

Information/Action Item

California Student Aid Commission

Update on the Governor's proposed 2013-14 Budget

The Governor released his Proposed 2013-14 Budget on January 10, 2013. With the passage of Proposition 30 and the Governor's expressed commitment to higher education, there are no major changes proposed for either the Commission's programs or operations budget. Charts showing our proposed budget are included in Tabs 3.a and 3.b. Highlights of the 2013-14 Commission budget are provided below. Staff will provide additional analysis at the meeting.

Cal Grant Program

The funding for the Cal Grant program is based on Commission staff projections and the award amounts indicated below:

- The maximum Cal Grant A and B tuition/fee award amount at the University of California (UC) and California State University (CSU) remain at the 2012-13 level - \$12,192 and \$5,472, respectively.
 - The maximum Cal Grant A and B award amount at non-public institutions reflects the changes enacted in Senate Bill 1016 and the proposed continuation of the 5 percent reduction of award levels imposed by the Governor's veto of the 2012-13 budget. The specific award amounts are noted below:
 - ❖ New students: reflects the reduction in the maximum award amount at private institutions (per SB 1016) for new students from \$9,223 to:
 - \$9,084 at non-profit institutions and WASC accredited for-profit institutions and
 - \$4,000 at non-WASC accredited for-profit institutions
- Note: The maximum award amount for new students at non-profit institutions and WASC accredited for-profit institutions will be reduced again from \$9,084 to \$8,056 in 2014-15 per SB 1016.
- ❖ Renewal students: reflects the proposed continuation of the maximum award amount of \$9,223 based on the 5 percent reduction of award levels imposed by the Governor's veto of the 2012-13 budget.
 - The maximum Cal Grant B access award for new and renewal students remains at \$1,473 based on the proposed continuation of the 5 percent reduction of award levels imposed by the Governor's veto of the 2012-13 budget.

- The maximum Cal Grant C award amounts for new and renewal students reflect the proposed continuation of the 5 percent reduction of award levels imposed by the Governor's veto of the 2012-13 budget:
 - Tuition/Fee: \$2,462
 - Books and Supplies: \$547
- The Cal Grant Program will continue to be funded from the General Fund as well as other funds as noted below:
 - The funding from the Temporary Assistance for Needy Families (TANF) will increase from \$803.7 million to \$942.9 million.
 - The funding from the Student Loan Operating Fund, through contributions from ECMC, will be \$60 million.

Commission Operations

The proposed budget reflects the elimination of one-time funding provided for the implementation of the California Dream Act and the restoration of funds for salaries due to the ending of the one-day a month furloughs as of June 2013.

Budget Change Proposals (BCP) requesting additional resources for critical operational needs in 2013-14 will be considered in the development of the Governor's May Revise.

Higher Education Proposals

In the 2013-14 Governor's Budget Summary, the Governor indicates that his proposed budget aims to enhance the quality of California's higher education institutions by making them more affordable, decreasing time to completion, improving overall completion rates in all higher education segments, and improving the transfer rate of community college students to four-year colleges and universities.

The following summary does not include all of the Governor's higher education proposals, but does provide highlights of the Governor's proposals that might affect financial aid.

- Multi-Year Stable Funding Plan

The State's General Fund contribution to UC and CSU will increase by 5 percent per year in 2013-14 and 2-14-15 and by 4 percent in each of the subsequent two years. Community colleges funding will also increase by 5 percent in 2013-14 and will grow significantly over the next several years. All institutions will be expected to use these increases to implement reforms that will make available the courses students need and help them progress through college efficiently, using technology to deliver quality education to greater numbers of students in high-demand courses, improving course management and planning, using faculty more effectively, and increasing the use of summer sessions. The Administration expects the colleges and universities to maintain current tuition and fee levels over the next four years.

- Expand the Delivery of Courses through Technology

The Budget provides additional funding as noted below to increase the number of courses available to matriculated undergraduates through the use of technology, focusing on courses that have the highest demand, fill quickly, and are prerequisites for many different degrees. Priority will be given to development of courses that can serve the greater numbers of students while providing equal or better learning experiences.

- ❖ UC and CSU: \$10 million each.
- ❖ Community colleges: \$16.9 million. This initiative will include three key elements:
 - The creation of a “virtual campus” to increase statewide student access to 250 new courses delivered through technology,
 - The creation of a single, common, and centralized delivery and support infrastructure for all courses delivered through technology and for all colleges, and
 - The expansion of options for students to access instruction in other environments and earn college credit for demonstrated knowledge and skill through credit by exam.

- Student Success

The Governor expects each institution to direct annual General Fund augmentations to the achievement of the following priorities:

- Improvements in time-to-completion;
- Improvements in graduation and completion rates in all segments;
- Increases in transfer students enrolled at CSU and UC; and
- Successful credit and basic skills course completion

- Student Incentives

The number of units students can take while receiving a state General Fund subsidy at any of the segments will be capped. If students enroll in courses that exceed these caps, students will be required to pay the full cost of instruction. The colleges and universities may grant case-by-case waivers allowing students to continue to pay the subsidized tuition level, but additional state funding would not be provided for these students.

- ❖ For UC and CSU, in the first two years of the proposal, students will be allowed to accrue no more than 150 percent of the standard units needed to complete most degrees (270 quarterly units at UC and 180 semester units at CSU. In later years, student will be allowed to accrue units equivalent to no more than about one additional year of coursework (225 units at UC and 150 units at CSU).
- ❖ For Community Colleges, students will be allowed to take no more than 90 semester credit units (150 percent of the standard 60 semester units required to earn an associate’s degree or credits for transfer) starting in 2013-14.

- Reforms to Census Accounting Practices at Community Colleges

Currently community colleges are provided state funding based on the number of students enrolled at the 20-percent mark of the term. Under this construct, the fiscal incentives for community colleges are to enroll students and not to ensure the students complete the term. The Governor's proposal will apportion funding by focusing on completion at the end of the term. The proposal will be phased in over several years to help colleges adjust their priorities and practices in a way that encourages appropriate student placement and good course management.

- Community College Board of Governor's Fee Waiver Program Reform

Approximately 60 percent of all credit courses are waived annually by the community colleges and the state backfills this lost revenue source with state funds. The fee system is designed to charge fees to those who can afford to pay them and provide waivers to students who need them. The current fee waiver program provides financial aid to students with limited verification of financial need. To ensure that only financially needy students are determined eligible for the fee waiver program and to ensure program integrity, students seeking financial aid will be required to fill out a Free Application for Federal Student Aid (FAFSA) and include both parent and student income when determining fee waiver eligibility. (Note: per further discussion with the Governor's Office staff, student may complete the Commission's California Dream Act Application if they are not eligible to complete a FAFSA.) This proposal will generate additional federal financial aid resources for students and colleges.

Responsible Person(s): Janet McDuffie, Chief
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**CALIFORNIA STUDENT AID COMMISSION
2013-14 PROGRAM (LOCAL ASSISTANCE) BUDGET
Per Governor's Proposed Budget
(\$ in millions)**

PROGRAM	2012-13 Budget *	2013-14			
		CSAC Projections		Governor's Proposed Budget	
		Adjustments	Total	Adjustments	Total
Cal Grants					
Entitlement	\$1,461.8	\$107.2	\$1,569.0	\$0.0	\$1,569.0
Competitive	\$124.3	(\$6.9)	\$117.4	\$0.0	\$117.4
Cal Grant C	\$8.2	(\$0.3)	\$7.9	\$0.0	\$7.9
Subtotal Cal Grants	\$1,594.3	\$100.0	\$1,694.3	\$0.0	\$1,694.3
Other Programs					
APLE	\$25.6	(\$1.6)	\$24.0	\$0.0	\$24.0
CAL-SOAP	\$7.2	\$0.0	\$7.2	\$0.0	\$7.2
Chafee Foster Youth	\$11.6	\$0.0	\$11.6	\$0.0	\$11.6
Grad APLE	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Child Development	\$0.3	\$0.0	\$0.3	\$0.0	\$0.3
Law Enforcement	\$0.1	\$0.0	\$0.1	\$0.0	\$0.1
SNAPLE - NF	\$0.6	\$0.1	\$0.7	\$0.0	\$0.7
CNG EAAP	\$2.5	\$0.0	\$2.5	\$0.0	\$2.5
Cash for College	\$0.3	\$0.0	\$0.3	\$0.0	\$0.3
John R. Justice Grant	\$0.1	\$0.0	\$0.1	\$0.0	\$0.1
Subtotal Other Programs	\$48.3	(\$1.5)	\$46.8	\$0.0	\$46.8
TOTAL LOCAL ASSISTANCE	\$1,642.6	\$98.5	\$1,741.1	\$0.0	\$1,741.1

FUNDING SOURCES	2012-13 Budget *	2013-14			
		CSAC Projections		Governor's Proposed Budget	
		Adjustments	Total	Adjustments	Total
Cal Grants					
General Fund	\$705.9	\$184.7	\$890.6	(\$199.2)	\$691.4
Student Loan Operating Fund	\$84.7	(\$84.7)	\$0.0	\$60.0	\$60.0
Federal Trust Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Reimbursement	\$803.7	\$0.0	\$803.7	\$139.2	\$942.9
Other Programs					
General Fund	\$19.1	(\$1.5)	\$17.6	\$0.0	\$17.6
Student Loan Operating Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Federal Trust Fund	\$14.7	\$0.0	\$14.7	\$0.0	\$14.7
Reimbursement	\$14.5	\$0.0	\$14.5	\$0.0	\$14.5
All Programs					
General Fund	\$725.0	\$183.2	\$908.2	(\$199.2)	\$709.0
Student Loan Operating Fund	\$84.7	(\$84.7)	\$0.0	\$60.0	\$60.0
Federal Trust Fund	\$14.7	\$0.0	\$14.7	\$0.0	\$14.7
Reimbursement	\$818.2	\$0.0	\$818.2	\$139.2	\$957.4

*The 2012-13 Budget includes a \$61 million increase in Cal Grant funding assumed in the Governor's Proposed 2013-14 Budget.

**CALIFORNIA STUDENT AID COMMISSION
2012-13 and 2013-14 STATE OPERATIONS BUDGET
Governor's Proposed Budget
(\$ in thousands)**

	2012-13	2013-14	
	Budget	Proposed Budget	Adjustments ^{1/}
Operations Budget			
Personal Services	\$ 9,144	\$ 9,485	\$ 341
Operating Expenses	\$ 2,497	\$ 1,750	\$ (747)
TOTAL	\$ 11,641	\$ 11,235	\$ (406)
Funding Sources:			
General Fund	\$ 10,665	\$ 10,476	\$ (189)
Student Loan Operating Fund	\$ 216	\$ -	\$ (216)
Federal Trust Fund	\$ 259	\$ 258	\$ (1)
Reimbursements	\$ 501	\$ 501	\$ -
TOTAL	\$ 11,641	\$ 11,235	\$ (406)

	2012-13	2013-14	
	Budget	Proposed Budget	Adjustments ^{1/}
Position Authority			
Permanent	107.5	105.5	-2.0
Temporary Help	2.2	2.2	0.0
TOTAL	109.7	107.7	-2.0

^{1/} Major Adjustments	Description
Personal Services	Increase in salaries due to the end of furloughs
Operating Expenses	Decrease of one-time Dream Act application implementation funding and elimination of limited term positions
Funding Sources	Remaining SLOF funds will be expended in 2012-13
Permanent Position Authority	Elimination of limited term positions