.)

The budget includes \$386,000 to augment the \$391,000 included in the 1987 Budget Act to prepare working drawings to (1) remodel the 51,412 asf Arts/Industry Building, (2) add 7,050 asf to the building, (3) add 3,800 asf to the gymnasium for dance studios, and (4) construct a 40,000 asf four-story annex to the Arts/Industry Building for film, art and faculty offices. The project, as approved by the Legislature, will provide a limited amount of instruction space to accommodate the student enrollment—84 FTE laboratory capacity. According to CSU data, this would bring the San Francisco campus to 85 percent of state space guidelines for laboratories based on projected enrollment for 1991.

The proposed 100 percent increase in the cost of working drawings is the result of CSU's current estimate of \$17.2 million for the total cost of this project. This is \$6.4 million (56 percent) higher than the cost previously estimated by CSU and approved by the Legislature in the 1987 Budget Act. Inflation would account for less than 3 percent of the increase.

Project Cost Increase Not Justified. The CSU has not provided any information to substantiate the reasons for this significant cost overrun. In response to our questions regarding the increase, CSU indicated that, based on the architect's estimate, the initial project budget was significantly understated. No other explanation has been presented for this \$6.4 million cost overrun. The CSU has undertaken a limited value engineering review of the project. The report on this effort indicates that the construction cost could be reduced by about \$2 million. The report, however, also indicates that the evaluation team was unable to evaluate many important scope/cost elements because of insufficient information such as the lack of (1) specific program requirements, (2) principal design features, (3) seismic studies, and (4) mechanical requirements. It is our understanding the CSU is reviewing this report for *potential* modifications to reduce the cost overrun by the \$2 million.

In any case, the project as approved by the Legislature is consistent with CSU cost guidelines for these instruction facilities. This was the case when the Legislature approved preliminary planning funds in the 1986 Budget Act and again when funds were appropriated for working drawings in the 1987 Budget Act. To our knowledge, the programs to be housed in the remodeled and new space have remained the same since the original appropriation. Based on available information, there is no basis to provide a 100 percent augmentation to the working drawing funds that were appropriated in the 1987 Budget Act. Consequently, we recommend deletion of the \$386,000 in Item 6610-301-785 (46) for additional working drawing funds for this project. Funds would remain available for preliminary plans and working drawings, assuming CSU proceeds with the project as approved by the Legislature and has the

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

corresponding preliminary plans approved by the State Public Works Board prior to the end of the current year. If CSU cannot expedite the project, the prior funds would have to be reappropriated if the project is to proceed.

San Luis Obispo—Physical Education Addition

We withhold recommendation on \$240,000 proposed in Item 6610-301-785 (50) for working drawings for a physical education addition at the San Luis Obispo campus, pending clarification of existing physical education space and justification for proposed physical education space on this campus.

The budget includes \$240,000 to develop working drawings for a 48,290 asf addition to the physical education facilities at the San Luis Obispo campus. The addition would include rooms for activities such as gymnastics, wrestling and human performance, additional shower/locker rooms, and an additional gymnasium (split-funded with nonstate funds). According to CSU, the estimated future cost of the state-funded project is \$7.2 million.

The proposed project would be combined with a student-funded physical education addition containing 30,135 asf. The student-funded addition is to be financed through fees approved by the student body in February 1986 and implemented in the fall quarter 1986. The two projects, however, are independent and either could proceed without constructing the other.

System priorities rearranged by use of statewide preliminary planning funds. The budget includes a request for working drawing funds *only*, even though this project has never been presented to or approved by the Legislature. The Chancellor's Office staff indicates that previously appropriated *statewide* preliminary planning funds will be used to develop preliminary plans for this project. The use of these statewide funds for this purpose is, in our opinion, not consistent with legislative intent and does not represent an appropriate use of the lump-sum appropriation for statewide planning. In establishing this long-standing appropriation, the Legislature expected the funds to be used for those projects to be included in the then-current Budget Bill *and* for which the CSU could develop preliminary plans and cost estimates for legislative consideration during budget hearings. Clearly, however, given the size of this project, preliminary plans would not be able to be completed before budget hearings.

Moreover, apparently because of the use of these funds, the Chancellor's Office staff considers this a "previously approved project" and therefore placed it at a higher priority than would otherwise have been the case. In fact, based on the information provided by the Chancellor's Office staff concerning the methods for determining priorities, it appears that, if this project were not considered as "previously approved", it would be below the requests for additional physical education facilities at Sacramento and Northridge (neither of which are included in the Budget Bill).

Unclear justification for additional state-funded physical education space. The CSU has provided limited information to substantiate the proposed physical education facility. We asked the Chancellor's Office staff to provide a detailed list of the physical education space at San Luis Obispo. This list was to include basic information such as the type and amount of space available (i.e., gymnasias, weight rooms, locker/shower,

etc.) the amount of space needed, and the analytical basis for determining the need for additional space. The CSU response indicated that based on undelineated 1956 space guidelines, the San Luis Obispo campus had 64 percent of physical education space needs. The CSU, however, was unable to provide information on what space is available, how existing space is used, and what basis CSU has used to request the various elements of the proposed project. Thus, it is unclear what is included in the 1956 space guidelines and what types of space are needed (such as gymnasium, weight rooms, handball courts, etc.) on the San Luis Obispo Campus. Pending receipt of clarifying information, we cannot advise the Legislature of the need for additional space. Consequently, we withhold recommendation on the \$240,000 in Item 6610-301-785 (50) for working drawings for additional physical education space at the San Luis Obispo campus.

F. UPGRADE SUPPORT FACILITIES

The budget includes \$2.4 million for two projects that are primarily intended to upgrade existing support facilities. Table 7 summarizes the requests under this category and our recommendations.

Table 7
California State University
1988-89 Capital Outlay Program
E. Upgrade Support Facilities
Item 6610-301-785
(dollars in thousands)

Sub-Item	Project Title	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
(13)	Fresno—Speech Arts Building, remodel	wc	\$2,173	pending	—
(14)	Fresno—University Farm Laboratory.....	w	250	pending	\$8,161
	Totals		\$2,423	pending	\$8,161

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

^b CSU estimates.

Plans Needed on Projects to Upgrade Support Facilities

We withhold recommendation on \$2,423,000 in Item 6610-301-785 for two projects to upgrade support facilities: (13) Fresno—Speech Arts Building, remodel (\$2,173,000) and (14) Fresno University Farm Laboratory (\$250,000), pending the receipt of preliminary plans and updated cost estimates for these projects.

The budget includes \$2.4 million for two projects to upgrade support facilities—Speech Arts Building, remodel and University Farm Laboratory at Fresno.

At the time this analysis was prepared, preliminary plans and updated cost estimates had not been received for these projects. We withhold recommendation, pending receipt of the preliminary plans and updated cost estimates.

G. OTHER PROJECTS

The budget includes \$5.7 million for six projects in the “other” category. For discussion purposes, we have divided these projects into (1) statewide projects and (2) campus development projects. Table 8 summarizes the requests and our recommendations in this category.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

We recommend approval of \$4,378,000 for four projects: (2) statewide architectural services, (3) statewide minor capital outlay (\$4,000,000), (5) statewide feasibility studies for energy retrofit projects (\$120,000), and (7) Bakersfield campus entry site development (\$58,000). These projects and the associated costs are reasonable and we recommend approval. A discussion of the remaining projects and our recommendations follow.

Table 8
California State University
1988-89 Capital Outlay Program
G. Other Projects
Item 6610-301-785
(dollars in thousands)

Sub-Item	Project Title	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
1.	Statewide Projects:				
(1)	Statewide Preliminary Planning	p	\$400	\$250	—
(2)	Statewide Architectural Services	p	200	200	—
(3)	Statewide Minor Capital Outlay	pwce	4,000	4,000	—
(4)	Statewide Minor Capital Outlay, Energy Conservation Retrofits	pwce	960	—	—
(5)	Statewide—Feasibility Studies for Energy Retrofits	p	120	120	—
2.	Campus Projects:				
(7)	Bakersfield—Campus Entry Development	p	58	58	\$569
(49)	San Jose—Central Plant Expansion	c	<u>1,597</u>	<u>1,597</u>	—
	Totals		\$7,335	\$6,225	\$569

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

^b CSU estimates.

Statewide Preliminary Planning—1989-90 Projects

We recommend a reduction of \$150,000 in Item 6610-301-785 (1) for statewide preliminary planning because CSU has not justified an increase above the amount provided in the current year.

We also recommend adoption of Budget Bill language restricting the expenditure of statewide preliminary planning funds to only those capital outlay projects for which preliminary plans and cost estimates can be developed prior to budget hearings on the 1989-90 Governor's Budget.

The budget includes \$400,000 for preliminary plans for "selected" major 1989-90 projects. Previously, funds for this purpose have been appropriated to CSU with Budget Act language restricting expenditures to projects expected to be in the next budget and for utility, site development and cost/benefit analysis for future budgets. The limiting language is not proposed in the Budget Bill.

These funds have traditionally been provided to enable CSU to develop adequate budget information for the Legislature and the administration. Thus, the funds would be spent on projects that are of the size and nature to allow completion of the preliminary plans and cost estimates prior to legislative hearings on the Budget Bill. This, in turn, gives the Legislature the information it needs to assess CSU's proposals.

The \$400,000 requested for preliminary planning represents a significant increase over the \$250,000 provided in the 1986 and 1987 Budget Acts. The CSU has not provided a basis for this increase, but indicates that the fund would be used for "selected" projects for which working drawing funds will be requested in 1989-90. Based on CSU's five-year capital outlay program, we estimate that a total of \$250,000 would provide the system with sufficient funds to develop preliminary plans and cost estimates for those projects traditionally initiated with these funds. Consequently, we recommend a reduction of \$150,000 in Item 6610-301-785 (1) for statewide planning.

We further recommend that the Legislature reinstate the prior Budget Act language, modified to assure that the funds will be spent to provide the Legislature the necessary budget information. Accordingly, we recommend the following budget language in Item 6610-301-785:

Funds appropriated in category (1) shall be available only for those major capital outlay projects for which working drawing funds or working drawings and construction funds are expected to be included in the 1989-90 Governor's Budget and for which preliminary plans and cost estimates can be developed prior to legislative hearings on the 1989-90 Budget Bill, except that a maximum of \$120,000 shall be available for expenditure on July 1, 1988 for utility and site development for major capital outlay projects and for development of benefit/cost analyses of planning alternatives for proposed 1990-91 capital outlay projects.

Statewide Energy Conservation Retrofit Projects

We recommend deletion of \$960,000 in Item 6610-301-785 (4) for statewide minor capital outlay energy conservation retrofit projects because these projects would be more appropriately financed under the Energy Efficiency Revenue Bond program.

The budget includes \$960,000 for energy conservation retrofit projects at several state university campuses. The projects include lighting modifications, improvements to heating, ventilation and air conditioning systems, replacement of boilers and chiller units and installation of computerized energy management systems. The CSU estimates that energy savings will return the initial investment in an average of 2.8 years.

In 1982, the Legislature authorized the Energy Efficiency Revenue Bond program to fund cost-effective state energy projects. Under this program, which is administered by the Department of General Services (Office of Energy Assessment), the State Public Works Board (PWB) is authorized to issue, over a 10-year period, up to \$500 million in revenue bonds to finance energy conservation projects. The bond debt is paid from the savings generated by the individual projects.

Our analysis indicates that the proposed energy conservation retrofit projects would be more appropriately financed with Energy Efficiency Revenue Bond funds than with 1988 Higher Education Capital Outlay Bond funds. On this basis, and without prejudice to the projects, we recommend deletion of the \$960,000 requested for these projects. Accordingly, we suggest the CSU consider applying immediately to the Office of Energy Assessment for funding under the energy bond fund program.

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued**H. PERMANENT OFF-CAMPUS CENTERS**

The budget includes \$2.3 million for seven projects related to establishment of new permanent off-campus centers. Table 9 summarizes the requests and our recommendations.

Table 9
California State University
1988-89 Capital Outlay Program
H. Permanent Off-Campus Centers
Item 6610-301-782
(dollars in thousands)

Sub-Item	Project Title	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
(16)	Contra Costa Off-Campus Center, initial facility	pw	\$505	—	\$14,957
(29)	Ventura Site—Master Plan, phase I and II.	p	200	pending	3,311
(40)	North San Diego Campus, master planning	p	100	pending	—
(41)	North San Diego Campus, infrastructure/site development	w	320	pending	9,460
(42)	North San Diego Campus, initial facility ..	pw	844	pending	19,686
(43)	North San Diego Campus, academic building I	p	266	pending	19,425
(44)	North San Diego Campus, physical plant/corporation yard	pw	95	pending	1,550
Totals			\$2,330	—	\$37,693

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

^b CSU estimates.

Contra Costa Off-Campus Center, Initial Facility

We recommend deletion of \$505,000 in Item 6610-301-785(16) for preliminary plans and working drawings of the Contra Costa Off-Campus Center, Initial Facility because the California Postsecondary Education Commission (CPEC) has requested that the Legislature not approve funding for development of the center until CPEC has received and approved a transportation access plan and environmental impact report for the project. We also recommend that CSU advise the Legislature, at the time of budget hearings, how it intends to finance the transportation plan and environmental impact report for this project.

The budget includes \$505,000 for preliminary plans and working drawings for construction of initial facilities for a permanent off-campus center on 380 acres of state-owned property in the City of Concord in Contra Costa County to replace the existing temporary center in Pleasant Hill. The initial multipurpose facilities would have capacity for 1,000 FTE students, and would include lecture space, laboratories, faculty offices, library space, and administrative and support space. The estimated future cost to construct this project is \$15 million.

Background. The CSU Hayward campus currently operates a leased off-campus center in Pleasant Hill. Established in 1981, the center serves an enrollment of approximately 500 FTE students. Chapter 744, Statutes

of 1985, called for CSU to study the needs for higher education services in this area. In March 1986, CSU's consultant reported on the educational needs of the Contra Costa area. The consultant recommended establishment of a center to accommodate up to 3,000 students, but indicated that the population base of the county could support a full-service campus of 3,500 to 7,400 (headcount) students. The report was approved by the trustees in September 1986. The Legislature has authorized \$385,000 for preliminary plans and working drawings for site and utility improvements and \$106,000 for preliminary plans of this initial multipurpose facility.

Conditional Approval by CPEC. In December 1987, CPEC gave its approval to establish the permanent Contra Costa Center, but limited initial enrollment to 1,064 FTE rather than 3,000 (headcount) enrollment, as previously approved by the trustees. The CPEC approval included three conditions. *First*, the CSU is to submit to the commission a transportation plan to ensure "reasonable access" for students to the center and an environmental impact report to assess the transportation impact of phased growth of the center. *Second*, that the Governor and the Legislature approve no funding for development of the permanent center until CSU has submitted, and the commission has reviewed and approved the transportation plan and environmental impact report (EIR). *Third*, that, if CSU considers it appropriate to convert the Contra Costa Center into a comprehensive four-year campus, it must submit a complete justification for such conversion to the commission at least two years in advance of the proposed conversion date.

Recommendation. Recognizing that the site for the new permanent center has a serious transportation problem (the main access route—Ygnacio Valley Road—is currently heavily congested at peak travel hours) and that it will probably take a year or more to develop the required transportation plan and complete the EIR, we recommend deletion of the \$505,000 for augmentation of preliminary planning for the initial multi-use facility.

As an added concern, it is not clear how the CSU will finance the transportation plan and the environmental impact report. An appropriation of \$200,000 was made in the 1987 Budget Act and an additional \$200,000 is proposed in the budget for statewide architectural services. It is not clear whether the CSU intends to use such funds to prepare the plan and EIR. Thus, we recommend that CSU advise the Legislature, at the time of budget hearings, how it intends to finance the plan and the report.

Off-Campus Centers—Ventura County and North San Diego County

We withhold recommendation on \$1,825,000 for (29) Ventura Site—Master Plan: Phase I and II (\$200,000); (40) North San Diego Campus, master planning (\$100,000); (41) North San Diego Campus, infrastructure/site development (\$320,000); (42) North San Diego Campus, initial facility (\$844,000); (43) North San Diego Campus, academic building I (\$266,000); (44) North San Diego Campus, physical plant/corporation yard (\$95,000), pending decisions on the acquisition of both sites and approval by the trustees of the master plan and environmental impact report for the North San Diego Campus.

The budget includes \$1.8 million for preparation of the master plan for the proposed Ventura Off-Campus Center and the master plan, prelim-

CALIFORNIA STATE UNIVERSITY—CAPITAL OUTLAY—Continued

inary plans, and working drawings for development of academic and support facilities for the proposed North San Diego Campus.

Background. The 1987 Budget Act appropriated \$19 million for acquisition of sites for the Ventura and North San Diego Centers. In addition, the 1987 Budget Act appropriated \$200,000 for preparation of a master plan for the North San Diego Center.

Ventura. According to CSU, an unspecified portion of the \$19 million previously appropriated for land acquisition will be used to acquire property for the Ventura County Center near either the City of Oxnard or the City of Ventura. Chapter 561, Statutes of 1985, directed the CSU to prepare a study for establishment of a permanent off-campus center in Ventura County. The Northridge campus has operated an off-campus center in Ventura in leased facilities since 1974. Recent enrollment increases have resulted in overcrowding of the leased facilities. The state university is currently evaluating several potential sites for the Ventura off-campus center, but no final site selection has been made.

North San Diego. In addition, an unspecified portion of the \$19 million appropriated for land acquisition will be used to acquire a site for the North San Diego Center. Negotiations are in process for acquisition of a 304-acre parcel in the City of San Marcos. In conjunction with this acquisition, the CSU has also entered into an agreement with the City of San Marcos to construct off-site infrastructure improvements, including roads for development of a full campus having an enrollment of 25,000 FTE. The CSU estimates that site development, campus utilities and initial facilities will cost about \$50 million.

Although the final site has been selected for the North San Diego Campus, negotiations with the owner have been complicated and difficult. As a consequence, the acquisition has not been consummated. As an added concern, the master plan and environmental impact report for development of the campus have not been completed. According to CSU, both the plan and report will be presented to the trustees for approval in March 1988.

Recommendation. Given that the Ventura site has not been selected and the North San Diego site acquisition has encountered troubles and the master plan and EIR are not completed, we withhold recommendation on \$1.8 million for master planning, preliminary plans and working drawings for the Ventura and North San Diego off-campus centers, pending decisions on the acquisitions and completion of the North San Diego master plan and EIR.

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 ACADEMYItem 6860 from the General
Fund and various other funds

Budget p. E 128

Requested 1988-89.....	\$9,442,000
Estimated 1987-88	9,146,000
Actual 1986-87	8,431,000
Requested increase (excluding amount for salary increases) \$296,000 (+3.2 percent)	
Total recommended reduction.....	150,000

1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
6860-001-001—Support	General	\$6,776,000
6860-001-519—Support	Continuing Education	55,000
6860-001-814—Support	CMA Trust (Lottery)	30,000
6860-001-890—Support	Federal Trust	401,000
6860-490—Reappropriation	General	—
Reimbursements	—	2,180,000
Transfer to CMA Trust Fund	—	(11,000)
Total		\$9,442,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. *Faculty Merit Salary Adjustments. (Reduce Item 6860-001-001 by \$150,000.)* Recommend that the General Fund amount proposed to fund CMA faculty merit salary adjustments be reduced by \$150,000, due to overbudgeting. 1067

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 356 students and 135.5 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes expenditures of \$9,442,000 for support of the CMA in 1988-89. This consists of \$6.8 million from the General Fund, \$401,000 in federal funds, \$30,000 in lottery funds, \$2.2 million in reimbursements, and \$55,000 from a special fund. The total proposed expenditure is \$296,000, or 3.2 percent, more than is estimated to be expended in the current year.

Table 1 summarizes expenditures and funding sources for the academy in the prior, current, and budget years.

CALIFORNIA MARITIME ACADEMY—Continued

Table 1
California Maritime Academy
Budget Summary
1986-87 through 1988-89
(dollars in thousands)

Program	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Change from 1987-88	
				Amount	Percent
Instruction.....	\$4,364	\$4,818	\$4,867	\$49	1.0%
Academic Support.....	1,144	1,348	1,424	76	5.6
Student Services.....	2,923	2,980	3,151	171	5.7
Administration (distributed).....	(2,109)	(3,023)	(3,100)	(77)	(2.5)
Totals, Expenditures.....	\$8,431	\$9,146	\$9,442	\$296	3.2%
Funding Sources					
General Fund.....	\$5,696	\$6,283	\$6,776	\$493	7.8%
Continuing Education Revenue Fund.....	223	40	55	15	37.5
CMA Trust Fund (Lottery).....	25	30	30	—	—
Federal Trust Fund.....	638	401	401	—	—
Reimbursements.....	1,849	2,392	2,180	-212	-8.9
Personnel-years.....	126.8	135.5	135.5	—	—

Table 2 shows the factors accounting for the change in the CMA's planned expenditures between the current and budget years.

Table 2
California Maritime Academy
Proposed 1988-89 General Fund Budget Changes
(dollars in thousands)

1987-88 Expenditures (Revised)	\$6,283
<i>Baseline Adjustments and Workload Changes</i>	
Price increase	\$83
Employee compensation—full-year funding	130
Faculty merit salary adjustment	200
Nonrecurring expenditures	-128
Miscellaneous operating expense and equipment reductions	-72
PERS reduction	-10
Salary savings increase	-6
Subtotal	(\$197)
<i>Program Changes</i>	
Instructional Equipment	\$146
Special Repairs	150
Subtotal	(\$296)
1988-89 Expenditures (Proposed)	\$6,776
Change from 1987-88:	
Amount	\$493
Percent	7.8%

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the following General Fund augmentations:

- \$146,000 for instructional equipment. Our analysis indicates that the proposed purchases—which will renovate and upgrade classroom laboratory equipment—are justified.

- \$150,000 for special repairs. Our analysis indicates that the proposed special repair project—resurfacing the main pier—is justified.

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

- **Continuing Education (Item 6860-001-519).** The budget proposes \$55,000 from the Continuing Education Revenue Fund, and \$262,000 in reimbursements, to support the academy's continuing education program in 1988-89. This program offers fee-funded courses for adult education in maritime vocational education and technical training. Our analysis indicates that the proposed expenditures are justified.
- **CMA Trust Fund—Lottery Revenues (Item 6860-001-814).** The budget projects that CMA will receive \$41,000 in lottery funds in 1988-89. Of this amount, the budget proposes that the academy spend \$30,000 during the budget year. The budget allocates these funds to the academy's instruction program.
- **Federal Trust Fund (Item 6860-001-890).** The budget proposes \$401,000 from the Federal Trust Fund to provide financial aid to CMA students. Our analysis indicates that these expenditures are justified.
- **Reappropriation (Item 6860-490).** The budget proposes language reappropriating any unexpended balances from CMA's 1987 Budget Act appropriation (main support item), to be used for instructional equipment replacement, deferred maintenance, and special repairs. Our analysis indicates that reallocation of funds for these purposes would be reasonable.

Student Fees

Table 3 shows the student fees at the California Maritime Academy from 1985-86 through 1988-89.

Table 3
California Maritime Academy
Student Fees
1985-86 through 1988-89

	1985-86	1986-87	1987-88	Proposed 1988-89	Percent Change from 1987-88
Education/student services	\$645	\$710	\$645	\$706	9.5%
Medical	162	178	162	179	10.5
Nonresident tuition	1,818	2,000	2,200	2,420	10.0

The budget proposes a 9.5 percent increase in the education/student services fee in 1988-89, based on the fee methodology proposed in 1985 by the California Postsecondary Education Commission. The budget also proposes a 10 percent increase in nonresident tuition and a 10.5 percent increase in the medical fee.

Faculty Merit Salary Adjustments are Overbudgeted

We recommend that the budget proposal to fund merit salary adjustments for CMA faculty be reduced by \$150,000, for a corresponding General Fund savings, in order to correct a technical overbudgeting error. (Reduce Item 6860-001-001 by \$150,000.)

The budget proposes \$200,000 from the General Fund for CMA faculty merit salary adjustments in 1988-89. Our analysis indicates that this was

CALIFORNIA MARITIME ACADEMY—Continued

calculated on an incorrect salary base. We estimate that only \$50,000 will be required for this purpose. Consequently, we recommend that the budget be reduced by \$150,000 to correct this technical error.

CALIFORNIA MARITIME ACADEMY—CAPITAL OUTLAY

Item 6860-301 from the Higher
Education Capital Outlay
Bond Fund

Budget p. E 134

Requested 1988-89.....	\$390,000
Recommended approval.....	185,000
Recommended reduction.....	205,000

Minor Capital Outlay

We recommend a reduction of \$205,000 in Item 6860-301-785 and approval in the reduced amount of \$185,000 for minor capital outlay for the California Maritime Academy because: (1) the \$95,000 residence hall relighting project would be more appropriately financed under the Energy Efficiency Revenue Bond program (2) the cost of installing fire doors in the residence halls should be reduced by \$35,000 (3) the cost of constructing a 30-car parking lot should be reduced by \$20,000, and (4) the cost of constructing two racketball courts should be reduced by \$55,000.

The budget includes \$390,000 for five minor capital outlay projects for the California Maritime Academy. We recommend approval of one project for two mooring buoys (\$15,000). In regard to the other four projects, we recommend the following deletion and reductions.

Relighting Project. Included in the academy's request is \$95,000 for replacement of all interior and exterior incandescent lighting in residence halls A, B, and C with fluorescent lighting. This energy conservation project was recommended by the Pacific, Gas and Electric Company. The academy indicates that the project will result in up to a 20 percent reduction in its annual electrical energy costs for these buildings.

In 1982, the Legislature authorized the Energy Efficiency Revenue Bond program to fund cost effective state energy projects. Under this program—which is administered by the Department of General Services (Office of Energy Assessment)—the State Public Works Board (PWB) is authorized to issue, over a 10-year period, up to \$500 million in revenue bonds to finance energy projects.

If the academy determines that this relighting project can achieve sufficient savings to establish a favorable payback period, it should consider applying to the Office of Energy Assessment for funding under the bond program. The use of the bond program will make available the \$95,000 proposed in this item for other legislative priorities. *On this basis, and without prejudice to the project, we recommend deletion of \$95,000.*

Fire Doors. The request includes \$75,000 for the replacement of 50 steel doors in the "old" residence hall with fire rated wood doors. This

would be the last of a series of three projects to replace doors throughout the academy to meet recommendations made by the State Fire Marshal.

In response to questions that we raised concerning the high estimated cost of replacing the doors (\$1,500 per door), the academy checked the actual costs of the recently completed door replacement project and informed us that the proposed project could be reduced to \$40,000 (\$800 per door). *Thus, we recommend a reduction of \$35,000 in the proposed project.*

Parking Lot. The request also includes \$35,000 (\$4.66 per square foot) to construct a new surface parking lot for 30 cars on a level site. Based on available construction cost information for projects of this type, our analysis indicates that the cost should be reduced to \$15,000 (\$2 per square foot). This amount will construct 7,500 square feet of asphaltic pavement on crushed rock base. *Consequently, we recommend a reduction of \$20,000 in the project.*

Racketball Courts. In addition, the request includes \$170,000 (\$106 per square foot) for construction of a building enclosing two racketball courts.

Based on available construction cost data, this project should not exceed \$115,000 (\$72 per square foot). This amount will provide a tilt-up concrete slab building housing two courts with hardwood floor, resilient wall panels, and interior lighting and ventilation. *Thus, we recommend a reduction of \$55,000 in this project.*

CALIFORNIA COMMUNITY COLLEGES

Item 6870 from the General
Fund and various funds

Budget p. E 134

Requested 1988-89.....	\$2,723,423,000
Estimated 1987-88	2,592,472,000
Actual 1986-87	2,381,061,000
Requested increase (excluding amount for salary increases) \$130,951,000 (+5.1 percent)	
Total recommended reduction.....	310,000
Recommendation pending	11,000,000

1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
Budget Bill Items		
6870-001-001—Support	General	\$10,904,000
6870-001-165—Support	Credentials	711,000
6870-101-001—Local assistance	General	1,374,417,000
6870-101-785—Local assistance	Bond	33,138,000
6870-101-814—Local assistance	Lottery	72,445,000
6870-101-909—Local assistance	Instructional Improvement	720,000
6870-102-001—Local assistance	General	4,000,000
6870-106-001—Local assistance	General	11,862,000
6870-490—Reappropriation	General	—

CALIFORNIA COMMUNITY COLLEGES—Continued

6870-491—Reappropriation	General	978,000
6870-495—Reversion	General	—
Section 22	General	10,000,000
Subtotal, Budget Bill Items		<u>(\$1,519,175,000)</u>
NonBudget Bill Items		
Loan repayments		-\$1,100,000
Local revenues		664,008,000
Federal funds		116,000,000
Fee revenue		64,510,000
Other revenues/reimbursements		360,830,000
Subtotal, Non Budget Bill Items		<u>(\$1,204,248,000)</u>
Total		<u>\$2,723,423,000</u>

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS

*Analysis
page*

- | | |
|---|------|
| 1. Basic Skills. Withhold recommendation on \$11 million requested to fund basic skills ADA above the statutory growth limit, pending allocation of current-year funding in order to evaluate budget-year funding requirements. | 1077 |
| 2. Adult Education. Adopt Budget Bill language requiring that noncredit adult education ADA growth above the statutory cap be allocated for growth in priority areas. | 1078 |
| 3. Equipment Replacement. Amend Budget Bill language in Item 6870-490 to more accurately specify the limit on the amount that may be provided for equipment replacement and library materials. | 1080 |
| 4. <i>New Grants. Reduce Item 6870-101-001 by \$220,000.</i> Delete funds for competitive grants for colleges demonstrating workable solutions for reducing underrepresentation because they are premature. | 1080 |
| 5. GAIN. Adopt Budget Bill language in Control Section 22 to address a technical issue related to the Greater Avenues for Independence program. | 1082 |
| 6. <i>Administrative Flexibility. Reduce Item 6870-001-001 by \$90,000.</i> Delete proposed new Deputy Chancellor position because the establishment of this civil service position would greatly reduce the new Chancellor's administrative flexibility. | 1084 |

GENERAL PROGRAM STATEMENT

In 1988-89, the California Community Colleges will provide instruction to approximately 1.3 million students at 106 colleges operated by 70 locally-governed districts throughout the state. The community colleges are authorized to provide associate degrees, occupational certificates and credentials, remedial and basic skills instruction, citizenship instruction, and fee-supported community service instruction. Any high school graduate or citizen over the age of 18 may attend a community college.

Governance. The Board of Governors of the California Community Colleges serves primarily as a planning, coordinating, reporting, advising, and regulating agency for the 70 community college districts. The board is composed of 15 members appointed by the Governor for four-year terms.

The Chancellor's Office is the administrative arm of the Board of Governors, and assists the board in carrying out its statutory duties. The Chancellor's Office has 186.1 personnel-years in the current year.

Headcount Enrollment and Average Daily Attendance. Table 1 shows headcount enrollment and average daily attendance (ADA) in the community colleges since 1979-80. (Headcount enrollment is a count of the number of students actually in attendance on a given day. An enrollment survey is usually taken each year in the fall for this purpose. One ADA is equal to one student under the immediate supervision of a certificated instructor for a total of 525 hours in an academic year.)

Table 1
California Community Colleges
Headcount Enrollment
And Average Daily Attendance
1979-80 through 1988-89

	Credit Courses		Noncredit Courses		Totals	
	Headcount	ADA	Headcount	ADA	Headcount	ADA
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	682,671	177,164	66,516	1,431,524	749,187
1982-83	1,192,920	667,072	162,062	60,233	1,354,982	727,305
1983-84	1,090,857	612,042	158,059	53,074	1,248,916	665,116
1984-85	1,008,995	584,368	167,226	61,086	1,176,221	645,454
1985-86	1,005,143	573,289	171,569	66,357	1,176,712	639,646
1986-87	1,009,662	585,409	190,097	68,661	1,199,759	654,070
1987-88 (est.)	1,076,280	610,179	191,998	71,585	1,268,278	681,764
1988-89 (prop.)	1,108,569	626,566	193,918	73,488	1,302,487	700,054

Headcount enrollment is estimated to increase 34,209 (2.7 percent) between the current and budget years for a total of \$1.3 million in 1988-89. While enrollment is increasing, enrollment in the budget year is still estimated to be 129,000 *lower* than the peak enrollment period of 1981-82. Headcount enrollment in credit courses is estimated to account for 85 percent of total enrollment.

Average daily attendance (ADA) in both credit and noncredit courses is budgeted to increase 18,290 (2.7 percent) between the current and budget years, for a total of 700,054 in 1988-89. ADA in credit courses is estimated to account for 89 percent of total ADA.

OVERVIEW OF THE BUDGET REQUEST

Total Support for Community Colleges

As shown in Table 2, total funding for the community colleges, including support for the Chancellor's Office, is projected at \$2.7 billion in 1988-89, an increase of \$131 million (5.1 percent) over estimated revenues in the current year. Of the total, \$1.5 billion comes from state funding sources. The remainder comes from local revenues (\$664 million), federal funds which flow directly to community colleges (\$116 million), state lottery revenues (\$72.4 million), the mandatory student fee (\$64.5 million), and other sources (\$323.7 million).

CALIFORNIA COMMUNITY COLLEGES—Continued

Table 2
California Community Colleges
Total Support from All Sources
1986-87 through 1988-89
(dollars in millions)

	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Change from 1987-88	
				Amount	Percent
<i>State Support</i>					
State operations.....	\$11.6	\$12.9	\$14.8	\$1.9	14.7%
Categorical programs.....	124.0	219.1	217.2	-1.9	-0.9
Apportionments.....	1,122.7	1,167.4	1,250.7	83.3	7.1
Subtotals, State.....	(\$1,258.3)	(\$1,399.4)	(\$1,482.8)	(\$83.3)	(6.0%)
<i>Local Support</i>					
Property taxes.....	\$544.9	\$604.8	\$653.3	\$48.5	8.0%
Local debt.....	13.6	10.7	10.7	—	—
Subtotals, Local.....	(\$558.5)	(\$615.5)	(\$664.0)	(\$48.5)	(7.9%)
<i>Other Support</i>					
Federal.....	\$116.2	\$116.0	\$116.0	—	—
Lottery revenues.....	57.4	72.4	72.4	—	—
Enrollment fee.....	67.0	65.4	64.5	-\$0.9	-1.4%
Other revenues.....	323.7	323.7	323.7	—	—
Subtotals, Other.....	(\$564.3)	(\$577.5)	(\$576.6)	(-\$0.9)	(-0.2%)
Totals.....	\$2,381.1	\$2,592.5	\$2,723.4	\$130.9	5.1%
<i>Funding Sources</i>					
General Fund.....	\$1,228.7	\$1,326.4	\$1,411.1	\$84.7	6.4%
Local.....	558.5	615.5	664.0	48.5	7.9
Federal.....	116.2	116.0	116.0	—	—
Bond Funds.....	—	35.0	33.1	-1.9	-5.3
Other State/Reimbursements.....	29.6	38.0	38.6	0.6	1.6
Other/Fees/Lottery.....	448.1	461.6	460.6	-1.0	-0.2

Significant Program Changes

Table 3 displays, by funding source, the components of the \$131 million (5.1 percent) increase in total support for community colleges in the budget year.

Table 3
California Community Colleges
Proposed 1988-89 Budget Changes
By Funding Source
(dollars in thousands)

	General Fund	Lottery Funds	Federal Funds	Local Revenues	Bond Funds	Other	Totals
1987-88 Expenditures (Revised).....	\$1,326,366	\$72,445	\$116,000	\$615,517	\$35,000	\$427,144	\$2,592,472
<i>Baseline Adjustments</i>							
Apportionments.....	\$8,650	—	—	—	—	—	\$8,650
Board financial assistance.....	920	—	—	—	—	—	920
Employee compensation.....	222	—	—	—	—	—	222
Price increases.....	70	—	—	—	—	—	70
Local revenue.....	-59,231	—	—	\$48,491	—	-\$886	-11,626
Instructional equipment and library materials.....	-9,000	—	—	—	-\$35,000	—	-44,000
PERS rate reduction.....	-3,600	—	—	—	—	—	-3,600
Loans.....	-692	—	—	—	—	—	-692
Other.....	384	—	—	—	—	513	897
Subtotals, Baseline.....	(-\$62,277)	—	—	(\$48,491)	(-\$35,000)	(-\$373)	(-\$49,159)

<i>Workload Changes</i>							
Statutory ADA growth (2.1%)	\$28,414	—	—	—	—	—	\$28,414
Additional growth	8,500	—	—	—	—	—	8,500
Cost-of-living adjustment—statutory (4.79%)	90,354	—	—	—	—	—	90,354
Cost-of-living adjustment—discretionary (4.79%)	2,783	—	—	—	—	—	2,783
Equalization	8,550	—	—	—	—	—	8,550
Subtotals, Workload	(\$138,601)	—	—	—	—	—	(\$138,601)
<i>Program Changes</i>							
Instructional equipment and library materials	\$978	—	—	—	\$23,138	—	\$24,116
Asbestos abatement projects	—	—	—	—	10,000	—	10,000
Mandate—new regulations	4,000	—	—	—	—	—	4,000
Chancellor's Office staff and support ..	1,074	—	—	—	—	—	1,074
Cooperative Agencies Resources for Education—expansion	700	—	—	—	—	—	700
Transfer education and articulation ...	694	—	—	—	—	—	694
New Chancellor's fund	250	—	—	—	—	—	250
Middle College	220	—	—	—	—	—	220
Projects to increase underrepresented students	220	—	—	—	—	—	220
Accountability reporting	150	—	—	—	—	—	150
Matriculation	85	—	—	—	—	—	85
Subtotals, Program	(\$8,371)	—	—	—	(\$33,138)	—	(\$41,509)
1988-89 Expenditures (Proposed)	\$1,411,061	\$72,445	\$116,000	\$664,008	\$33,138	\$426,771	\$2,723,423
Change from 1987-88:							
Amount	\$84,695	—	—	\$48,491	-\$1,862	-\$373	\$130,951
Percent	6.4%	—	—	7.9%	-5.3%	0.1%	5.1%

As the table shows:

- **Baseline adjustments** result in a net reduction of \$49 million. This reduction primarily reflects (1) elimination of one-time funding for equipment replacement (\$44 million), and (2) a reduction in the districts' contributions to the Public Employees' Retirement System (PERS) on behalf of their employees (\$3.6 million).
- **Workload changes** result in an increase of \$139 million. This increase primarily reflects increases of (1) \$37 million to fund statutory and additional growth in community college ADA, and (2) \$93 million to fund statutory and discretionary cost-of-living adjustments (COLAs) of 4.79 percent.
- **Program changes** result in an increase of \$42 million. This increase primarily reflects an increase of \$33 million from the proposed Higher Education Capital Outlay Bond Fund of 1988 to (1) replace instructional equipment and purchase library materials, and (2) abate asbestos hazards which have been categorized as "severe." (In previous years expenditures for asbestos abatement were reflected in the capital outlay item of the budget.) Each of the proposed changes is discussed later in this analysis.

CALIFORNIA COMMUNITY COLLEGES—Continued**ANALYSIS AND RECOMMENDATIONS**

We recommend approval of the baseline adjustments, workload changes and the following program changes which are not discussed elsewhere in this analysis:

- **Instructional Equipment**—\$24 million to provide districts on a three-to-one matching basis, funds to replace instructional equipment and purchase library materials;
- **Asbestos Abatement**—\$10 million to abate asbestos hazards categorized as "severe;"
- **Regulation Implementation**—\$4 million provided in Item 6870-102-001 to reimburse districts, pursuant to the provisions of Article XIII B of the California Constitution (mandate provisions) for their cost of implementing proposed regulations of the Board of Governors entitled "Revisions to Regulations Strengthening the Associate Degree;"
- **Chancellor's Office Staff and Support**—\$1.1 million for (1) 17.8 new and reestablished positions to support efforts in the areas of transfer education and articulation, matriculation, credentials, research, library services, instructional improvement, budget and accounting, and consultation, (2) the Chancellor's participation in the Education Round Table, and (3) a new telephone system;
- **CARE Expansion**—\$700,000 to expand the Cooperative Agencies Resources for Education (CARE) program (which serves AFDC parents who have at least one child under the age of six and who are enrolled in a community college) to 20 counties that currently do not have a program;
- **Transfer Education and Articulation**—\$694,000 to fund various projects related to transfer education and articulation including (1) \$465,000 to fund planning grants for 20 "2+2+2" pilot projects—an articulated program of two years each of high school, community college and a four-year college, (2) \$74,000 to develop a general education transfer core curriculum, and to publish and distribute a brochure on the curriculum to community college and high school students, (3) \$45,000 to convene a state-level task force to redefine the Associate Degree, and (4) \$110,000 to expand the evaluation of the Transfer Centers;
- **Middle College**—\$220,000 to fund the first operational year of the Middle College pilot project—a high school within a community college for high-risk, potential dropout high school students—in San Diego, and to provide a planning grant to a district in northern California;
- **Accountability Reporting System**—\$150,000 to provide further development of an accountability reporting system; and
- **Matriculation—assessment, counseling, and follow-up program**—\$85,000 to fund second-year evaluation activities and train district personnel.

I. LOCAL ASSISTANCE FOR COMMUNITY COLLEGES**A. Overview of Community College Revenue**

Table 4 and Chart 1 display total funding for the California Community Colleges, by funding source, for the 10 years 1979-80 to 1988-89.

Table 4
California Community Colleges
Total Revenues^a
1979-80 through 1988-89
(dollars in millions)

	<i>Local Property Tax^c</i>	<i>State Aid^d</i>	<i>Federal Aid</i>	<i>Mandatory Student Fee</i>	<i>Other^e</i>	<i>Total Funding</i>	<i>Average Daily Atten- dance</i>	<i>Total Funding (actual dollars)</i>		<i>1979-80 Dollars^b (actual dollars)</i>	
								<i>Per ADA</i>	<i>Percent Change</i>	<i>Per ADA</i>	<i>Percent Change</i>
1979-80	\$295.4	\$1,027.0	\$121.8	—	\$164.6	\$1,608.8	670,623	\$2,399	—	\$2,399	—
1980-81	347.8	1,119.5	138.3	—	201.4	1,807.0	725,514	2,491	3.8%	2,264	-5.6%
1981-82	416.4	1,104.3	116.0	—	228.0	1,864.7	749,187	2,489	-0.1	2,109	-6.8
1982-83	413.8	1,086.5	104.5	—	230.2	1,835.0	727,305	2,523	1.4	2,018	-4.3
1983-84	423.4	1,080.9	99.8	—	258.8	1,862.9	665,116	2,801	11.0	2,138	5.9
1984-85	460.9	1,145.3	134.6	\$64.4	308.3	2,113.5	645,454	3,274	16.9	2,390	11.8
1985-86	524.8	1,304.7	152.2	68.0	306.9	2,356.6	639,646	3,684	12.5	2,576	7.8
1986-87 (Est.)	558.5	1,246.7	116.2	67.0	381.1	2,369.5	654,070	3,623	-1.7	2,448	-5.0
1987-88 (Est.)	615.5	1,386.5	116.0	65.4	396.1	2,579.5	681,764	3,784	4.4	2,425	-0.9
1988-89 (Prop.)	664.0	1,467.9	116.0	64.5	396.1	2,708.5	700,054	3,869	2.3	2,374	-2.1
Cumulative Change:											
Amount	\$368.6	\$440.9	-\$5.8	—	\$231.5	\$1,099.7	29,431	\$1,470	—	-\$25	—
Percent	124.8%	42.9%	-4.8%	—	140.6%	68.4%	4.4%	61.3%	—	-1.1%	—

^a Excludes funding for the Chancellor's Office.

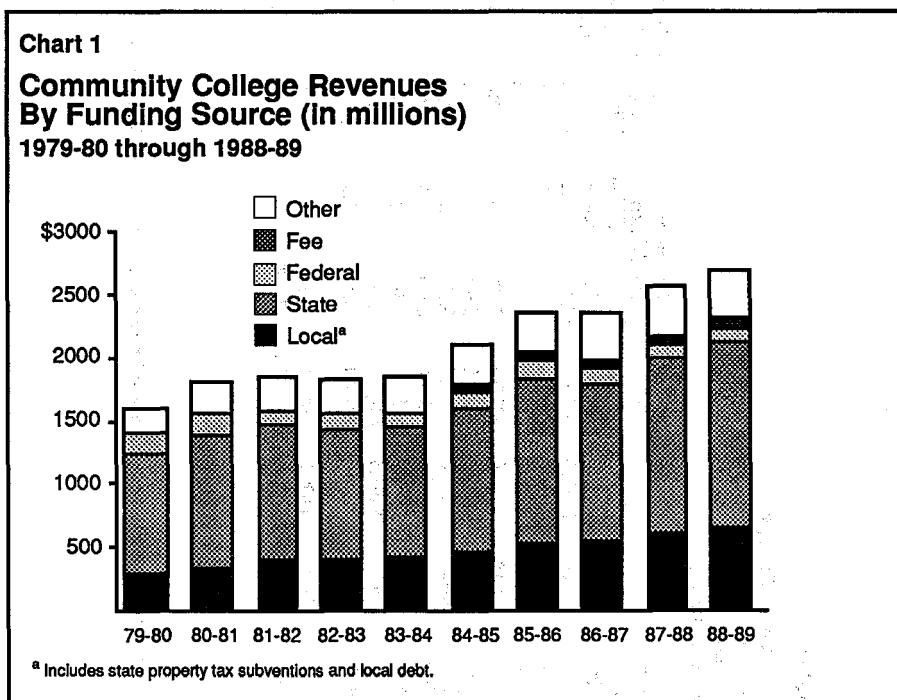
^b Adjusted by the GNP deflator for state and local government purchases.

^c Includes state property tax subventions and local debt.

^d Includes Board Financial Assistance Funds.

^e Includes combined state/federal grants, county income, food service revenues, fees for community service courses, nonresident tuition revenues, lottery revenues, and other miscellaneous revenues.

CALIFORNIA COMMUNITY COLLEGES—Continued



Total Community College Revenues. As shown in Table 4 and Chart 1, total funding for the colleges increased from \$1.6 billion in 1979-80 to \$2.7 billion in 1988-89—an increase of \$1.1 billion (68 percent). Of the five revenue sources, support from “other miscellaneous” sources have registered the largest percentage increase, up 141 percent. This increase primarily reflects, (1) interest income earned by community colleges on invested balances, and (2) since 1985-86, revenues from the state lottery.

Local property tax revenues have also increased significantly, increasing 125 percent over the 10-year period. In the budget year revenues from this source will *nearly equal* the amount of revenues derived from this source in 1977-78—the last year prior to the implementation of Proposition 13. The table further shows, that support from both local revenues and other sources have increased at a much faster pace than revenue from the state (43 percent increase), or from the federal government (5 percent decrease).

Table 4 also shows that over the 10-year period community college average daily attendance (ADA) is projected to increase by 4.4 percent, from 670,623 in 1979-80 to 700,054 budgeted for 1988-89.

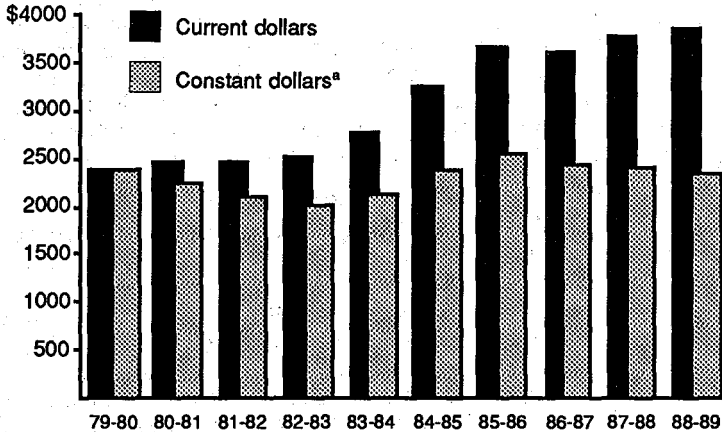
Revenues Per ADA. Table 4 and Chart 2 display per-ADA funding levels over the 10-year period, in both current dollars and constant dollars (that is, dollars that have been adjusted to reflect the effects of inflation on purchasing power). As shown, per-ADA funding in current dollars is projected to increase by \$1,470 (61 percent), from \$2,399 to \$3,869.

When per-ADA support is adjusted for the effects of inflation, however, the table and chart show that community colleges have actually *lost* purchasing power over the 10-year period. For 1988-89, the proposed

Chart 2

Community College Funding Per ADA In Current and Constant Dollars

1979-80 through 1988-89



^a Adjusted by the GNP deflator for state and local government purchases.

per-ADA expenditure level, as measured in constant dollars is \$2,374—\$25 dollars below the funding level available 10 years ago.

B. Community College Apportionments (Items 6870-101-001(a), 6870-101-814)

The budget proposes a total of \$2.1 billion for community college apportionments in 1988-89—an increase of \$134 million (6.9 percent) from the amount provided in the current year. Combined support from the General Fund, the State School Fund, local property tax revenues, and the student fee would fund the following major components:

- \$1.8 billion for base apportionments;
- \$28.1 million to fund statutory average daily attendance growth of 2.1 percent;
- \$8.5 million to fund additional growth above the statutory cap;
- \$90.4 million to fund the statutory cost-of-living adjustment of 4.79 percent; and
- \$8.6 million for statutory equalization funding to reduce funding disparities among districts.

Budget-year Funding Requirements for Additional Basic Skills ADA Unknown.

We withhold recommendation on \$11 million requested to fund basic skills ADA above the statutory growth limit, pending allocation of

CALIFORNIA COMMUNITY COLLEGES—Continued***current-year funding in order to project budget-year funding requirements.***

In the current year, the budget provides \$11 million to support ADA growth in basic skills courses that is beyond the statutory growth limit of 2.1 percent, and requires the Chancellor's Office to develop criteria for allocating the funds.

The budget proposes \$11 million for the same purposes in 1988-89. At the time this analysis was prepared, the funds for the current year had not been allocated. Without this information, the funding requirements for the budget year cannot be evaluated. Accordingly, we withhold recommendation on the \$11 million provided for basic skills instruction, pending allocation of the current-year funds in order to better estimate and evaluate funding needs for the budget year.

Consistent Policy Needed for Adult Education Funding

We recommend that Budget Bill language in Item 6870-101-001 be amended to require that noncredit adult education ADA growth above the statutory cap be allocated for state priorities.

In the 1987 Budget Act, the Legislature specified that all K-12 statutory ADA growth in adult education programs funded through the Department of Education, shall only be utilized for two purposes—English-as-a-second language (ESL) courses, and remedial education services (basic skills) for participants in the Greater Avenues for Independence Program (GAIN). The budget proposes to again target K-12 statutory adult ADA growth in the budget year for ESL, GAIN and basic skills programs. The budget, however, does not specify the same priorities for statutory or additional ADA growth in adult education programs funded through the community colleges—or noncredit courses.

We believe that consistent priorities should be set for adult education funds whether the services are provided through a K-12 or a community college district. Because funds *on top of* statutory and additional growth funds are already provided for community college GAIN and basic skills ADA, we believe that funds provided for growth above the statutory limit for noncredit ADA, should be targeted for ESL. In this way, students living in areas where adult education is provided through the community college will be assured of ESL services, in a similar manner to students living in areas where adult education is provided through the K-12 school district. Accordingly, we recommend that Budget Bill language in Item 6870-101-001 be amended as follows:

17. Notwithstanding any other provision of law, up to \$8,500,000 of the funds appropriated in Schedule (a) shall be for allocation to community college districts in the 1988-89 fiscal year for the purpose of funding ADA beyond the statutory ADA growth limit. The Chancellor shall establish criteria for allocation that meets the following priorities: (1) districts which are below their 1983-84 funded ADA levels, (2) vocational-technical and transfer courses, and (3) English-as-a-second Language courses.

C. Community College Categorical Programs (Items 6870-101-001(b-n), 6870-101-785, 6870-101-909, 6870-102-001, 6870-106-001, 6870-491)

The budget for community colleges proposes \$217 million to support categorically funded programs in 1988-89. This is a decrease of \$1.9 million

(0.9 percent) from the amount available for these programs in the current year. Table 5 displays the proposed funding level for each program for the prior, current and budget years.

Table 5
California Community Colleges
Support for Categorical Programs
Local Assistance
1986-87 through 1988-89
(dollars in thousands)

	Actual 1986-87	Est. 1987-88	Prop. 1988-89	Change From 1987-88	
				Amount	Percent
<i>Educational Programs and Services</i>					
Vocational education.....	\$27,574	\$27,574	\$27,574	—	—
Apprenticeship.....	7,479	7,479	6,775	-\$704	-9.4%
Vocational education special projects ...	4,526	4,526	4,746	220	4.9
Transfer education and articulation	—	65	685	620	953.8
Instructional improvement	303	639	707	68	10.6
Subtotals	(\$39,882)	(\$40,283)	(\$40,487)	(\$204)	(0.5%)
<i>Student Services Programs</i>					
Extended Opportunity Programs					
(EOPS)	\$27,684	\$28,800	\$30,155	\$1,355	4.7%
Disabled Students Programs (DSP&S) ..	25,844	27,704	28,988	1,284	4.6
Matriculation	—	20,900	20,900	—	—
Financial aid	11,732	12,343	13,420	1,077	8.7
GAIN	—	10,000	10,000	—	—
Transfer Centers	1,780	1,818	1,904	86	4.7
Cooperative Agencies Resources for Ed- ucation (CARE)	715	715	1,473	758	106.0
Foster parent training	900	900	900	—	—
Subtotals, Services	(\$68,655)	(\$103,180)	(\$107,740)	(\$4,560)	(4.4%)
<i>Physical Plant and Equipment Programs</i>					
Instructional equipment	—	\$55,862	\$35,978	-\$19,884	35.6%
Deferred maintenance	\$12,582	15,144	15,000	-144	-1.0
Hazardous substances	—	5,000	15,000	10,000	200.0
Subtotals	(\$12,582)	(\$76,006)	(\$65,978)	(-\$10,028)	(-13.2%)
<i>Other Programs</i>					
Mandate	—	—	\$4,000	\$4,000	^a
Emergency loans/repayment	\$2,731	-\$1,613	-1,100	513	31.8%
Academic Senate	103	110	110	—	—
Other	—	1,112	—	-1,112	—
Subtotals	(\$2,834)	(-\$391)	(\$3,010)	(\$3,401)	^a
Totals	\$123,953	\$219,078	\$217,215	-\$1,863	-0.9%
<i>Funding Sources</i>					
General Fund	\$99,624	\$152,025	\$151,956	-\$69	-0.1%
Capital Outlay Fund for Public Higher Education	29	—	—	—	—
Higher Education Capital Outlay Bond Fund of 1986	—	35,000	—	-35,000	-100.0
Higher Education Capital Outlay Bond Fund of 1988	—	—	33,138	33,138	—
Instructional Improvement	-233	103	171	68	66.0
Reimbursements	24,533	31,950	31,950	—	—

^a Not a meaningful figure.

CALIFORNIA COMMUNITY COLLEGES—Continued

The major funding proposals for the categorical programs include:

- Net \$20 million reduction in funding to replace instructional equipment and purchase library materials;
- \$10 million to abate asbestos hazards that are categorized as "severe;"
- \$700,000 to expand the Cooperative Agencies Resources for Education (CARE) program to half the remaining counties that currently do not have a program—approximately 20 counties;
- \$2.8 million to fund discretionary cost-of-living adjustments of 4.79 percent for the Extended Opportunity Program (EOPS), Disabled Students Program (DSP&S), CARE, and Transfer Center programs; and
- \$4 million to reimburse districts for their costs of implementing new course regulations.

Budget Bill Language Needs to be Amended to Prevent Excess Funding

We recommend amending Budget Bill language in Item 6870-491 to more accurately specify the limit on the amount that may be provided from the reappropriation of General Fund savings in 1987-88 for equipment replacement and library materials.

The most recent estimate provided by the Department of Finance indicates that current-year property taxes may be \$978,000 above the amount estimated in the 1987 May revision, resulting in a corresponding General Fund savings in 1987-88. The budget proposes using this potential savings of \$978,000 to replace instructional equipment and purchase library materials. The proposed 1988 Budget Bill language, however, specifies that an amount up to \$9 million of the unanticipated General Fund savings shall be reappropriated for this use.

Recommendation. We recommend that the Budget Bill language be amended to limit the amount that may be reappropriated for equipment replacement and library materials to the amount proposed in the budget. The exact amount of property tax revenues collected and any resultant savings will not be known until the close of the current fiscal year. If property tax revenues exceed the \$978,000 currently projected, the amount available for reappropriation will also increase. The Legislature, however, may wish to use any additional savings to fund other priorities.

In order to provide the Legislature access to General Fund revenues that may result because of higher-than-anticipated property taxes in the current year, while at the same time maintaining the Governor's proposal to provide \$978,000 for community colleges to replace instructional equipment and purchase library materials, we recommend amending Budget Bill language proposed in Item 6870-491 as follows:

Notwithstanding any other provision of law, up to \$978,000 of the balance on June 30, 1988, of Schedule (a) of Item 6870-101-001 of the Budget Act of 1987 is reappropriated for the purpose of providing community college districts with funds to replace instructional equipment and purchase of library materials, and shall be available for expenditure until June 30, 1989.

Efforts to Increase the Number of Underrepresented Students

We recommend deleting \$220,000 for competitive grants for colleges demonstrating workable solutions for reducing underrepresentation because they are premature. (Reduce Item 6870-101-001 by \$220,000.)

The budget proposes (1) \$80,000 to fund a new position (and clerical support) to carry out the policy of the Board of Governors to increase the representation of minority students in the community colleges, and (2) \$220,000 for competitive grants awarded to colleges that "demonstrate workable solutions for reducing underrepresentation."

Specifically, the individual in the new position would (1) develop a systemwide plan to increase underrepresented students that would result in a greater percentage of minority community college enrollments and transfers, (2) identify the resources and policies that contribute (or don't contribute) to student enrollment, retention, and transfer, (3) work with the Chancellor's Office staff and the district staff to enhance the effectiveness of current programs in increasing the representation of minority students, and (4) identify and disseminate successful local policies and programs. Because the proposed new position will be working towards a goal that is consistent with priorities specified by both the Board of Governors, and the Legislature, we recommend approval of this position.

Our analysis indicates, however, that the funds for the competitive grants are premature. We believe that, consistent with the duties outlined for the proposed new position, a careful analysis of the problem should first be completed, specific goals and objectives should be set, and then a systemwide plan to meet those goals and objectives should be developed. The systemwide plan should include (1) the policies and strategies that have been identified as effective in increasing the representation of minority students, (2) a mechanism for disseminating information about effective policies and strategies, and (3) projected funding requirements for implementing the plan that includes both new and existing funds. Until a systemwide plan is developed, we believe that it is premature to provide funds for a specific purpose such as competitive grants.

Greater Avenues for Independence (GAIN)

Chapter 1025, Statutes of 1985 (AB 2580) established the Greater Avenues for Independence (GAIN) program. GAIN is a comprehensive statewide employment and training program for recipients of Aid to Families with Dependent Children (AFDC). The program is designed to help participants find unsubsidized employment and become financially independent. Program participants are offered a full range of employment training and support services tailored to their specific needs. The State Department of Social Services (DSS) is the lead agency responsible for implementation of the GAIN program.

Among other things, the GAIN program requires specified AFDC recipients to enter into an individual contract with the local county department of social services. The individual contract must describe the GAIN program and its services, the responsibilities and duties of the participant, and the consequences of a participant's failure to meet the requirements of the contract. The contract may call for educational services, counseling and assessment, vocational training, child care, and other support services. Educational services may be provided through an adult education program or a community college.

Community Colleges. In the current year, \$10 million is scheduled in Control Section 22 to fund growth in community college ADA generated by GAIN participants. These funds have not yet been allocated. The

CALIFORNIA COMMUNITY COLLEGES—Continued

Chancellor's Office estimates that they will be apportioned some time in March. Districts will receive supplemental funding for GAIN-generated ADA, only if the district (1) experiences growth above its statutory growth limit, and (2) meets its maintenance of effort requirement (the estimated number of GAIN participants that the college served in 1985-86).

The budget proposes the same level of support for the community colleges in Control Section 22 in the budget year. (Please refer to our analysis of the GAIN program in Item 5180-151 for a more indepth discussion of overall program funding requirements.)

GAIN—Technical Issue

We recommend that the Legislature adopt Budget Bill language in Control Section 22 to address a technical issue related to the Greater Avenues for Independence program.

Under the current apportionment system, community college districts are not reimbursed for actual units of ADA generated until several months into the fiscal year. This policy has caused problems for some districts wishing to apply for additional ADA-funding from the state in order to serve GAIN participants. These districts claim that they need "up front" monies in order to hire additional teachers and to operate classes, and therefore without such advanced funding, cannot participate in the GAIN program. In order to remedy this problem, we recommend that the Legislature adopt the following Budget Bill language, in Control Section 22 to allow the Chancellor's Office to advance sufficient funds to community college districts to enable them to participate in the GAIN program:

Any funding allocated to the Chancellor's Office for apportionment to community college districts for additional average daily attendance may, notwithstanding any provision of law to the contrary, be apportioned on an advance basis to community college districts based on expected units of ADA, if a prior application for such additional ADA funding has been approved by the Chancellor of the Community Colleges.

II. COMMUNITY COLLEGE STATE OPERATIONS**A. Chancellor's Office (Items 6870-001-001, 6870-001-165, 6870-490, 6870-495)**

The Chancellor's Office is the administrative arm of the Board of Governors of the California Community Colleges. The office is administered by the Chancellor who is responsible for carrying out the board's directives and implementing statutes enacted by the Legislature.

Table 6
California Community Colleges
State Operations Budget Summary
1986-87 through 1988-89
(dollars in thousands)

	<i>Actual</i> 1986-87	<i>Est.</i> 1987-88	<i>Prop.</i> 1988-89	<i>Change From</i> 1987-88	
				<i>Amount</i>	<i>Percent</i>
<i>Academic Affairs</i>					
Vocational education.....	\$2,349	\$1,254	\$1,235	-\$19	-1.5%
JTPA—employment training	512	562	568	6	1.1
Transfer education and articulation.....	—	556	1,034	478	86.0
Program accountability	59	—	—	—	—
Academic standards and skills	1,106	1,420	1,670	250	17.6
Academic affairs administration	293	407	415	8	2.0
Subtotals	(\$4,319)	(\$4,199)	(\$4,922)	(\$723)	(17.2%)
<i>Student Services and Special Programs</i>					
Extended Opportunity Programs					
(EOPS)	\$2,173	\$1,219	\$1,662	\$443	36.3%
Disabled Students Programs (DSP&S) ..	513	644	664	20	3.1
Matriculation	—	325	490	165	50.8
Transfer centers.....	438	200	310	110	55.0
Foster parent training	—	100	100	—	—
Special services	—	768	793	25	3.3
Student services administration	—	761	926	165	21.7
Subtotals	(\$3,124)	(\$4,017)	(\$4,945)	(\$928)	(23.1%)
<i>Administration and Finance</i>					
Apportionments.....	\$1,763	\$1,962	\$2,030	\$68	3.5%
Credentials	1,107	980	973	-7	-0.7
Facilities.....	857	932	1,007	75	8.0
Subtotals	(\$3,727)	(\$3,874)	(\$4,010)	(\$136)	(3.5%)
<i>Other Offices</i>					
Planning/special projects	\$417	\$848	\$951	\$103	12.1%
<i>Distributed Administration</i>					
Board of Governors	(\$65)	(\$107)	(\$110)	(\$3)	(2.8%)
Chancellor's Office	(3,899)	(4,759)	(5,075)	(316)	(6.6)
Subtotals	(\$3,964)	(\$4,866)	(\$5,185)	(\$319)	(6.6%)
Totals, State Operations	\$11,587	\$12,938	\$14,828	\$1,890	14.6%
<i>Funding Sources</i>					
<i>General Fund</i>	\$8,224	\$9,459	\$10,904	\$1,445	15.3%
<i>Credentials Fund</i>	651	718	711	-7	-1.0
<i>Federal Trust Fund</i>	186	—	—	—	—
<i>Reimbursements</i>	2,318	2,378	2,830	452	19.0
<i>Special Deposit Fund</i>	208	383	383	—	—
Personnel-Years	145.8	186.1	214.8	28.7	15.4

Table 6 displays state operations funding for the Chancellor's Office in the prior, current and budget years. As the table shows, the budget proposes \$14.8 million to support the Chancellor's Office in 1988-89—an increase of \$1.9 million (15 percent) from the amount available in the current year. This increase is due primarily to (1) reimbursements (\$837,000) from local assistance items to support 25 new civil service

CALIFORNIA COMMUNITY COLLEGES—Continued

positions converted from contract personnel in accordance with recommendations made by the State Personnel Board, (2) 17.8 new and reestablished positions (\$690,000) to support efforts in the areas of transfer education and articulation, matriculation, credentials, research, library services, instructional improvement, budget and accounting, and consultation, and (3) funds to support the Chancellor's participation in the Education Round Table (\$155,000).

Impairment to Administrative Flexibility for New Chancellor

We recommend that the proposed new Deputy Chancellor position be deleted for a General Fund savings of \$90,000 because the establishment of this civil service position would reduce the new Chancellor's administrative flexibility. (Reduce Item 6870-001-001 by \$90,000.)

In August 1987 the Chancellor resigned and an acting Chancellor is currently performing this duty. The Board of Governors is currently searching for a new Chancellor and plans to appoint the person early this summer. In past years, the Legislature has provided new Chancellors funds and authorization to reorganize the Sacramento office to fit the person's particular management style. Towards this end, the budget proposes a one-time General Fund augmentation of \$250,000 to provide the new Chancellor with such administrative flexibility. We believe that there is merit to this proposal and in accordance with prior legislative policy recommend approval.

In contrast, however, the budget also proposes that the highest staff level position—Deputy Chancellor—be permanently authorized with civil service status. The Deputy Chancellor position was administratively established in the current year and, just prior to his resignation, the outgoing Chancellor appointed someone to it.

We believe that this budget proposal is contrary to the principle of administrative flexibility for the incoming new Chancellor. In effect, it means that there will already be a permanent deputy in place when the new Chancellor is hired. Consequently, the new Chancellor will have his or her flexibility restricted when it comes to setting a new organization.

We discussed this situation with the Department of Personnel Administration. We determined that in the absence of a resignation, there is only one legislative remedy—denial of the request to permanently authorize the Deputy Chancellor position. This would allow the new Chancellor greater flexibility in setting any new organizational structure. Deletion of the position would not restrict the new Chancellor from rehiring the incumbent deputy if he or she so chooses, because the position could still be administratively reauthorized using some of the \$250,000 discussed above. Accordingly, given the merits of providing administrative flexibility for the new Chancellor, we recommend that the proposed Deputy Chancellor position (1.0 personnel-year) be deleted for a General Fund savings of \$90,000 in salary, benefits and expenses.

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY

Item 6870-301 from the 1988
Higher Education Capital
Outlay Bond Fund

Budget p. E 146

Requested 1988-89.....	\$50,524,000
Recommended approval.....	39,467,000
Recommended reduction.....	3,567,000
Recommendation pending.....	7,490,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONS*Analysis
page*

1. Repayment of Revenue Bonds. Recommend the Department of Finance, prior to budget hearings, explain to the Legislature how \$229,000 of debt service payments will be made on revenue bonds issued in 1988-89 to finance community college capital outlay projects. 1086
2. Procurement of Computers. Withhold recommendation on \$4,812,000 in Item 6870-301-785 for 10 equipment procurement projects, pending substantiation of new computer equipment included in these projects. 1089
3. San Francisco CCD—Procurement of Equipment. Withhold recommendation on \$668,000 in Item 6870-301-785(44) and (45) for procurement of equipment for the southeast center, pending further review of what equipment needs to be procured. 1089
4. *Contra Costa CCD—Music Addition. Reduce Item 6870-301-785(12) by \$32,000.* Recommend a reduction in architectural fees for working drawings of a music building addition at Los Medanos College because the estimated construction cost and associated fees are too high for this type of facility. (Future savings: \$337,000.) 1090
5. Los Angeles CCD—Technical Education Center. Withhold recommendation on \$247,000 in Item 6870-301-785(2) for working drawings for a new technical education center building at Los Angeles Southwest College because construction of a new facility is not warranted. The district, prior to budget hearings, should present an alternative proposal to remodel its existing facilities to meet emerging program needs. 1091
6. Yosemite CCD—Gymnasium/Performing Arts Building. Withhold recommendation on \$750,000 in Item 6870-301-785(61) for augmentation of construction and equipping of the facility, pending completion of the district's design and cost review. 1092
7. Cabrillo CCD—Photo Laboratory Rehabilitation. Withhold recommendation on \$251,000 in Item 6870-301-785(6) for working drawings and rehabilitation of a photo laboratory at Cabrillo College because sufficient supporting information and preliminary plans have not been received from the district. 1093

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

8. *Proposed New Centers. Delete \$1,362,000 in Item 6870-301-785(30), (36) and (37).* Recommend deletion of funds for working drawings for permanent facilities (Phase I) at new off-campus centers in Riverside County—Mt. San Jacinto CCD, West Center (\$320,000) and Riverside CCD, Moreno Valley Center (\$519,000) and Norco Center (\$523,000)—because funding for these centers is premature. 1096
9. *Butte CCD—Maintenance Warehouse.* Withhold recommendation on \$762,000 in Item 6870-301-785(5) for working drawings and construction of a new warehouse and maintenance facility at Butte College because preliminary plans have not been completed and it is not clear the proposed facility is needed. 1099
10. *San Francisco CCD—Central Shop and Warehouse. Delete \$2,173,000 in Item 6870-301-785(42).* Recommend deletion of funds for working drawings and construction of a central shop and warehouse facility at San Francisco City College because (1) it uses limited campus property that may be needed for library/instructional space and (2) it provides space excess to state guidelines. 1099

ANALYSIS AND RECOMMENDATIONS

The budget proposes a total appropriation of \$50.5 million to fund the state's share of the California Community Colleges' (CCC) capital outlay program in 1988-89. These funds will come from the Higher Education Facilities Bond Act of 1988. At the time this analysis was prepared, this bond program, which is proposed in SB 703 in the amount of \$600 million, had not been enacted by the Legislature. Assuming that the Bond Act is approved by the voters in November 1988, work on the project will not be started until loans are arranged from the Pooled Money Investment Account. We estimate that this would not occur until at least January 1989. Thus, no work could commence on the CCC's 1988-89 capital program until the last half of the fiscal year.

The budget indicates that the various community college districts will provide a total of \$3.5 million to support the proposed projects, bringing total proposed expenditures for the community college capital outlay program to \$54 million in 1988-89. Thus, the state will fund 93.5 percent of the program and the various districts will contribute 6.5 percent.

Repayment of Revenue Bonds Not Budgeted

We recommend, that the Department of Finance, prior to budget hearings, explain to the Legislature how \$229,000 of debt service payments will be made on \$2.1 million of revenue bonds to be issued in 1988-89 to finance community college capital outlay projects.

The Legislature in the 1987 Budget Act, authorized \$18.1 million for 10 capital outlay projects for the CCC to be financed with High Technology Education Revenue Bonds. This revenue bond program authorizes the State Public Works Board and the State Treasurer to sell tax-exempt revenue bonds, certificates and notes to cover the costs of constructing the various projects. With the proceeds of the sale, the district constructs the facility and then enters into a 20-year lease-purchase agreement with the board for use of the facility and for semiannual debt-service payments

to the board. At the end of the 20-year lease term, the bonds are fully retired and ownership of the facility is transferred from the board to the district.

The CCC estimates that construction of six of the 10 projects will be completed in 1988-89. At the time of completion, the State Treasurer will issue bonds amounting to \$2.1 million to cover the costs of the projects. According to the State Treasurer's staff, this will require debt service (lease) payments totaling \$229,000 be made in the budget year. It is anticipated that the remaining \$16.1 million of bonds will be issued in 1989-90, increasing the annual debt service costs to a level of about \$2 million for a period of about 20 years until the bonds are retired.

Recommendation. The California Community College's support budget does not include \$229,000 to make the debt service payments in 1988-89 on the revenue bonds. In addition, it is not clear whether the semiannual lease payments will be made directly by the districts to the board using nonstate funds or by a deduction or addition to the state ADA apportionments to the districts. For these reasons, we recommend that, prior to budget hearings, the Department of Finance explain to the Legislature how the debt service payments will be made on the revenue bonds issued to finance community college capital outlay projects completed in 1988-89.

1988-89 CAPITAL OUTLAY PROGRAM

The California Community Colleges' 1988-89 capital outlay program includes \$50.5 million of state funds for 63 projects. To facilitate analysis of these projects, we have divided them into 10 descriptive categories as shown in Table 1.

Table 1
California Community Colleges
1988-89 Capital Outlay Program
Project Categories
Item 6870-301-785
(dollars in thousands)

Category	Number of Projects	Total Cost	Estimated Future Cost ^a
A. Mitigate hazards	1	\$202	—
B. Complete new facilities	16	6,192	—
C. Add instructionally-related facilities	11	21,946	\$22,862
D. Upgrade instructionally-related facilities	6	1,783	3,851
E. Libraries	2	2,482	5,795
F. Add new support facilities	5	9,281	1,032
G. Upgrade support facilities	1	2,174	398
H. Other	17	5,102	2,900
I. Creation of permanent off-campus centers	3	1,362	38,175
J. Ancillary facilities	2	—	123
Totals	63	\$50,524	\$75,136

^a District estimates.

A. PROJECTS TO MITIGATE HAZARDS

We recommend approval.

The budget proposes \$202,000 in Item 6870-301-785(40) for working drawings and construction to remodel 1,800 asf of the Life Sciences

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

Building at San Diego City College. Remodeling the outdated laboratory space and replacement of the ventilation systems is justified and the cost appears to be reasonable. There will be no future costs associated with this project.

B. PROJECTS TO COMPLETE NEWLY CONSTRUCTED FACILITIES

As Table 2 shows, the budget includes 16 projects, totaling \$6.2 million, to procure equipment to complete newly constructed facilities. There are no future costs associated with these projects. We recommend approval of three equipment requests totaling \$712,000. The requested equipment is necessary for the respective facilities and the associated costs are reasonable. A discussion of the remaining equipment requests and our recommendation for each follows.

Table 2
California Community Colleges
1988-89 Capital Outlay Program
B. Complete New Facilities
Item 6870-301-785
(dollars in thousands)

<i>Sub-Item</i>	<i>Location/Project Title</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>
(1)	Allan Hancock CCD, Allan Hancock College Humanities Building.....	e	\$122	pending
(9)	Coachella Valley CCD, Copper Mountain College Vocational Education Building.....	e	177	pending
(10)	Coast CCD—Orange Coast College Biology Laboratory.....	e	198	\$198
(16)	Glendale CCD, Glendale College Faculty Office-/Classroom Building.....	e	697	pending
(19)	Grossmont-Cuyamaca CCD, Cuyamaca College Learning Resource Center.....	e	436	pending
(21)	Grossmont-Cuyamaca CCD, Cuyamaca College Learning Resource Center.....	e	229	229
(23)	Los Angeles CCD—Los Angeles Mission College Instructional/Administration Building.....	e	993	pending
(25)	Los Rios CCD—Cosumnes College Cafeteria.....	e	184	184
(27)	Mendocino Lake CCD—Mendocino College Child Care Center.....	e	101	101
(32)	Peralta CCD—Merritt College classroom building...	e	106	pending
(38)	Saddleback CCD—Irvine Valley College Building B, cluster II.....	e	700	pending
(41)	San Diego CCD—San Diego Miramar College classroom building.....	e	507	pending
(44)	San Francisco CCD—Southeast Center leased facilities, phase I.....	e	330	pending
(45)	San Francisco CCD—Southeast Center leased facilities, phase II.....	e	338	pending
(51)	Santa Barbara CCD—Santa Barbara City College Learning Resource Center.....	e	948	pending
(59)	West Hills CCD—West Hills College Library and Learning Resource Center.....	e	126	pending
	Totals.....		\$6,192	\$712

^a Phase symbol indicates: e = equipment.

Procurement of Computers Not Substantiated

We withhold recommendation on a total of \$4,812,000 for 10 equipment procurement projects in Items 6870-301-785 (1) Allan Hancock CCD—\$122,000, (9) Coachella Valley CCD—\$177,000, (16) Glendale CCD—\$697,000, (19) Grossmont-Cuyamaca CCD—\$436,000, (23) Los Angeles CCD—\$993,000, (32) Peralta CCD—\$106,000, (38) Saddleback CCD—\$700,000, (41) San Diego CCD—\$507,000, (51) Santa Barbara CCD—\$948,000, and (59) West Hills CCD—\$126,000, pending substantiation by the CCC of new computer equipment included in these projects.

In recent years, the community colleges have steadily increased the procurement of computers, computer peripherals and software with state funds through the capital outlay budget and in the local assistance item of the support budget.

The Budget Bill proposes 10 equipment projects totaling \$4.8 million, which include procurement of a substantial amount of new computer equipment. Comparisons of these projects indicate significant variances in the number of computer stations, types of equipment and prices to be paid. Moreover, the CCC has not provided the Legislature with sufficient information to determine whether the computer equipment is justified. We have asked CCC staff to provide an analytical basis for the number, types and unit costs of the computers, peripherals and software to be procured. At the time this analysis was written, however, this information had not been received. Thus, we withhold recommendation on the 10 projects, pending substantiation of the computer equipment.

San Francisco CCD—Equipment for the San Francisco Southeast Center

We withhold recommendation on \$668,000 in Item 6870-301-785 (44) and (45) for procurement of furniture and equipment for the San Francisco Southeast Center, pending review of what existing equipment remains usable and what new equipment needs to be procured.

The Budget Bill proposes \$668,000 for procurement of new office, classroom, and cafeteria furniture and equipment at the San Francisco Southeast Center.

This center was constructed in 1985 by the City of San Francisco. The facility, which is leased to the district, was specifically constructed to meet the educational needs of the center. For the past two years, the district has utilized used office and classroom furniture and cafeteria equipment obtained from the city.

Recommendation. The district's proposal calls for the replacement of all the furniture and equipment at the center. We have asked CCC staff for information as to the condition of the existing furniture and equipment and why all of the furniture and equipment needs to be replaced at one time. At the time this analysis was written, no response had been received from the CCC. For that reason, we withhold recommendation on this proposal, pending further review of what existing equipment remains usable and what new equipment needs to be procured.

C. ADD INSTRUCTIONALLY RELATED FACILITIES

The budget proposes 12 projects, totaling \$21.9 million, to add instructionally related facilities. Table 3 summarizes these projects along with our recommendation and the estimated future cost for each project. Our analysis indicates that nine of these projects, totaling \$19.8 million, are

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

justified because they are in accordance with state space guidelines and the estimated costs are reasonable. Accordingly, we recommend approval of these nine projects. A discussion of the remaining projects and our recommendation for each follows.

Table 3
California Community Colleges
1988-89 Capital Outlay Program
C. Add Instructionally Related Facilities
Item 6870-301-785
(dollars in thousands)

Sub-Item	Location/Project Title	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
(2)	Allan Hancock CCD, Allan Hancock College Consumer Education Center.....	c	\$1,223	\$1,223	\$89
(12)	Contra Costa CCD, Los Medanos College Music Addition.....	w	153	131	2,964
(14)	Foothill-DeAnza CCD-DeAnza College Computer/Electronics Building.....	w	466	466	9,551
(22)	Los Angeles CCD—East Los Angeles College Vocational Building.....	w	112	112	2,230
(24)	Los Angeles CCD—Los Angeles Southwest College Technical Education Center.....	w	247	pending	5,357
(26)	Los Rios CCD—Sacramento City College Performing Arts Complex.....	c	3,301	3,301	724
(34)	Rancho Santiago CCD—Orange Campus Permanent buildings, increment II.....	wc	6,336	6,336	465
(48)	San Mateo CC—Skyline College Automotive building addition.....	wc	448	448	149
(54)	Santa Barbara CCD—Santa Barbara City College—Interdisciplinary Center.....	ce	4,524	4,524	—
(57)	Ventura CCD—Moorpark College Occupational Graphic Arts Building.....	c	1,603	1,603	1,333
(61)	Yosemite CCD—Columbia College Gymnasium and Performing Arts.....	ce	750	pending	—
(62)	Yuba CCD—Woodland Center Permanent building, phase I.....	ce	2,783	2,783	—
	Totals.....		\$21,946	\$20,929	\$22,862

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

^b District estimates.

Contra Costa CCD—Music Building Addition

We recommend a reduction of \$32,000 in Item 6870-301-785(12) to prepare working drawings for a music building addition at Los Medanos College because the estimated construction cost is too high and should be reduced to reflect a realistic cost for this type of facility. (Future savings: \$377,000).

The budget proposes \$153,000 to prepare working drawings for an addition of 10,202 assignable square feet (asf) to the music building at Los Medanos College. The estimated future cost for construction and equipment is nearly \$3 million. The addition will contain two large recording/instrumental laboratories, with a central control booth, laboratories

for audio recording, piano classes and synthesizers, eight laboratories for individual music practice rooms, and a large storage area.

Recommendation. Our analysis indicates that the college's music program is steadily growing and the existing facility needs to be expanded to accommodate this growth. The estimated construction cost, however, of \$187 per asf is too high. For example, this cost exceeds (1) the estimated cost of \$150 per asf to construct a similar music building addition at Sacramento City College and (2) the building cost guideline of \$150 per asf for music facilities in the California State University. The proposed music facilities at Los Medanos are not unique and there is no apparent reason why the estimated cost should exceed these bench mark costs. Consequently, the future construction cost for the music addition should be reduced by \$377,000. This reduction will also result in a \$32,000 reduction in the state's share of the fees to prepare working drawings. Accordingly, we recommend that the \$153,000 in Item 6870-301-785 (12) be reduced by \$32,000.

Los Angeles CCD—Technical Education Center

We withhold recommendation on \$247,000 in Item 6870-301-785 (24) to prepare working drawings for a new technical education center building at Los Angeles Southwest College because construction of a new facility is not warranted to meet instructional demands. As an alternative, the district should, in advance of budget hearings, present the Legislature with a proposal to remodel existing facilities to meet its emerging program needs.

The Budget Bill proposes \$247,000 to prepare working drawings for a new technical education center building (26,600 asf) at Los Angeles Southwest College. The estimated future cost for construction and equipment is about \$5.4 million. The center would provide lecture and laboratory space for computer science, electronics, word processing, manufacturing and tool technology, engineering, computer-aided drafting (CAD/CAM), and automated manufacturing. Secondary effects of constructing the center include (1) conversion of 10,000 asf to campus support functions such as financial aid and career counseling, (2) conversion of 7,000 asf of laboratory space into classrooms, and (3) removal of all temporary bungalows (31,000 asf) from the campus.

Recommendation. It is clear that the district has a need to appropriately accommodate the instructional programs in computer science, electronics and other high-technology subjects. Our analysis indicates, however, that construction of a new 26,600 asf laboratory/classroom is not a preferred alternative since it would significantly increase the excess space on campus. As Table 4 shows, the college would have 51,000 asf of excess permanent classroom and laboratory space remaining *after the new facility is completed and all of the bungalows (31,000 asf) are removed.* Moreover, relocation of the CAD/CAM drafting laboratory is not justified because this 1,350 asf laboratory is in permanent space that was altered for the laboratory in 1986.

Clearly, there is sufficient permanent space to accommodate most, if not all, of the proposed classroom/laboratories through reassignment and/or remodeling. Moreover, the type of space needed should not require major alterations to the existing facilities. Consequently, we withhold recommendation on the requested amount and urge the district, prior to budget hearings, to present the Legislature with a

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

Table 4
Los Angeles Southwest College
Impact of Proposed Technical
Education Building on Excess Space ^a
1991-92 ^b

	<i>Excess Classroom Space (asf)</i>	<i>Excess Laboratory Space (asf)</i>	<i>Total Excess Space (asf)</i>
Without building ^c	14,000	14,500	28,500
With building (26,600 asf) ^c	19,000	32,000	51,000

^a Based on state space guidelines.

^b Completion of the building is projected in the last quarter of 1991.

^c Assumes removal of *all* temporary bungalows (31,000 asf) from the campus.

proposal to reassign and/or remodel existing space to meet these instructional program needs. A project of this nature would warrant legislative consideration.

Yosemite CCD—Augmentation for Gymnasium/Performing Arts Building

We withhold recommendation on \$750,000 in Item 6870-301-785 (61) proposed for a new gymnasium and performing arts building at Columbia College, pending completion of the district's architectural review to reevaluate the project's design and construction costs.

The budget requests \$750,000 for (1) augmentation of the state's share of construction costs (\$350,000) and (2) equipment (\$400,000) for the new gymnasium and performing arts building (23,388 asf) at Columbia College. Working drawings for this project were previously funded by the district and state funds totaling \$3.8 million were appropriated in the 1987 Budget Act for construction. The total cost of construction (\$4.2 million) was to be shared with the state paying 90 percent (\$3.8 million) and the district paying 10 percent (\$380,000). The working drawings were completed in 1982 and the district plans to advertise for construction bids in June 1988. It is not clear how the district can proceed on this schedule if the proposed state funds are needed.

The \$350,000 augmentation of the state's share of the construction costs, would change the project's cost share ratio with the state now paying 98.5 percent (\$4,150,000) and the district paying a reduced share of 1.5 percent (\$50,000) in lieu of the 10 percent share (\$350,000) contemplated by the 1987 Budget Act. The district maintains that increased state funding is necessary because it does not have sufficient reserves to pay more than 1.5 percent of the construction costs.

Recognizing that the working drawings for this project were completed more than five years ago and that the construction estimate needs to be reevaluated, the district recently initiated an architectural design review of the project. This design review will identify various options for reducing the cost of the project.

Recommendation. Our analysis indicates that no decision should be made regarding the requested state funds until the district's design review is completed. Information from this effort is clearly needed to determine (1) how much, if any, construction augmentation is needed (2) what options are available to reduce costs, and (3) when equipment

funding will be needed and in what amount. For these reasons, we withhold recommendation on this project pending completion of the district's design review.

D. UPGRADE INSTRUCTIONALLY RELATED FACILITIES

As Table 5 shows, the budget contains six projects, totaling \$1.8 million, to upgrade instructionally related facilities. Of this amount, we recommend approval of \$1.5 million for five of the six projects, as summarized in Table 5. These projects are justified based on enrollments, academic needs and state space guidelines, and the associated costs are reasonable. A discussion of the remaining project and our recommendation follows.

Table 5
California Community Colleges
1988-89 Capital Outlay Program
D. Upgrade Instructionally Related Facilities
Item 6870-301-785
(dollars in thousands)

Sub-Item	Location/Project Title	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
(3)	Allan Hancock CCD—Allan Hancock College Secondary effects of renovation.....	w	\$110	110	\$1,675
(4)	Allan Hancock CCD—Allan Hancock College Performing Arts addition.....	wc	778	778	74
(6)	Cabrillo CCD—Cabrillo College Photo Lab rehabilitation.....	wce	251	pending	—
(11)	Compton CCD—Compton College Electronics Laboratory, remodel.....	wc	208	208	102
(18)	Glendale CCD—Glendale College Create classrooms—remodel.....	w	132	132	2,000
(53)	Santa Barbara CC—Santa Barbara City College Secondary effects, renovation.....	wc	304	304	—
	Totals.....		\$1,783	\$1,532	\$3,851

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

^b District estimates.

Cabrillo CCD - Photo Laboratory Rehabilitation

We withhold recommendation on \$251,000 in Item 6870-301-785 (6) for working drawings and rehabilitation of a photo laboratory at Cabrillo College because the district has not provided the Legislature with sufficient information and preliminary plans to explain what the project will consist of and the basis for the cost estimate.

The Budget Bill proposes \$251,000 for working drawings and rehabilitation of a 6,107 asf photo laboratory at Cabrillo College. Until 1985 the college had two photo laboratories. One was used for general photo instruction and the other, was used as a smaller specialized instruction laboratory. The larger generalized laboratory was closed because of the inadequacy of its ventilation system. The proposed project would rehabilitate the larger laboratory and install a new ventilation system to permit reopening for instructional use.

Recommendation. Based on enrollment demands, there is a need to reinstate the general photo laboratory for instructional use. The district, however, has not provided the Legislature with sufficient information

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

and preliminary plans to explain either what rehabilitation work is necessary (other than the ventilation system) or the basis for the cost estimate. Pending receipt and review of this information, we withhold recommendation on the \$251,000 in Item 6870-301-785 (6).

E. LIBRARIES

We recommend approval.

As Table 6 shows, the budget proposes two projects, totaling \$2.5 million, to add library facilities. These projects conform with state space guidelines and the estimated costs are reasonable. Accordingly, we recommend approval.

Table 6
California Community Colleges
1988-89 Capital Outlay Program
E. Libraries
Item 6870-301-785
(dollars in thousands)

<i>Sub-Item</i>	<i>Location/Project Title</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>	<i>Estimated Future Cost^b</i>
(35)	Redwoods CCD—College of the Redwoods— library addition.....	wc	\$2,216	\$2,216	\$601
(56)	South County CCD—Chabot College, Valley Campus Learning Resources Center....	w	266	266	5,194
Totals.....			\$2,482	\$2,482	\$5,795

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

^b District estimates.

F. ADD NEW SUPPORT FACILITIES

We recommend approval.

As Table 7 shows, the budget proposes three projects, totaling \$6.3 million, to add new support facilities. These projects have previously been approved by the Legislature for the preparation of working drawings. The proposals are consistent with prior legislative approval. Consequently, we recommend approval.

Table 7
California Community Colleges
1988-89 Capital Outlay Program
F. Add New Support Facilities
Item 6870-301-785
(dollars in thousands)

<i>Sub-Item</i>	<i>Location/Project Title</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>	<i>Estimated Future Cost^b</i>
(20)	Grossmont—Cuyamaca CC—Cuyamaca College outdoor physical education facility.	c	1,314	1,314	\$525
(28)	Mendocino Lake CC—Mendocino College indoor physical education facility, phase I..	c	3,499	3,499	150
(52)	Santa Barbara CC—Santa Barbara City College Student Service Center	c	1,533	1,533	234
Totals.....			\$6,346	\$6,346	\$1,032

^a Phase symbol indicates: c = construction.

^b District estimates.

G. UPGRADE SUPPORT FACILITIES

We recommend approval.

The budget proposes one project costing \$2.2 million for the upgrading of support facilities. This project is requested by the Glendale CCD to renovate (construct) a classroom, laboratory and administration building having 3,600 asf at Glendale College. The district estimates future costs of \$398,000 to complete the project. The building was constructed in 1937 and the proposed areas need to be renovated to meet campus administrative needs. The proposed work and associated costs are reasonable.

H. OTHER PROJECTS

We recommend approval.

This category includes: (1) 12 projects (\$2.8 million) to remove architectural barriers to mobility impaired individuals to provide access to educational facilities, (2) four utility/road improvement projects (\$2 million), and (3) statewide preliminary planning funds (\$250,000) to be allocated to districts on a "needs" basis as determined by the Chancellor's office. Table 8 provides a summary of these projects and the estimated future cost of each project. The proposals and associated costs are reasonable and we recommend approval.

Table 8
California Community Colleges
1988-89 Capital Outlay Program
H. Other Projects
Item 6870-301-785
(dollars in thousands)

Sub-Item	Location/Project Title	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
(7)	Coachella Valley CCD—College of the Desert architectural barriers, removal	wc	\$123	\$123	—
(8)	Coachella Valley CCD—College of the Desert campus water system	wc	301	301	—
(13)	El Camino CCD—El Camino College architectural barriers, removal	w	259	259	\$2,900
(15)	Foothill-DeAnza CCD—Foothill College architectural barriers, removal	wc	197	197	—
(29)	Mt. San Antonio CCD—Mt. San Antonio College emergency access road	wc	910	910	—
(31)	Peralta CCD—Laney College architectural barriers, removal	wc	112	112	—
(33)	Rancho Santiago CCD—Orange Campus Chapman Avenue, relocate	wc	459	459	—
(39)	Saddleback CCD—Irvine Valley College road improvements	wc	337	337	—
(43)	San Francisco CCD—John Adams Center architectural barriers, removal	c	503	503	—
(46)	San Mateo CCD—Canada College architectural barriers, removal	wc	106	106	—
(47)	San Mateo CCD—College of San Mateo architectural barriers, removal	wc	507	507	—

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

(49) Santa Barbara CCD—Wake Center architectural barriers, removal.....	wc	18	18	—
(50) Santa Barbara CCD—Schott Center architectural barriers, removal.....	wc	89	89	—
(55) Shasta-Tehama-Trinity CCD—Shasta College—architectural barriers, removal.....	wc	177	177	—
(58) Victor Valley CCD—Victor Valley College architectural barriers, removal.....	wc	431	431	—
(60) West Valley Mission CCD—West Valley College architectural barriers, removal.....	wc	323	323	—
(63) Community Colleges Statewide.....	p	250	250	— ^c
Totals.....		\$5,102	\$5,102	\$2,900

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

^b District estimates.

^c Not applicable.

I. CREATION OF PERMANENT OFF-CAMPUS CENTERS

As summarized in Table 9, this category includes three projects, totaling \$1.4 million to develop working drawings for future construction of initial facilities for three educational centers in two districts. Our findings and recommendations on these proposals follow.

Table 9
California Community Colleges
1988-89 Capital Outlay Program
I. Creation of Permanent Off-Campus Centers
Item 6870-301-785
(dollars in thousands)

Sub-Item	Location/Project Title	Phase ^a	Budget Bill Amount	Analyst's Recommendation	Estimated Future Cost ^b
(30)	Mt. San Jacinto CCD—West Center permanent facilities, phase I.....	w	\$320	—	\$9,641
(36)	Riverside CCD—Moreno Valley Center permanent buildings, phase I.....	w	519	—	12,970
(37)	Riverside CCD—Norco Center permanent building, phase I.....	w	523	—	15,564
Totals.....			\$1,362	—	\$38,175

^a Phase symbol indicates: w = working drawings.

^b District estimates.

Funding for New Centers is Premature

We recommend deletion of \$1,362,000 in Item 6870-301-785 (30), (36) and (37) for working drawings for permanent facilities (Phase I) for new off-campus centers in Riverside County—Mt. San Jacinto CCD, West Center (\$320,000) and Riverside CCD, Moreno Valley Center (\$519,000) and Norco Center (\$523,000)—because funding for these projects is premature.

Rapid population growth in the western region of Riverside County has prompted the Mt. San Jacinto and Riverside Community College Districts to *jointly* propose the establishment of three new off-campus centers.

West Center. The Mt. San Jacinto CCD is proposing to start development of the West Center on 50 acres of land gifted by a developer in the new community of Menifee Village, about 28 miles southeast of the City of Riverside. The district has secured an option to buy an additional 50 acres to provide a total of 100 acres for future development of a full campus. The center will provide permanent facilities to replace three leased centers in Temecula and Lake Elsinore. These centers had a combined enrollment of 720 students (213 ADA) in 1986. The Department of Finance projects that, with the opening of the new center in 1990 to serve both day and evening students, enrollment will increase to 1,650 (767 ADA). By 1995, enrollment is projected to reach 2,650 (1,260 ADA).

Initially, the district is requesting \$320,000 to do working drawings for future construction of the initial permanent facilities, (phase I-21,000 asf) estimated to cost \$4.3 million. The district's request does not include funds for working drawings for site grading or development of on-site and off-site infrastructure. The first increment of buildings will provide for a general education program with emphasis on business and computers. The total capital cost of the center is expected to reach about \$10 million by 1990-91.

Moreno Valley Center. The Riverside CCD is proposing to start development of the Moreno Valley Center on 132 acres of land gifted by a developer in the new community of Moreno Valley Ranch, about 12 miles east of the City of Riverside. The site will permit eventual development of a full campus at this location. The center will replace two leased centers at March Air Force Base and Moreno Valley High School. These centers had a combined enrollment of 785 students (417 ADA) in 1986. The Department of Finance projects that, with the opening of the new center in 1990 to serve both day and evening students, enrollment will increase to 2,360 (973 ADA). By 1995, enrollment is projected to reach 3,470 (1,580 ADA).

Initially, the district is requesting \$519,000 to develop working drawings for future construction of the initial permanent facilities, (phase I-37,135 asf) estimated to cost \$7.1 million. The district's request does not include funds for working drawings for site grading or development of on-site and off-site infrastructure. The first increment of facilities will consist of the (1) college center building, (2) science and mathematics building, and (3) business and administration building. The total capital cost of the center is expected to reach about \$13.5 million by 1990-91.

Norco Center. The Riverside CCD is proposing to start development of the Norco Center on 141 acres of land gifted by the federal government in the community of Norco, about 10 miles southwest of the City of Riverside. The site will permit eventual development of a full campus at this location. The center will replace two leased centers at Corona and La Sierra. These centers had a combined enrollment of 1,191 students (417 ADA) in 1986. The Department of Finance projects, that, with the opening of the new center in 1990 to serve both day and evening students, enrollment will increase to 2,630 (1,085 ADA). By 1995, enrollment is projected to reach 3,370 (1,507 ADA).

Initially, the district is requesting \$523,000 to develop working drawings for construction of permanent facilities, (phase I-40,048 asf) estimated to cost \$6.9 million. The district's request does not include funds for working drawings for site grading or development of on-site and off-site infrastructure. The first increment of facilities will consist of the (1) campus center building, (2) arts, letters, and humanities building, (3) science and math building, (4) trade and industry building, and (5) health science

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

and physical education building. The total cost of the center is expected to exceed \$16 million in 1990-91.

Recommendation. Clearly, Riverside County is a high-population growth area. Our analysis, however, indicates that authorization for development of the three centers in Riverside County is premature because the California Postsecondary Education Commission (CPEC) has not established what additional community college centers and/or future campuses will be needed in Riverside County and when they will be needed. Legislative intent as expressed in existing law, states that expansion of higher education centers or campuses should not be authorized/funded until CPEC has recommended such a need in a detailed study. Furthermore, the funding of working drawings for the initial facilities will serve no advantage unless drawings for site grading and development of roads, parking lots, and utilities are also funded to permit concurrent coordination of facility and infrastructure plans. This is necessary to allow construction and completion of all essential facilities and supporting infrastructure at the same time. As an added concern, the Riverside CCD has not provided the Legislature with preliminary plans for the Moreno Valley or Norco project. For these reasons, we recommend deletion of \$1,360,000 for all three projects.

Supplemental Report Language—Norco/Moreno Valley. The *Supplemental Report of the 1987 Budget Act* stated that "If the California Postsecondary Education Commission (CPEC) recommends the establishment of an off-campus center or (new) campus in Norco and/or Moreno Valley and if funds for the construction of these centers/campuses are included in a subsequent Governor's Budget, it is legislative intent that the state's share of the cost to develop working drawings for legislatively approved project(s) be appropriated along with the amount for construction." If CPEC approves these projects during the budget year, the district could proceed with working drawings and seek state cost sharing in 1989-90 for working drawings *and* construction, as outlined in the supplemental report.

J. ANCILLARY FACILITIES

As Table 10 summarizes, the budget proposes two projects costing \$2,935,000 for ancillary facilities on two campuses. Our findings and recommendations follow:

Table 10
California Community Colleges
1988-89 Capital Outlay Program
J. Ancillary Facilities
Item 6870-301-785
(dollars in thousands)

<i>Sub-Item</i>	<i>Location/Project Title</i>	<i>Phase^a</i>	<i>Budget Bill Amount</i>	<i>Analyst's Recommendation</i>	<i>Estimated Future Cost^b</i>
(5)	Butte CCD—Butte College maintenance warehouse.....	wc	\$762	pending	—
(42)	San Francisco CCD—San Francisco City College central shops and warehouse.....	wc	2,173	—	123
	Totals.....		\$2,935	pending	\$123

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

^b District estimates.

Butte CCD—Maintenance Warehouse

We withhold recommendation on \$762,000 in Item 6870-301-785(5) for working drawings and construction of a new maintenance and warehouse facility at Butte College because (1) preliminary plans have not been completed for this project, and (2) it is not clear that the proposed facility is needed.

The budget includes \$762,000 for working drawings and construction of a new maintenance and warehouse facility at Butte College, which is projected to be completed by September 1990. The project will provide 20,010 asf in a two-story structure for several maintenance/automotive shops, a warehouse and maintenance offices. These functions are presently located in a total of 8,964 asf. The secondary effects of the project will be to relocate an auto body instructional shop from downtown Chico to the space (7,650 asf) vacated by the shops. In addition, a temporary trailer (1,314 asf) will be removed from the campus.

According to the district, relocation of its shop and warehouse operations to a larger facility at a new location is necessary to (1) relieve congested traffic and parking conditions in the area of the existing shops and warehouse building, (2) relieve overcrowding of maintenance and warehouse operations, and (3) permit relocation of the auto body classes from Chico to the campus.

Recommendation. Preliminary plans have not been provided to the Legislature for this project. Our analysis of the planning information provided by the district indicates that the district has not clearly explained why a new facility is needed rather than expanding and modifying the existing building and parking area to meet the needs of the college. Lacking the preliminary plans and clear justification for the project, we are unable to formulate a recommendation as to whether the project should be approved as proposed or another solution is available that would provide for the district's support and instructional needs at an earlier date and at lower cost to the state. Consequently, we withhold our recommendation pending receipt of this information from the district.

San Francisco CCD—Central Shops and Warehouses

We recommend deletion of \$2,173,000 in Item 6870-301-785(42) for working drawings and construction of a central shop and warehouse facility at San Francisco City College because (1) it uses limited campus property that may be needed for library/instructional space and (2) it provides space excess to state guidelines.

The budget includes \$2,173,000 for working drawings and construction of a new central shop and warehouse facility at San Francisco City College. The existing shops and warehouse serve the district's single campus and nine centers. The project will provide 28,000 asf in a two-story structure to consolidate the district's shops, and a portion of its warehouse operations which are presently located in several district owned and leased facilities. The new facility will also accommodate the district's facilities management and planning offices. The district plans to

CALIFORNIA COMMUNITY COLLEGES—CAPITAL OUTLAY—Continued

retain 13,500 asf of leased warehouse space. In effect, the new facility and the leased space will provide the district with 41,500 asf for shops and warehouse purposes.

According to the district, consolidation of the shops, warehouses and facility planning offices is needed to (1) provide for more efficient and safe shop and warehouse operations, and (2) permit the demolition of an old wood maintenance building (9,600 asf) as ordered by the State Fire Marshal. This building has been recently vacated and is being readied for demolition.

Recommendation. We concur with demolition of the wood maintenance building because it is clearly a fire hazard. However, our analysis indicates that the proposed project is not justified because (1) the construction of a new and larger shop and warehouse facility, on the relatively small land base of the already crowded City College campus site, would use up one of the few remaining sites available for future construction of additional library/instructional space (according to the district, library space is 60 percent short of its enrollment needs) and (2) the proposal would provide 13,500 asf more space than is justified under state guidelines. In addition, excavation of a steep hillside would be required for the first floor of the proposed building, thus substantially increasing construction costs.

For these reasons, we recommend deletion of \$2,173,000 for working drawings and construction of the shop and warehouse facility at San Francisco City College.

Supplemental Report Language

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

STUDENT AID COMMISSION

Item 7980 from the General
Fund and various funds

Budget p. E 152

Requested 1988-89	\$332,595,000
Estimated 1987-88	321,356,000
Actual 1986-87	307,490,000
Requested increase (excluding amount for salary increases) \$11,239,000 (+3.5 percent)	
Total recommended reduction.....	10,000,000
Recommendation pending	None
Recommended transfer from other Budget Bill items	7,063,000

1988-89 FUNDING BY ITEM AND SOURCE

Item—Description	Fund	Amount
7980-001-001—Support	General	\$7,104,000
7980-001-951—Guaranteed Loan Program	State Guaranteed Loan Reserve	16,206,000
7980-011-890—Purchase of defaulted loans	Federal Trust	(150,943,000)
7980-011-951—Purchase of defaulted loans	State Guaranteed Loan Reserve	160,000,000
7980-101-001—Awards	General	118,465,000
7980-101-890—Awards	Federal Trust	12,725,000
7980-111-001—Awards	General	15,079,000
7980-121-001—Awards	General	3,016,000
Total		\$332,595,000

SUMMARY OF MAJOR ISSUES AND RECOMMENDATIONSAnalysis
page**Cal Grant A and B Programs**

1. *UC and CSU Grant Levels. Reduce Items 6440-006-001 by \$2,584,000, 6610-001-001 by \$4,479,000, 7980-111-001 by \$882,000 and 7980-121-001 by \$375,000 and augment Item 7980-101-001 by \$8,320,000.* Recommend the maximum awards for students attending UC and CSU be set to equal systemwide mandatory fees. To do this recommend consolidating Cal Grant-related funds budgeted for UC and CSU financial aid programs in the Student Aid Commission budget. 1113
2. *Private and Proprietary Grant Levels. Augment Item 7980-101-001 by \$5,250,000 and reduce Items 7980-111-001 by \$4,930,000 and 7980-121-001 by \$320,000.* Recommend increasing the current maximum grant for students attending private and proprietary institutions by 6.7 percent—the percentage increase in General Fund support for UC and CSU. 1113
3. *Cal Grant B Subsistence Allowance. Augment Item 7980-101-001 by \$1,588,000 and reduce Item 7980-121,001 by \$1,588,000.* Recommend approval of Governor's proposal to increase the maximum subsistence allowance for all Cal Grant B recipients by 4.5 percent. 1113
4. *Excess Funding. Delete Items 7980-111-001 (\$9,267,000) and 7980-121-001 (\$733,000) for a General Fund savings of \$10 million.* Recommend reduction of grant funds in excess of new program needs. 1113

Cal-SOAP Program

5. *California Student Opportunity and Access Program.* Recommend the enactment of legislation to extend the sunset date for the program because under current law the program will sunset on January 1, 1989. 1116

GENERAL PROGRAM STATEMENT

The Student Aid Commission (SAC) is composed of 15 members, 11 of whom are appointed by the Governor and confirmed by the Senate, two are appointed by the Senate Rules Committee, and two are appointed by the Speaker of the Assembly.

The commission administers:

- Seven student grant programs;
- A program which guarantees federally-insured loans to students;

STUDENT AID COMMISSION—Continued

- An outreach program (known as Cal-SOAP) designed to promote access to postsecondary education to disadvantaged and underrepresented students;
- A state-funded work-study program; and
- A state-funded loan assumption program (known as APLE) designed to encourage students to pursue a teaching career.

The commission is also responsible for collecting and analyzing information on student financial aid, evaluating commission programs, assessing the statewide need for financial aid, and disseminating information on financial aid to students, parents, and California educational institutions.

The commission has 208.2 personnel-years in the current year.

OVERVIEW OF THE BUDGET REQUEST

The budget proposes total expenditures by the Student Aid Commission (SAC) of \$333 million in 1988-89. This is an increase of \$11.2 million (3.5 percent) over the current-year level. Table 1 shows funding levels for the commission's programs in the prior, current, and budget years.

Table 1
Student Aid Commission
Budget Summary
1986-87 through 1988-89
(dollars in thousands)

	<i>Actual</i> 1986-87	<i>Est.</i> 1987-88	<i>Prop.</i> 1988-89	<i>Change from</i> 1987-88	
				<i>Amount</i>	<i>Percent</i>
Local assistance programs.....	\$118,159	\$132,522	\$149,285	\$16,763	12.6%
Student loans guaranteed.....	(697,999)	(711,000)	(702,000)	-9,000	-1.3
Purchase of defaulted loans.....	162,368	160,000	160,000	—	—
State operations.....	27,255	28,834	23,310	-5,524	-19.2
Subtotals, Expenditures.....	(\$307,782)	(\$321,356)	(\$332,595)	(\$11,239)	(3.5%)
Less reimbursements.....	—292	—	—	—	—
Totals, Expenditures.....	\$307,490	\$321,356	\$332,595	\$11,239	3.5%
Funding Sources					
<i>General Fund</i>	\$112,117	\$125,804	\$143,664	\$17,860	14.2%
<i>Guaranteed Loan Reserve Fund</i>	27,286	33,194	25,263	-7,931	-23.9
<i>Federal Trust Fund</i>	168,087	162,358	163,668	1,310	0.8
Personnel-years.....	189.6	208.2	213.9	5.7	2.7%

For 1988-89, the budget proposes:

- \$149 million for financial aid grant programs, a \$16.8 million (13 percent) increase;
- \$702 million for new federally-insured student loans, a \$9.0 million (1.3 percent) decrease;
- \$160 million to purchase defaulted loans under the Guaranteed Student Loan Program, the same level of funding provided for this purpose in the current-year; and
- \$23 million to support the commission's administrative operations, a \$5.5 million (19 percent) decrease.

Table 1 also shows that funding sources include:

- \$144 million from the General Fund, an increase of \$17.9 million (14 percent);
- \$25 million from the Guaranteed Loan Reserve Fund (Loan Fund), a decrease of \$7.9 million (24 percent); and
- \$164 million from the Federal Trust Fund, an increase of \$1.3 million (0.8 percent).

Significant Program Changes

Table 2 displays, by funding source, the components of the \$11.2 million increase in total expenditures for the commission in 1988-89.

Table 2
Student Aid Commission
Proposed 1988-89 Budget Changes
By Funding Source
(dollars in thousands)

	Funding Sources			Totals
	General Fund	Loan Reserve Fund	Federal Trust Fund	
1987-88 Expenditures (Revised)	\$125,804	\$33,194	\$162,358	\$321,356
<i>Baseline Adjustments</i>				
Pro rata adjustments	—	\$169	—	\$169
Employee compensation	\$89	37	—	126
C.P.I. allowance	86	384	—	470
Indirect cost adjustment	—	846	—	846
One-time reductions	-264	-1,302	—	-1,566
Awards	-704	—	—	-704
Loan contract	—	-9,600	—	-9,600
Other	—	—	\$1,310	1,310
Subtotals, Baseline Adjustments	(-\$793)	(-\$9,466)	(\$1,310)	(-\$8,949)
<i>Program Changes</i>				
Cal Grant A—maximum award increase	\$15,079	—	—	\$15,079
Cal Grant B—maximum award increase	3,016	—	—	3,016
Information system—2nd year	428	\$1,362	—	1,790
Loan program—staff	—	173	—	173
Cal-SOAP extension	80	—	—	80
Work-Study Program evaluation	50	—	—	50
Subtotals, Program Changes	(\$18,653)	(\$1,535)	—	(\$20,188)
1988-89 Expenditures (Proposed)	\$143,664	\$25,263	\$163,668	\$332,595
Change from 1987-88:				
Amount	\$17,860	-\$7,931	\$1,310	\$11,239
Percent	14.2%	-23.9%	0.8%	3.5%

ANALYSIS AND RECOMMENDATIONS

We recommend approval of the baseline adjustments and the following program changes which are not discussed elsewhere in this analysis:

- **Second-year Automation**—an increase of \$1.8 million—\$428,000 from the General Fund and \$1.4 million from the Loan Fund—and 5 positions (3 new positions, and 2 redirected positions) to support the second-year implementation of the automated Financial Aid Processing System;
- **Loan Program Staff**—an increase of \$173,000 from the Loan Fund for two additional positions in the Contracts Management Unit of the

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- Loan Program, and one position to provide training and outreach services to schools participating in the loan programs;
- *Cal-SOAP Extension*—an increase of \$80,000 from the General Fund to extend the current program to 1,200 low-income and ethnic minority junior high and intermediate school students; and
- *Work-Study Evaluation*—an increase of \$50,000 from the General Fund for transfer to the Legislative Analyst to contract for an evaluation of the Work-Study program as required by current law (Ch 1196/86).

A. STUDENT FINANCIAL AID IN CALIFORNIA

Student financial aid awards primarily consist of three basic types of aid—grants, loans, and work study. *Grants* are awards that do not have to be repaid by the recipient. These awards are provided to students based on their financial need and academic achievement. *Loans*, on the other hand, must be repaid by the recipient. Generally, student loans carry a lower interest rate and a longer term than commercial loans. The third type of award—*work study*—involves some program of subsidized compensation in which a student's wages are supported by financial aid and employer funding. A student's financial aid "package" may consist of all three types of aid.

The Student Aid Commission administers most of the state-supported financial aid programs. Students attending postsecondary institutions in California, however, receive financial assistance from many sources other than the state.

The commission estimates that \$1.7 billion in financial aid will be provided to students attending postsecondary institutions in California in 1987-88. This amount is approximately \$84 million (5.2 percent) more than the amount estimated to have been available in 1986-87.

Data provided by SAC indicate that:

- State-supported financial aid programs provide \$163 million, or just under 10 percent of the total;
- Postsecondary institutions provide \$392 million, or 24 percent of the total;
- The California Educational Loan Programs provide \$661 million, or 40 percent, of the total; and
- Federal programs, excluding the Educational Loan Programs, provide \$444 million, or 27 percent of all student financial aid.

B. LOCAL ASSISTANCE PROGRAMS (Items 7980-101-001, 7980-101-890, 7980-111-001, 7980-121-001)

Table 3 displays the funding levels for all the commission's local assistance programs for the prior, current, and budget years.

Table 3
Student Aid Commission
Local Assistance Programs
1986-87 through 1988-89
(dollars in thousands)

	<i>Actual</i> 1986-87	<i>Est.</i> 1987-88	<i>Prop.</i> 1988-89	<i>Change from</i> 1987-88	
				<i>Amount</i>	<i>Percent</i>
<i>Grant Programs</i>					
Cal Grant A (Scholarship).....	\$75,758	\$84,039	\$99,100	\$15,061	17.9%
Cal Grant B (College Opportunity)	33,146	38,214	40,557	2,343	6.1
Cal Grant C (Occupational).....	3,316	3,039	3,131	92	3.0
Graduate Fellowship.....	2,951	2,965	2,969	4	0.1
Law Enforcement Personnel Depen- dents	10	14	14	—	—
Bilingual Teacher Development	1,599	1,111	541	-570	-51.3
Paul Douglas Teacher Scholarships.....	580	1,743	1,055	-688	-39.5
Subtotals, Grant Programs.....	(\$117,360)	(\$131,125)	(\$147,367)	(\$16,242)	(12.4%)
<i>Other Programs</i>					
Assumption Program of Loans for Edu- cation (APLE).....	\$302	\$150	\$591	\$441	294.0%
Work Study Program	—	750	750	—	—
Cal-SOAP.....	497	497	577	80	16.1
Subtotals, Other Programs	(\$799)	(\$1,397)	(\$1,918)	(\$521)	(37.3%)
Totals, All Programs	\$118,159	\$132,522	\$149,285	\$16,763	12.6%
<i>Funding Sources</i>					
General Fund.....	\$106,365	\$119,089	\$136,560	\$17,471	14.7%
Federal Trust Fund.....	11,794	13,433	12,725	-708	-5.3

Table 3 shows that the budget proposes total funding of \$149 million in 1988-89—an increase of \$16.8 million (13 percent) over the amount available in the current year. General Fund support for these programs is proposed at \$137 million, an increase of \$17.5 million (15 percent) over the current-year level. Federal support is proposed at \$13 million, a decrease of \$708,000 (5.3 percent) from the current-year level.

Table 4 shows the maximum grant level and the total number of awards proposed by the budget for each of the local assistance *grant* programs in 1987-88 and 1988-89.

Table 4
Student Aid Commission
Maximum Award Levels and Number of Awards
1987-88 and 1988-89

<i>Program</i>	<i>Maximum Award Level</i>			<i>Total Number of Awards</i>		
	1987-88	1988-89	<i>Percent</i> <i>Change</i>	1987-88	1988-89	<i>Percent</i> <i>Change</i>
Cal Grant A (Scholarship)	\$4,370	\$5,400	23.6%	42,741	42,741	—
Cal Grant B (Opportunity)	4,110	5,100	24.1	24,750	24,750	—
Cal Grant C (Occupational)	2,360	2,360	—	2,307	2,307	—
Graduate Fellowship	6,490	6,490	—	918	940	2.4%
Law Enforcement Personnel Depen- dents	1,500	1,500	—	8	8	—
Bilingual Teacher Development	4,045	4,045	—	281	193	-31.3
Paul Douglas Teacher Scholarship	5,000	5,000	—	348	348	—

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As the table shows, no additional Cal Grant awards are proposed, while maximum levels on existing awards increase by as much as 24 percent. A more detailed discussion of this proposal follows.

1. Cal Grant A and Cal Grant B Programs

The Cal Grant A and Cal Grant B programs are the two major grant programs administered by SAC.

Cal Grant A Program. The Cal Grant A, or Scholarship program, provides grants to needy and academically able students to cover the cost of tuition and fees at a public or private, 4-year postsecondary educational institution. In the current year, in order to be *eligible* for a Cal Grant A award, an applicant must (1) come from a family with a net taxable income of \$50,000 or less, and (2) have earned a high school grade point average (GPA) of at least 2.65. In the current year, the median family income of Cal Grant A recipients is \$23,454 and the median high school GPA is 3.32. Cal Grant A has been characterized as the program which seeks to provide recipients with a "choice" between private and public institutions.

Cal Grant B Program. The Cal Grant B, or College Opportunity Grant program, provides grants to needy and *disadvantaged* students to cover the cost of tuition and fees, *and* subsistence costs at a Community College, proprietary school (private vocational schools), or public or private, 4-year postsecondary educational institution. During the first year of participation, students are only eligible to receive subsistence grants.

In the current year, in order to be *eligible* for a Cal Grant B award, an applicant must come from a family with a net taxable income of \$25,099 or less. In the current year, the median family income of Cal Grant B recipients is \$8,500 and the median high school GPA is 3.0. This program also differs from the Cal Grant A program in that the selection of grant winners is based not only on the student's GPA and family income, but also on the level of parental education, family size, and whether the applicant comes from a single parent home. Cal Grant B has been characterized as the program which seeks to provide recipients with "access" to postsecondary education.

Segmental Distribution of Grant Recipients. Table 5 displays the distribution of Cal Grant A and Cal Grant B recipients among institutional segments. As the table shows, Cal Grant A recipients primarily attend the California State University (CSU), the University of California (UC) or private institutions, with slightly more recipients attending UC and private institutions than CSU. (Students attending a California community college (CCC) are not eligible for a Cal Grant A award.)

Cal Grant B recipients, on the other hand, primarily attend community colleges and CSU, with fewer students attending UC and significantly fewer students attending private institutions. (Under current law, 50 percent of *new* Cal Grant B awards must be awarded to students attending a community college.)

Table 5
Segmental Distribution of
Cal Grant A and Cal Grant B Recipients
1986-87 and 1987-88

Segment	1986-87				1987-88			
	Cal Grant A		Cal Grant B		Cal Grant A		Cal Grant B	
	Num- ber	Percent	Num- ber	Percent	Num- ber	Percent	Num- ber	Percent
CCC.....	—	—	10,314	41.9%	—	—	10,435	42.2%
CSU.....	12,657	29.3%	8,404	34.2	12,993	30.4%	8,744	35.3
UC.....	14,319	33.1	4,285	17.4	14,104	33.0	4,500	18.2
Private.....	14,259	33.0	1,247	5.1	13,678	32.0	929	3.8
Proprietary.....	1,996	4.6	342	1.4	1,966	4.6	142	0.5
Totals.....	43,231	100.0%	24,592	100.0%	42,741	100.0%	24,750	100.0%

Governor's Proposal

As mentioned, the budget does not propose to increase *the number* of Cal Grant A or Cal Grant B awards, rather it proposes an \$18 million (14 percent) increase for the two programs in order to increase *the maximum grant levels*. Table 6 displays the components of this proposal.

Table 6
Governor's Proposal
To Increase the Maximum
Cal Grant A and Cal Grant B Award Levels

	Current	Proposed Maximum Grant		New Funding ^a	
	Maximum Grant	Maximum Amount	Dollar Increase	Percent Change	Dollar Increase (in thousands)
Cal Grant A					
CSU.....	\$326	\$355	\$29	8.9%	\$196
UC.....	1,070	1,125	55	5.1	686
Private.....	4,370	5,400	1,030	23.6	13,800
Proprietary ^b	4,370	4,565	195	4.5	397
Subtotal.....	—	—	—	—	(\$15,079)
Cal Grant B					
CSU.....	\$326	\$355	\$29	8.9%	\$189
UC.....	1,070	1,125	55	5.1	186
Private.....	4,110	5,100	990	24.1	1,016
Proprietary.....	4,110	4,295	185	4.5	37
Subsistence.....	1,350	1,410	60	4.5	1,588 ^c
Subtotal.....	—	—	—	—	(\$3,016)
Total.....	—	—	—	—	\$18,095

^a Dollar amounts are simulations of funding requirements. These numbers represent a typical allocation of funds; allocation will differ depending on the students that apply and their choice of institution.

^b The Department of Finance informs us that the administration will propose an amendment to the Budget Bill to implement the 4.5 percent increase in the maximum grant for Cal Grant A recipients attending proprietary (vocational) schools.

^c This amount funds a 4.5 percent increase in the maximum subsistence grants for all Grant B recipients, including recipients attending community colleges, who receive subsistence grants only.

The components of the Governor's proposal are summarized below:

- **Private, 4-year Institutions**—maximum grants would increase by 24 percent. The maximum Cal Grant A award is proposed to increase from \$4,370 to \$5,400 and the maximum Cal Grant B award (tuition)

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from \$4,110 to \$5,100; total funding would increase by \$15 million to fund the new maximum grant levels;

- **Public Institutions**—maximum Cal Grant A and B awards for UC and CSU students would increase by 5.1 percent and 8.9 percent, respectively; total funding is proposed to increase by \$1.3 million to fund the new maximum grant levels;
- **Proprietary Schools**—maximum Cal Grant A and B awards would increase by 4.5 percent; total funding is proposed to increase by \$434,000 to fund the new maximum grant level; and
- **Cal Grant B Subsistence Allowance**—maximum subsistence allowance provided under the Cal Grant B program would increase by 4.5 percent for all recipients; total funding is proposed to increase by \$1.6 million for this purpose.

Rationale for Proposal. In his 1988-89 Budget, the Governor cites that, since 1983-84, there have been *minor* student fee adjustments at UC and CSU, and *significant* increases—45 percent—in the average tuition and fees charged by nonpublic, four-year colleges and universities (hereafter referred to as “private institutions”). During the same period, the maximum grants provided under the Cal Grant programs have not kept up with the tuition increases at the private institutions. The Governor claims that this disparity has influenced student choice and redirected students from the private institutions to the state’s public institutions, which has aggravated overcrowding. Therefore, to relieve some of the enrollment pressures on the public institutions, the Governor proposes to redirect student flow to the private institutions by significantly increasing the maximum award levels (as shown in Table 6) for the Cal Grant A and Cal Grant B programs only for Cal Grant recipients who attend *private* institutions.

Evidence for Rationale. Our review of the data finds that over the past ten years, from 1978-79 to 1987-88, (1) tuition and fees at private institutions increased significantly over percentage increases in the maximum Cal Grant award levels, and (2) the number of Cal Grant recipients attending California’s private institutions has declined.

Over the past ten years, the weighted average of the tuition and fees charged by private institutions increased by 145 percent, while the maximum Cal Grant A award increased by 62 percent and the maximum Cal Grant B award increased by 64 percent. In constant dollar terms, the private institutions’ tuition and fees increased by 42 percent and the maximum Cal Grant A and Cal Grant B awards actually *declined* by 6 percent and 4 percent, respectively. The data also show that the percentage of Cal Grant A recipients that attend private institutions has declined, from 43 percent in 1978-79 to 32 percent in 1987-88.

Thus, the data are consistent with the Governor’s claim. However, whether the decline in the purchasing power of the grants has, in itself, *caused* the shift of Cal Grant recipients from the private to the public institutions cannot be ascertained. This is because students base their choice of college on more factors than just financial aid, such as the quality of the education, religious affiliation, and admissions availability.

Evaluation of the Governor’s Proposal

As described above, data support the contention that tuition and fees at private institutions have increased faster than Cal Grant award levels and

that the number of Cal Grant recipients attending the state's private institutions has declined. Our analysis indicates, however, that the Governor's proposal will not in and of itself, accomplish its intended goal of redirecting students to private institutions and is problematic for several reasons.

Redirection of Students in 1988 is Unlikely. In the budget year, it is *unlikely* that the Governor's proposal will influence very many students to attend a private institution instead of a UC or CSU campus. This is because students have already applied to colleges for the fall of 1988 and will make their decision of where to attend before the 1988-89 budget is enacted.

Redirection of Students in Future Years is Unlikely. Our analysis indicates that it is also unlikely that the Governor's proposal will influence very many students to attend a private institution in future years. Table 7 displays the cost factors that a student would typically take into account when deciding whether or not to attend a private college or university.

Table 7
Gap Between Tuition and Maximum Award
Students Wishing to Attend a Private Institution in California
1987-88 and 1988-89

	1987-88 <i>Current</i>	1988-89 <i>Proposed</i>	<i>Change From</i> 1987-88
Tuition and Fees	\$9,250 ^a	\$9,920 ^b	\$670
Cal Grant A Maximum Award	<u>4,370</u>	<u>5,400</u>	<u>1,030</u>
Gap Between Tuition and Award	\$4,880	\$4,520	-\$360

^a Weighted average of tuition and fees charged by private colleges and universities.

^b Weighted average of tuition and fees charged by private colleges and universities increased by the projected 1988-89 percentage increase in tuition and fees.

The table shows that in the current year, the average private tuition in California is \$9,250 and the maximum Cal Grant A award is \$4,370. This leaves a gap of \$4,880 which will have to be paid by (1) additional financial aid provided by the private institution, or (2) the student. In the budget year, tuition is projected to increase by \$670, (between 7 percent and 7.5 percent) and the Governor proposes to increase the maximum grant by \$1,030 (24 percent). This narrows the gap between tuition and the maximum Cal Grant award by only \$360, and leaves a gap that is still quite large—\$4,520.

Will this slight reduction in the gap between private tuition and the maximum award be enough to cause a significant redirection of students from public to private institutions? We conclude that it is unlikely because the cost differential to the student, who wishes to attend a private institution, will still be high relative to the fee/award gap at the public institutions. Absent a significant redirection of students, the impact of the maximum private award increase on overcrowding at public institutions would be negligible.

Beneficial Impact on Private Institutions. We note, however, that the increased maximum award would have a beneficial financial impact on private institutions. Specifically, Cal Grant recipients attending private institutions typically require more financial aid than the maximum Cal Grant provides. Generally, the private institutions provide all or a portion of the additional aid required. To the extent that additional aid is

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provided by the institution, the effect of the increased Cal Grant award is a cost savings for the institution. This is because it will have to provide less financial aid than it otherwise would have provided from its own funds. Viewed this way, the effect of the Governor's proposal to increase the maximum grant for those students attending private institutions is to provide an infusion of \$15 million in state dollars to private colleges and universities.

Proposal Does Not Balance Choice and Access. In our view, any major increase in funding for student aid grants should meet the competing demands for student aid resources in a balanced manner. The Governor's proposal, however, does not attempt to balance the needs to increase both student *choice* and student *access*. While the proposal attempts to increase student choice by increasing the maximum grant for students attending private institutions, the proposal neglects to address the need to increase student access by increasing the *number* of new awards.

The Student Aid Commission, in setting its budget priorities for 1988-89, identified as its number one priority, *increasing access* for needy students that come from disadvantaged backgrounds by providing an additional 3,000 new Cal Grant B awards at a cost of \$4 million. This amount was requested because currently there are nearly twice as many new Cal Grant A awards (17,400) authorized in a given year as there are new Cal Grant B awards (9,250). Furthermore, while one out of every 2.5 eligible applicants receive a Cal Grant A award, only one out of every 4 eligible applicants receive a Cal Grant B award. The SAC also found that demand for Cal Grant B awards in recent years has outpaced increases in the number of available awards. From 1985-86 to 1987-88 the number of eligible applicants increased by 23 percent (from 32,008 to 39,232), while the number of authorized awards increased by only 12 percent (from 8,250 to 9,250).

As mentioned earlier, the Governor proposes the same number of new Cal Grant B awards in the budget year. Neglecting to address the need to increase student access is inconsistent with the priorities the Legislature has set with regard to increasing the number of underrepresented minorities in the state's higher educational institutions. In the current year, the demographic composition of first-time Cal Grant A recipients who indicated their ethnicity is 44.8 percent White and 43.5 percent minority. (Minority representation is as follows: Black 6.9 percent, Latino 15.7 percent, Native American 0.7 percent, Asian 16.7 percent, and Filipino 3.5 percent.) On the other hand, the demographic composition of first-time Cal Grant B recipients is 13.2 percent White and 78 percent minority. (Minority representation is as follows: Black 9.2 percent, Latino 29.7 percent, Native American 0.6 percent, Asian 37.4 percent, and Filipino 1.1 percent.) The Cal Grant B program, consistent with statutory intent, provides underrepresented minorities with increased access to postsecondary educational opportunities.

Proposal Lacks Long-Term Focus. Finally, assuming for a moment that the proposal to raise the award for private institutions would influence student choice, our analysis indicates that the lack of a long-term focus would hamper its effectiveness. Specifically, if the proposal for 1988-89 is simply a one-year "shot-in-the-arm" boost in the maximum grant, then as tuition charged by the private institutions increases in the next few years, as it is projected to do, the gap between

the tuition level and grant level will grow. Students deciding where they would like to attend college would be faced with the same, if not larger, gap between tuition and the maximum Cal Grant award than students currently face. Students already attending a private institution would be faced with the prospect of increasing rather than decreasing out-of-pocket costs and thus may elect to transfer to public institutions. Therefore, in order for the Governor's proposal to effectively influence student choice over the long-term, the maximum award for private institutions would have to grow at least as fast as tuition increases. The administration, however, has not addressed the issue of future adjustments for either the public or private maximum awards.

For the reasons noted above we do not recommend adoption of the Governor's proposal.

What Should the Legislature Do?

The basic questions facing the Legislature are what should the grant levels be for the Cal Grant program and should a mechanism be put in place to adjust the grants in a predictable fashion?

Student Aid Commission Proposal. Consistent with the work of the Commission for the Review of the Master Plan for Higher Education, the Student Aid Commission has recommended the following maximum award policy:

- **Public Institutions**—"set and maintain the maximum award so that it covers full tuition and required fees at public four-year institutions;" and
- **Private and Proprietary Institutions**—"set and maintain the maximum award at the equivalent of the average of the full operating cost per student for the California State University and University of California."

We believe that students would benefit from an ongoing, maximum award policy which sets and adjusts the awards with a degree of predictability. For students attending the state's public institutions, the Legislature has articulated the policy of providing them with the knowledge of guaranteed future financial assistance that will cover mandatory fees. Currently, however, the maximum Cal Grant awards only cover \$1,070 of UC's \$1,374 mandatory fee and \$326 of CSU's \$630 mandatory fee. We recommend that the maximum award for students attending UC and CSU be set to cover the *systemwide mandatory fees*, and not the additional fees required by the individual campuses. This policy would tie the maximum grant to fee levels controlled by the state. In order to promote access, the maximum grant level would need to be adjusted each year to equal the systemwide mandatory fees.

For students attending private institutions, the SAC policy would provide them with maximum choice and at the same time base the grant on a measure of cost over which the *state* has oversight and budgetary control. There is debate, however, over how much student choice the state wishes to buy with Cal Grants and thus what the maximum Cal Grant award should be.

Legislative Policy Direction Needed. In order to establish the maximum grant level for Cal Grant students attending private institutions, the Legislature needs to articulate its policy concerning the goal it wishes to achieve with this component of the program. If on the one hand, the Legislature wishes to provide maximum choice to students—that is the

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out-of-pocket costs to a student would be roughly the same if he or she attended a public or a private institution—the grant should be set at one level. If on the other hand, the Legislature wishes the state to provide the same level of support per student—regardless of whether the student attends a private or public institution—the grant should be set at a very different level. These scenarios reflect two extremes of a continuum. There are many choices in between. The following discussion looks at the bounds of the continuum in more detail.

Maximum Student Choice. If the Legislature's objective is to *maximize student choice*, then it would be appropriate to base the maximum grant on the *average cost* of educating an undergraduate student at UC and CSU. (Average costs represent all costs associated with the full operations of an institution.) Use of this methodology is based on the premise that the average cost of educating a student at UC and CSU is *generally* similar to the cost of educating a student at a private institution, and this cost in turn, is reflected in the level of tuition charged by the private institution. Therefore, since the maximum grant would be in the range of the tuition charged by the private institutions, students would be provided *maximum* choice of where they would like to go to college because their out-of-pocket costs would be approximately the same at the public or private institution. We note, however, that by basing the maximum grant on the average cost of educating an undergraduate student at a public institution, the state is paying *more* for a student to attend a private institution than it would have cost to add an additional student at a public institution.

We estimate that the average operating cost of educating all students—undergraduate and graduate—is roughly between \$14,000 and \$16,000 at UC, and \$6,000 and \$7,000 at CSU. (We note that the average cost of educating solely *undergraduate* students would be *lower* than these figures, but such cost estimates are not available at this time.) A policy of setting the maximum award based on average costs would require that current maximum grants for private institutions be approximately doubled.

Consistent State Support Per Student. If, on the other hand, the Legislature's objective is to provide some choice, but to only pay the same amount for an undergraduate student to attend a private institution as it would cost the state to educate that one student in a public institution, then it would be appropriate to base the maximum grant on the *marginal cost* of educating such a student at UC and CSU. This is because the marginal cost of educating a student at UC and CSU is the cost attributable to the addition of one extra student. The state currently uses a marginal cost methodology to augment the budget for enrollment increases at both UC and CSU. By setting the maximum grant equal to the marginal cost, the state is providing in financial aid just that amount which the state "saves" by a student being educated in a private institution instead of a public institution.

This concept assumes that there is a core group of students in the existing public and private institutions that pay for the fixed costs of operating a postsecondary institution. Thus, the students that may be redirected to private institutions through the provision of financial aid, are only saving the state the marginal costs the state would have incurred had those students gone to public institutions. We estimate that in 1988-89

the marginal operating cost of educating an undergraduate student at UC and CSU is approximately \$5,380 and \$3,600 respectively.

Does the Legislature Wish to Establish A Maximum Award Policy? The Legislature has an opportunity during budget hearings to determine its policy with regard to providing financial aid for students attending private institutions. The low cost and high cost bounds of the financial aid continuum are reflected in the marginal cost and average cost alternatives discussed above. If a policy is determined, the exact grant level can be determined by legislative staff in conjunction with CPEC and the higher education segments. If, on the other hand, more analysis of the issue is desired before a policy decision is made, then we would recommend that the Legislature direct CPEC to study the issue this year and recommend a policy to the Legislature for its consideration next year.

Legislative Analyst Recommendations

UC and CSU Grant Levels. We recommend that the Legislature set and maintain the maximum Cal Grant A and Cal Grant B award levels for those students attending UC and CSU to equal the systemwide mandatory fee levels. To do this, we further recommend that \$7,063,000 budgeted for UC and CSU financial aid for Cal Grant students be transferred to the SAC budget. (Reduce Items 6440-006-001 by \$2,584,000 and 6610-001-001 by \$4,479,000, 7980-111-001 by \$882,000, and 7980-121-001 by \$375,000, and augment Item 7980-101-001 by \$8,320,000.)

Private and Proprietary Grant Levels. Further, we recommend that, in the absence of a clear legislative policy, the maximum Cal Grant A and B award levels for students attending private and proprietary institutions be increased by 6.7 percent in the budget year—the percentage increase in General Fund support for UC and CSU. (Augment Item 7980-101-001 by \$5,250,000 and reduce Item 7980-111-001 by \$4,930,000 and 7980-121-001 by \$320,000.)

Cal Grant B Maximum Subsistence Allowance. Further, we concur with the Governor's Cal Grant B subsistence allowance proposal and recommend that the maximum allowance for all Cal Grant B recipients be increased by 4.5 percent. (Technical adjustment—augment Item 7980-101-001 by \$1,588,000 and reduce Item 7980-121-001 by \$1,588,000.)

Excess Funding. Finally, we recommend deletion of (1) new Budget Bill items proposed by the Governor because they are unnecessary, and (2) remaining funds because they are in excess of funding requirements, for a General Fund savings of \$10 million. (Delete Items 7980-111-001 (\$9,267,000) and 7980-121-001 (\$733,000).)

Taken together, these recommendations result in a net General Fund savings of \$10 million as summarized in Table 8 below.

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Table 8

**Legislative Analyst Recommendations
for Setting and Funding
Maximum Cal Grant A and Cal Grant B Awards
in 1988-89
(Funding amounts in thousands)**

	Current Maximum Grant	Governor's Proposed Maximum Grant	Legislative Analyst Proposal		
			Maximum Grant	Funding	
				Transfer	New
Recipients Attending UC and CSU					
<i>Cal Grant A & B</i>					
CSU.....	\$326	\$355	\$684	\$4,479	\$385
UC.....	1,070	1,125	1,434	2,584	872
Recipients Attending Private Institutions and Proprietary Schools					
<i>Cal Grant A</i>					
Private.....	4,370	5,400	4,663	—	4,330
Proprietary.....	4,370	4,565	4,663	—	600
<i>Cal Grant B</i>					
Private.....	4,110	5,100	4,385	—	260
Proprietary.....	4,110	4,295	4,385	—	60
Recipients Attending All Segments					
<i>Cal Grant B</i>					
Subsistence Allowance.....	1,350	1,410	1,410	—	1,588
Totals, Funding Requirements.....				\$7,063	\$8,095
Less Amounts Provided in Budget.....				-7,063	-18,095
Total General Fund Savings.....				—	-\$10,000

Specifically, we recommend the following:

UC and CSU Grant Levels—Set to Systemwide Mandatory Fee Level by Consolidating Funds. Currently UC and CSU receive annual General Fund appropriations to support their financial aid programs. With these funds, both UC and CSU provide additional support to many of their needy Cal Grant A and Cal Grant B recipients in order to “fill the gap” between the students’ Cal Grant award and their fees. As mentioned, in 1987-88 Cal Grants only cover \$1,070 of UC’s \$1,374 mandatory fee (about 78 percent) and \$326 of CSU’s \$630 fee (about 52 percent).

In order to effectively implement and monitor a policy of setting the maximum Cal Grant award levels to equal the systemwide mandatory fees at UC and CSU, we believe that all funds provided for Cal Grant A and Cal Grant B recipients should be consolidated into the SAC budget and allocated by SAC through the Cal Grant programs. This transfer of funds for Cal Grant recipients from the UC and CSU budgets would in no way reduce the amount of funds currently provided for student financial aid. (Please refer to our analysis of the UC and CSU budgets for a more in-depth discussion of this issue.)

In fact, consolidation should be beneficial to students. This is because they would no longer have to wait until a decision is made on their segmental grant in order to determine the total amount of aid that they will receive to offset fees.

In the budget year, we estimate that \$7.1 million will be available in the UC and CSU budgets (\$2.6 million and \$4.5 million, respectively) to fill the grant-fee gap. If these amounts are transferred to the SAC budget and

consolidated with the funds provided for the Cal Grant A and Cal Grant B programs (including the 4.5 percent COLA provided in the SAC budget for these purposes in the budget year), we estimate that there would be sufficient funds to fully fund maximum grant levels equal to the systemwide mandatory fee levels at UC and CSU—\$1,434 and \$684 respectively—in 1988-89. (The SAC, however, estimates that additional funds may be needed to fully fund these maximum grant levels. We will attempt to reconcile these differences prior to budget hearings.)

Private and Proprietary Grant Levels—Increase by 6.7 Percent. If a legislative policy is not determined for setting the maximum grant level for students attending private institutions during this year's budget hearings, we have no analytical basis for recommending a specific increase in the maximum grant for students attending private institutions. We recognize, however, that (1) as described before, the purchasing power of the maximum grant has declined, and (2) the cost of educating a student in private institutions will increase in the budget year. For these reasons we believe that it would be reasonable to increase the maximum grant by some percentage in the budget year.

In the budget year, General Fund support for UC and CSU will increase by 6.7 percent. Accordingly, in the absence of a legislative policy determination, we believe that it would be reasonable to use this amount as a proxy for the cost increases that will be experienced by the private institutions and to increase the current maximum grant by this percentage. This will require approximately \$5.3 million in additional funding. Therefore, we recommend augmenting the Cal Grant A and B programs by this amount in the budget year for this purpose.

Cal Grant B Subsistence Allowance—Increase by 4.5 Percent. The Governor proposes to increase the maximum subsistence allowance for Cal Grant B recipients in all segments by 4.5 percent. This would increase the maximum allowance from \$1,350 to \$1,410. We believe that this cost-of-living adjustment is appropriate, and accordingly we recommend that \$1.6 million be provided for this purpose.

Excess Funding—Delete. If all the above recommendations are adopted, there will be a net increase of \$15.2 million to the SAC budget for Cal Grant A and B awards—\$7.1 million transferred from the UC and CSU budgets and \$8.1 million in new funding—for a General Fund savings of \$10 million.

Options for Remaining Funds—Opportunity to Increase Access. As mentioned above, if all of the above recommendations are adopted, there will be a net savings of \$10 million in the Cal Grant A and B programs. If the Legislature opts to retain all or a portion of these funds for student aid, the Legislature could consider augmenting the Cal Grant B program in order to increase the number of new awards. Providing some funding in this area would balance the allocation of new student aid funding in a manner that addresses both the issues of student choice and student access.

The Student Aid Commission, as mentioned earlier, proposed to provide an additional 3,000 new Cal Grant B awards, increasing the total number of new authorized awards from 9,250 to 12,250. This would be a sufficient number of awards to provide *approximately* one grant to every 1.5 eligible applicants. (Currently, one out of every four eligible applicants receives a Cal Grant B award.) The SAC estimates that new awards would require an augmentation of \$4.1 million in the budget year. We

STUDENT AID COMMISSION—Continued

note that *total* costs in the second year, 1989-90, would be approximately \$8.5 million, increasing to a total cost of over \$17 million in 1991-92 and annually thereafter.

2. California Student Opportunity and Access Program (Cal-SOAP)

The California Student Opportunity and Access Program (Cal-SOAP) attempts to increase the enrollment of low-income and ethnic minority students in postsecondary education by (1) giving them information about colleges, and (2) raising their academic achievement levels through tutoring programs.

Organized as locally-governed consortia of secondary and postsecondary institutions, the Cal-SOAP participants reduce the duplication of outreach efforts among the public and private institutions of postsecondary education. In the current year, six consortia will receive \$497,000 in General Fund support and over \$650,000 in matching support from member educational institutions to serve approximately 22,400 students.

The Governor's Budget proposes \$587,000 in General Fund program support—\$577,000 for local assistance, an increase of \$80,000 (discussed earlier), and \$10,000 for state administration.

Sunset Extension Justified

We recommend that the Legislature enact legislation to extend the sunset date for the Cal-SOAP program to January 1, 1994, because (1) the program is effectively meeting its intended purposes, and (2) under current law the program will sunset on January 1, 1989.

Current law (1) requires the California Postsecondary Education Commission (CPEC) to evaluate the Cal-SOAP program by December 31, 1987, and (2) repeals the program on January 1, 1989 unless a statute is enacted which deletes or extends that date.

The Governor's Budget provides *full-year* funding for the Cal-SOAP program in 1988-89. Current law, however, repeals the authorization for the program on January 1, 1989—half-way through the budget year. During the 1987 legislative session, the Legislature passed AB 102 (Chacon) which extended the sunset date of the Cal-SOAP program. The Governor, however, vetoed the bill stating that it was premature to reauthorize the program before CPEC completed its evaluation of the program.

CPEC has since completed its evaluation of the Cal-SOAP program. CPEC finds that the program has been effective in designing and implementing services that improve and increase access to college for low-income and ethnic minority students in California, and recommends that the program be established permanently (sunset date clause for the program be deleted from statute.)

In concept, we agree with CPEC's recommendation. We, however, believe that the program should be *extended* for another five years, rather than established permanently. Continued use of the sunset provision, will provide the Legislature with the appropriate oversight to ensure that the program continues to effectively meet its intended purpose. Accordingly, in order for the Cal-SOAP program to continue without disruption in the budget and future years, we recommend that the Legislature enact legislation to extend the sunset date of the Cal-SOAP program until January 1, 1994.

C. CALIFORNIA STUDENT LOAN PROGRAM (Items 7980-011-890 and 7980-011-951)

We recommend approval.

The California Educational Loan Program assists students in meeting postsecondary educational expenses through, federally reinsured, educational loans which are made available to students or their parents through conventional lenders at no cost to the state. The California Educational Loan Program includes, (1) the Guaranteed Student Loan (GSL) program, (2) the Supplemental Loans for Students (SLS), (3) the Parent Loan Program (PLUS), and (4) the Consolidated Loan Program. Table 9 displays the total number of loans and the dollar volume for the combined loan programs.

Table 9
Student Aid Commission
California Educational Loan Programs
Volume of Loans Guaranteed
1982-83 through 1987-88
(dollars in millions)

	Number of Loans	Dollar Volume	Annual Dollar Change	
			Amount	Percent
1982-83	231,700	\$617.6	—	—
1983-84	258,300	687.9	\$70.3	11.4%
1984-85	281,800	756.2	68.3	9.9
1985-86	258,300	699.0	-57.2	-7.6
1986-87	257,500	698.0	-1.0	-0.1
1987-88 (est.)	<u>262,400</u>	<u>711.0</u>	<u>13.0</u>	<u>1.9</u>
Totals	1,550,000	\$4,169.7	—	—

The majority of loans are provided through the GSL program—in the current year GSL loans account for 85 percent of the number of loans, and 83 percent of the loan dollar volume. The GSL program provides interest-subsidized loans to students that demonstrate financial need (the federal government subsidizes the interest payments). The other three programs do not provide interest subsidies and are available to any student (or parent of a student, under the PLUS program) that wishes to borrow funds.

Default Rates Continue to Be High

Table 10 displays the default rate in the GSL program by educational segment for the current and previous three fiscal years. The table shows that while the default rate increased dramatically for all segments from 1984-85 to 1985-86, the rates, while still high, appear to have stabilized during the current and past two fiscal years. In fact, the default rates are projected to decrease slightly in the current year for each of the segments.

STUDENT AID COMMISSION—Continued

Table 10
Student Aid Commission
Default Rates for the Guaranteed Student Loan Program
By Segment
1984-85 through 1987-88

<i>Segment</i>	<i>1984-85</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>
California Community Colleges	25.8%	31.2%	31.7%	31.0%
California State University	9.8	12.5	12.8	12.5
University of California	5.6	7.5	7.6	7.3
Private Institutions, Two-year	14.8	17.8	18.5	17.7
Private Institutions, Four-year	8.2	10.4	10.5	9.9
Proprietary Schools	<u>25.9</u>	<u>32.2</u>	<u>33.9</u>	<u>33.9</u>
Statewide Averages	13.4%	16.9%	17.4%	17.1%

Causes of Defaults. The SAC recently completed a major study of student borrowing and debt in California. As it relates to the causes of defaults, the study found:

- The vast majority of all student borrowers meet their responsibilities and repay their loans.
- Defaulters are more likely to have attended proprietary and vocational schools, and community colleges than four-year colleges and universities, but the differing default rates among the segments are due primarily to the *different populations of students* served and are only partially the product of institutional policy and practice.
- Students who borrow only in the first year have a higher probability of defaulting on loans, and most defaulters have borrowed only once. Taken collectively, the findings suggest that many defaulters enrolled for only a single year or part of a year, and probably failed to complete their planned educational program.
- Defaulters consistently have lower family incomes than repayers. For example, 66 percent of all defaulters as compared to 40 percent of repayers had family incomes of less than \$10,000 at the time they took out their first loans. In addition, 4 percent of defaulters as compared to 17 percent of repayers had family incomes of \$30,000 or more.
- High student loan balances do not increase the incidence of default. On the contrary, over 75 percent of all defaulters borrow \$2,500 or less. Little more than one percent of defaulters borrow more than \$10,000 in Guaranteed Student Loans. Overall, defaulters have average debts of \$2,871 while repayers have average debts of \$3,907.

D. STATE OPERATIONS (Items 7980-001-001 and 7980-001-951)

We recommend approval.

The Student Aid Commission (SAC) administration provides the services necessary to support the commission's programs. Table 11 shows the commission's proposed administrative expenditures by program unit for the prior, current, and budget years.