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September 5, 2001

Honorable Fred Keeley, Chair
Joint Legislative Audit Committee
1020 N Street, Room 107
Sacramento, CA 95814

Dear Chairman Keeley:

In 2000, the University of California (UC) reached an agreement with the Governor that provides for predictable increases in state funding for the UC. As part of this agreement, the UC agreed to be accountable for meeting certain goals. Among the commitments made under the agreement, the UC agreed to increase the quality of undergraduate education and maintain the excellence, including the instructional excellence, of the University.

I am concerned that the University does not have a way to measure whether it is meeting these commitments, and I am therefore requesting that the State Auditor do an audit. As part of the audit, the State Auditor should examine increases in expenditures for instruction and research over time compared to relevant measures of overall University growth.

Each year, the University reports its expenditures in a format that is common to major American universities. However, reporting expenditures in this manner does not allow the Governor or the Legislature to measure the University's commitment to meeting the goals it agreed to in its 2000 partnership with the Governor. More specifically, the current reporting format is not useful to assessing the extent to which increases in state funding per student are reflected in higher per student expenditures on the University's core mission of teaching and research. Numerous adjustments would have to be made to the University's expenditure reports to highlight the University's increased financial commitment to its teaching and research activities. Several categories of expenditure would have to be isolated. First, those instruction and research activities funded with State funds would need to be isolated and the historical trend of the total of these expenditures would need to be tracked over a period of years.

I also have a concern that one of the fastest rising costs at the University is academic administration. Administrative costs on each campus are currently reported among several budget categories. Administration of academic divisions and schools is generally accounted for under the category "Academic Support," departmental administration is included under "Instruction," central campus administration and administration for community and alumni relations are included in a separate category of "Institutional Support," while administration of labs may be included under either "Instruction" or "Academic Support." For the purpose of understanding the total costs devoted to these various categories, administrative cost must be totaled and tracked on a per student and per faculty basis.

Once the total cost of instruction and the total cost of administration are identified, the increases in these two categories of expense can be measured over time. During the years 1992-93 through 1996-97, the University suffered significant reductions in the amount of State appropriations. But since that time, in response to a more favorable budget picture at the State, and in response to increases in student enrollment, the Legislature and the Governor have acted to restore the level of these appropriations. So, one way to determine whether the University has met its commitment to the Governor, would be to trend the University's expenditure of State funds on instruction, research, and administration in 1990-2 (as a benchmark of the pre-contraction budget) and then over the years since 1996-97.

Another measure of the University's performance under the agreement with the Governor has to do with funds spent on faculty salaries. The funding formula used by the Legislature for instruction pegs the average cost of new faculty at the level of an Assistant Professor, step III--currently \$53,400 for each new 18.7 student Full Time Equivalent (FTE). As a measure of the University's performance under the agreement with the Governor, I would be interested in having the State Auditor determine how much of the funds allocated for new instruction since 1997-98 has actually been spent on faculty salaries. I also believe it is important to learn how much of the funds allocated for new instruction is being spent on salaries of various categories of instructors who are not members of the University Senate faculty (non-Senate faculty). As part of its annual reporting, the University provides several reports on instructional activities. These include data for all instructors and cover instruction at the graduate and undergraduate levels. However, there is a concern that some of the totals presented in the Instructional Activities Report are misleading. As part of the audit, I am interested in having the State auditor examine the University's Instructional Activities Report for the past three years in its audit report. The State Auditor should also present its own conclusions on any trends evident from their analysis of the data.

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Finally, the Legislature has increased the University's funding for summer school as part of the program to "normalize" the summer sessions and to integrate tenured or tenure track faculty into the summer session. I would like the State Auditor to determine whether the University has allocated sufficient funds to its summer sessions to ensure a high quality program. A first step toward monitoring the quality of the University's summer session would be to compare the instruction and research expenditures per student devoted to the summer session to these same expenditures during the regular school year. If the University has not been successful in establishing and funding a high quality summer session, the State Auditor should strive to determine what obstacles have prevented the University from doing so.

Sincerely,

JENNY OROPEZA
Assemblymember, 55TH Assembly District