
2.a

Information Item

California Student Aid Commission

Update on the Commission's 2008-09 and 2009-10 budgets

The following information was discussed during the February 18, 2010 Programs, Policy and Budget Committee teleconference meeting.

2008-09

The Commission cannot disburse \$10 million in 2008-09 Cal Grant funds to 284 institutions until the Department of Finance (DOF) authorizes a final augmentation for the 2008-09 Cal Grant Program.

A summary of the steps taken to obtain the necessary Cal Grant funding is provided below.

In the fall of 2008, Commission staff projected a shortfall of \$62 million in the 2008-09 Cal Grant Program. This shortfall was recognized in the Governor's Proposed 2009-10 Budget. In February 2009, Commission staff notified DOF staff that additional funds could be needed in March or April of 2009, as a result of the shortfall, and requested direction on steps to be taken to obtain the additional funding authorization. DOF staff's response delayed the authorization of additional funds needed to make up the shortfall by requiring further analysis to be presented in the spring of 2009 that demonstrated the additional funds were actually needed. Commission staff worked with DOF staff to develop the spring Cal Grant projections and the potential shortfall in the Cal Grant Program in 2008-09 was confirmed at \$60,550,000.

On May 19, 2009, Commission staff sent a letter to DOF requesting the \$60.5 million. On June 8, 2009, DOF notified the Legislature of the intent to increase in Cal Grant funding in the amount of \$46.5 million. DOF indicated that to the extent that any of the additional \$14 million is required after the close of the fiscal year when final reconciliations have been completed with the higher education segments, DOF will submit additional notification. (The 2008-09 Cal Grant year-end reconciliation process occurs on December 31, 2009.)

On October 23, 2009, Commission staff sent an email to DOF requesting an additional 2008-09 augmentation of \$7.4 million so that existing payments (\$5.8 million) on hold could be released to institutions and have adequate authority to promptly process payments through December 31, 2009. DOF did not authorize any additional funding at that time.

On January 21, 2010, Commission staff sent a letter to DOF requesting a final 2008-09 Cal Grant funding augmentation of \$8.05 million. This amount is based on the 2008-09 year-end outstanding payments of \$10,183,500 due to institutions less available funding authority of \$2,131,465. On February 2, 2010, DOF asked for additional information that was provided on February 4, 2009. Commission staff and DOF discussed the additional information on February 10, 2009.

As of the date this agenda item was prepared, Commission staff has not been made aware of DOF's decision regarding the final augmentation request.

2009-10

Commission staff anticipates that the 2009-10 Cal Grant Program will need a funding augmentation.

The 2009-10 budget did not include the Commission's funding projection for the CSU 10% system-wide fee increase. In addition, in November 2009 the UC imposed a 15% mid-year system-wide fee increase.

In the fall of 2009, Commission staff projected a shortfall of \$42 million in the 2009-10 Cal Grant Program. This shortfall was recognized in the Governor's Proposed 2010-11 Budget. Based on the prior year process, staff does not expect DOF to consider authorizing an augmentation until later in the year when more payment information is reported by the institutions and the Commission staff updates its projections. Commission staff is monitoring the Cal Grant funding authority and will be updating the projections to determine when the funding augmentation needs to be requested.

Responsible Person(s): Janet McDuffie, Chief
Administration and External Affairs Division

2.b

Information/Action Item

California Student Aid Commission

Update on the Governor's Proposed 2010-11 Budget and consideration of action relating to its effect on the Commission's programs and operations in 2009-10 and 2010-11

The following information was discussed during the February 18, 2010 Programs, Policy and Budget Committee teleconference meeting.

The Governor's Proposed 2010-11 Budget contains the following proposed changes to the Commission's programs and operations budgets.

Programs

The major changes to the Commission's programs are noted below. A summary of the proposed 2010-11 program budget is provided in Tab 2.b.1.

- \$42 million increase for the Cal Grant Program to cover the system-wide fee increases at the University of California (UC) and the California State University (CSU) institutions of 15% and 10% respectively.
- \$18.3 million shift in Cal Grant Program funding from the General Fund to the Temporary Assistance Needy Families Program through a reimbursement from the Department of Social Services. (A similar proposal was rejected by the Legislature in 2009-10.)
- \$4 million reduction to the Assumption Program of Loans for Education (APLE) based on Commission staff projections.
- \$45.5 million reduction from suspending the Cal Grant Competitive Program in 2010-11. Existing awards would be maintained. 22,500 new awards would be eliminated. (2008-09 Cal Grant Competitive Program recipient information is provided in Tab 2.b.2)
 - The Governor has also proposed trailer bill language that would make new Competitive Cal Grants subject to the Budget Act. Commission staff has not seen any proposed trailer bill language. However, the intent seems to be to not allow the Commission to offer any Competitive Cal Grant awards until after the budget is enacted and only then if funds are included in the budget. Commission staff testified at legislative hearings that trailer bill

language is not necessary in that the Cal Grant award letters already state that the awards are tentative and subject to the final approved state budget.

The Governor's proposal relies on \$6.9 billion of Federal funding. In the event the funding is not received, the Governor proposes an additional \$79 million reduction in the Cal Grant program by:

- \$77.6 million reduction by freezing the level of the awards (decoupling the Cal Grant award amount from fee increases: 15% for the University of California and 10% for California State University). (113,480 students affected).
- \$1.1 million reduction by freezing the income ceilings for new Cal Grant awards. (280 potential students affected)

A summary of the proposed reductions and the number of students affected is provided in Tab 2.b.3.

Operations

Governor Schwarzenegger has indicated the furlough program will end as scheduled June 30, 2010. However, the Governor's Proposed 2010-11 Budget includes a permanent 5% pay cut and a 5% increase in employee retirement contribution.

The Governor's 2010-11 Budget proposal relies on \$6.9 billion of Federal funding. In the event the Federal funding is not received, the Governor also proposes an additional 5% pay cut.

The proposed budget changes are not final and will involve union negotiations and passage of a bill by the Legislature.

The Governor issued Executive Order S-01-10 (Tab 2.b.4) directing departments to achieve an additional 5% salary savings in 2010-11, with development and submission of a plan to the Department of Finance by February 1, 2010, and implementation of the plan by March 1, 2010. Commission staff has submitted a proposed plan and is waiting for approval before releasing details.

The materials considered by the Programs, Planning and Budget Committee follow, as Tabs 2.b.1 - 2.b.4.

Responsible Staff: Janet McDuffie, Chief
Administration and External Affairs Division

**CALIFORNIA STUDENT AID COMMISSION
2010-11 PROGRAM (LOCAL ASSISTANCE) BUDGET
Per Governor's Proposed Budget
(\$ in millions)**

PROGRAM	2009-10 Budget *	2010-11			
		CSAC Projections	Subtotal	Governor's Proposed Adjustments	Total
Cal Grants					
Entitlement	\$882.7	\$138.2	\$1,020.9	\$0.0	\$1,020.9
Competitive	\$113.5	(\$5.5)	\$108.0	(\$45.5)	\$62.5
Cal Grant C	\$8.4	(\$0.1)	\$8.3	\$0.0	\$8.3
Cal Grant A (Pre SB 1644)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cal Grant B (Pre SB 1644)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Subtotal Cal Grants	\$1,004.6	\$132.6	\$1,137.2	(\$45.5)	\$1,091.7
Other Programs					
APLE	\$36.4	(\$0.5)	\$35.9	\$0.0	\$35.9
CAL-SOAP	\$7.3	\$0.0	\$7.3	\$0.0	\$7.3
Chafee Foster Youth	\$12.9	\$0.0	\$12.9	\$0.0	\$12.9
BYRD	\$5.7	\$0.0	\$5.7	\$0.0	\$5.7
Grad APLE	\$0.2	\$0.0	\$0.2	\$0.0	\$0.2
Child Development	\$0.3	\$0.0	\$0.3	\$0.0	\$0.3
Law Enforcement	\$0.1	\$0.0	\$0.1	\$0.0	\$0.1
National Guard APLE	\$0.3	\$0.0	\$0.3	\$0.0	\$0.3
SNAPLE - NF	\$0.3	\$0.0	\$0.3	\$0.0	\$0.3
SNAPLE - NSF	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
CNG EAAP	\$1.5	\$1.5	\$3.0	\$0.0	\$3.0
Cash for College	\$0.2	\$0.0	\$0.2	\$0.0	\$0.2
Subtotal Other Programs	\$65.2	\$1.0	\$66.2	\$0.0	\$66.2
TOTAL LOCAL ASSISTANCE	\$1,069.8	\$133.6	\$1,203.4	(\$45.5)	\$1,157.9

FUNDING SOURCES	2009-10 Budget *	CSAC Projections	Subtotal	Governor's Proposed Adjustments	Total
Cal Grants					
General Fund	\$962.0	\$164.6	\$1,126.6	(\$63.8)	\$1,062.8
Student Loan Operating Fund	\$32.0	(\$32.0)	\$0.0	\$0.0	\$0.0
Federal Trust Fund	\$10.6	\$0.0	\$10.6	\$0.0	\$10.6
Reimbursement	\$0.0	\$0.0	\$0.0	\$18.3	\$18.3
Other Programs					
General Fund	\$37.3	(\$0.5)	\$36.8	\$0.0	\$36.8
Student Loan Operating Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Federal Trust Fund	\$7.5	\$0.0	\$7.5	\$0.0	\$7.5
Reimbursement	\$20.4	\$1.5	\$21.9	\$0.0	\$21.9
All Programs					
General Fund	\$999.3	\$164.1	\$1,163.4	(\$63.8)	\$1,099.6
Student Loan Operating Fund	\$32.0	(\$32.0)	\$0.0	\$0.0	\$0.0
Federal Trust Fund	\$18.1	\$0.0	\$18.1	\$0.0	\$18.1
Reimbursement	\$20.4	\$1.5	\$21.9	\$18.3	\$40.2

* 2009-10 Budget includes the current year projections assumed in the Governor's Proposed 2010-11 Budget.



Cal Grant

Competitive Program

This document displays data about the 2008-09 Competitive Cal Grants awarded to recipients. It also includes data for students who filed their application on time and were financially eligible but did not receive an award (qualified non-recipients).

Under Senate Bill 1644 (Chapter 403, Statutes of 2000), California students who do not meet the eligibility criteria for an Entitlement Cal Grant award may compete for 22,500 Competitive Cal Grant awards. These awards are not guaranteed, as are the Entitlement Cal Grant awards. Competitive awards are limited to the statutory number.

remaining grants (11,250) are required to be set aside for the September 2 application deadline for students attending a California Community College in the fall.

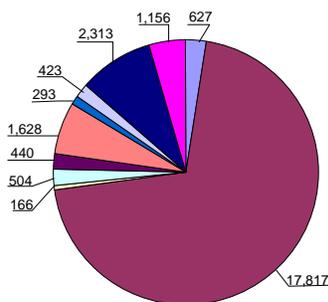
The document displays data from the 2008-09 Competitive Cal Grants awarded to students who applied by one or both deadlines and received awards or were financially eligible to receive an award (qualified non-recipients).

Students apply for half of these grants (11,250) by the March 2 Cal Grant application deadline. The

Typical Recipient

	March 2 Deadline	September 2 Deadline	Both Deadlines
Age	31	29	30
Income	\$14,631	\$14,803	\$14,715
GPA	3.28	3.28	3.28
Family Size	2.9	3.0	2.9

Awards by School Segment



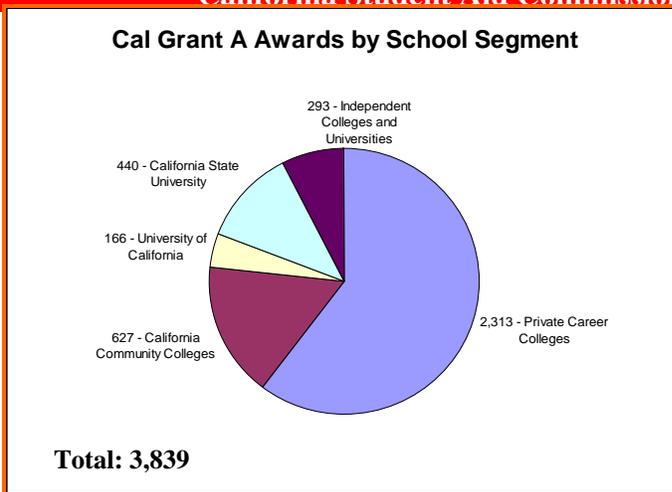
- California Community Colleges-Cal Grant A
- California Community Colleges - Cal Grant B
- University of California - Cal Grant A
- University of California - Cal Grant B
- California State University - Cal Grant A
- California State University - Cal Grant B
- Independent Colleges and Universities - Cal Grant A
- Independent Colleges and Universities - Cal Grant B
- Private Career Colleges - Cal Grant A
- Private Career College - Cal Grant B

Total: 25,367

Note: The numbers in this document reflect the number of recipients notified. The number of awards funded will not exceed 22,500.

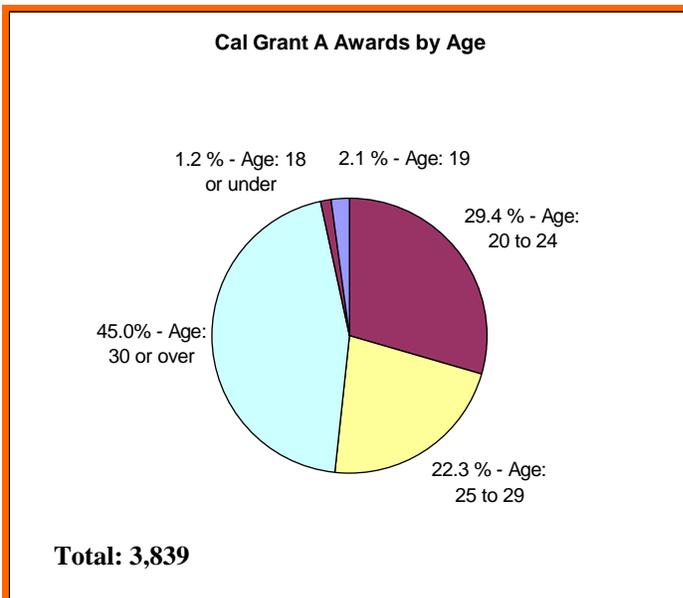
Competitive Cal Grant A

Award requirements include financial and basic eligibility and a minimum 3.0 high school grade point average (GPA) or a minimum 2.4 college GPA. Cal Grant A awards provide for full systemwide fees at the California State University and the University of California, as well as tuition support at independent California colleges and universities and private career colleges. Of these Cal Grant A awards, 3,430 were made for the March 2 deadline, while 11 percent, or 409 awards, were made for the September deadline.



Cal Grant A Awards by Gender

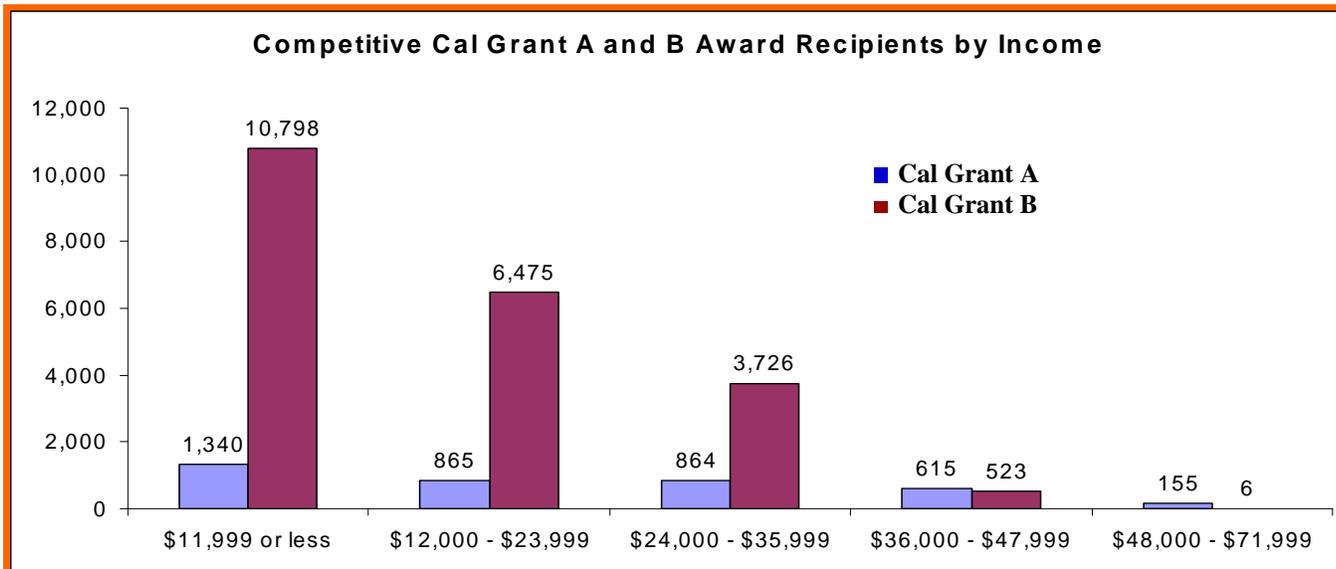
Men	1,004	26%
Women	2,835	74%
Total	3,839	100%



Average Student Assets by Segment*

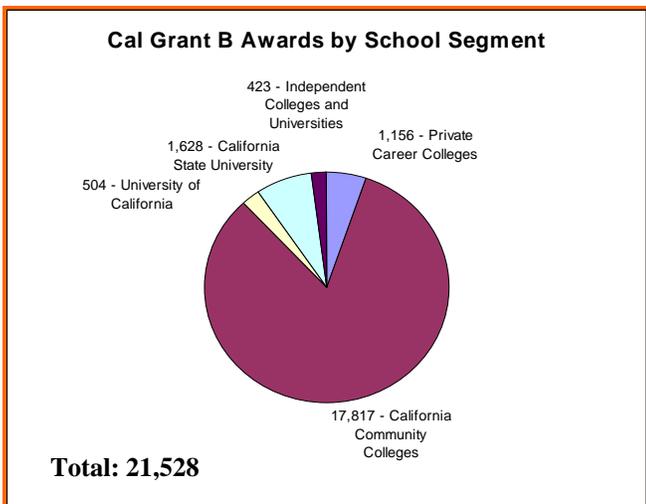
School Segment	Assets
California Community Colleges	\$422
University of California	\$499
California State University	\$587
Independent Colleges and Universities	\$627
Private Career Colleges	\$308

**79 percent of recipients are independent.*



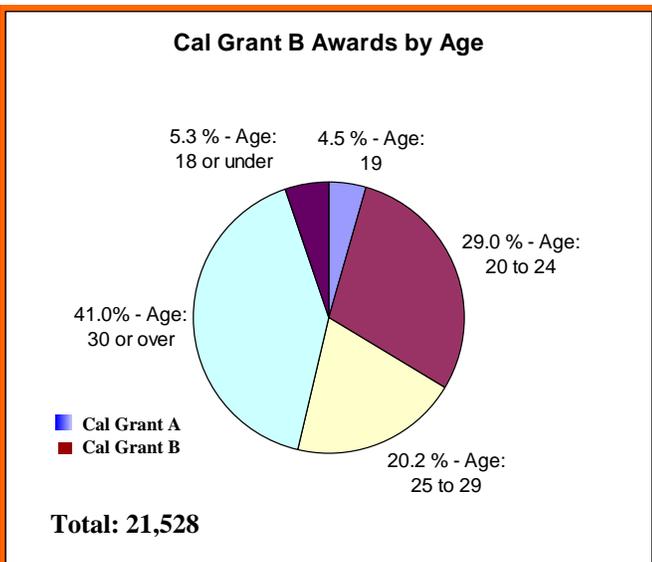
Competitive Cal Grant B

Award requirements include financial and basic eligibility and a minimum 2.0 GPA. Cal Grant B awards provide up to \$1,551 for books and living expenses for first-year students. Beginning with the recipient's second year of attendance, Cal Grant B awards also help pay for tuition and fees at public or independent four-year colleges or other qualifying institutions. Of these Cal Grant B awards, 9,485 were made for the March 2 deadline, while 56 percent, or 12,043 awards, were made for the September deadline.



Cal Grant B Awards by Gender

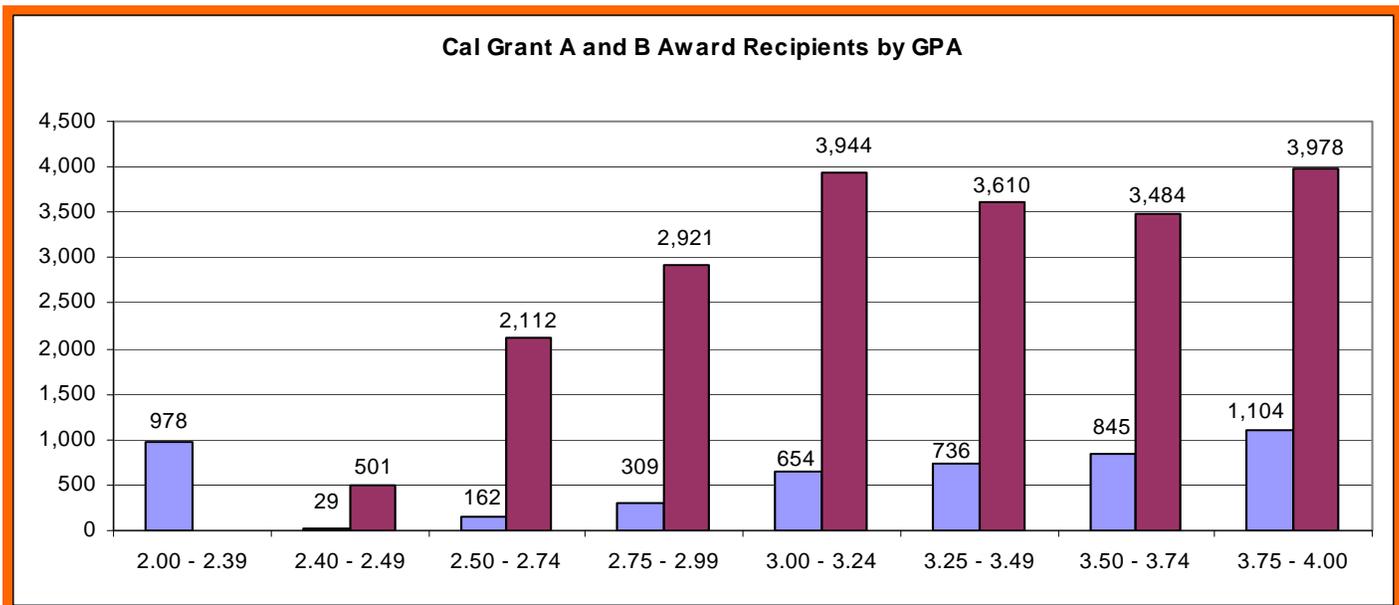
Men	5,737	27%
Women	15,791	73%
Total	21,528	100%



Average Student Assets by Segment*

School Segment	Assets
California Community Colleges	\$178
University of California	\$539
California State University	\$321
Independent Colleges and Universities	\$367
Private Career Colleges	\$121

**75 percent of recipients are independent.*



Competitive Cal Grant Qualified Non-Recipients

Applicants must meet multiple criteria to qualify.

Submitting both the Free Application for Federal Student Aid and the Cal Grant GPA Verification Form is the first step for students to be considered for a Competitive Cal Grant. For 2008-09, 162,044 students were successful in meeting the financial and basic eligibility criteria. Additional eligibility criteria may include a disadvantaged high school experience, an orphan or ward of the court status and the size of the applicant's family relative to household income. About one out of six, or 16 percent, of the qualified students received awards. More than 136,600 qualified students remained unserved.

Typical Qualified Non-Recipient

Age	27
Income	\$22,399
GPA	2.89
Family Size	2.7

Qualified Non-Recipients by Gender

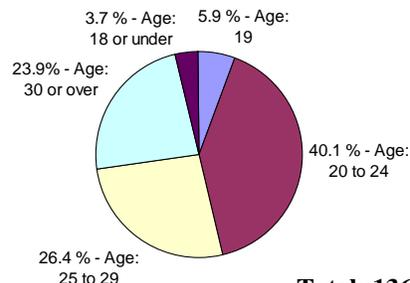
Men	56,496	41%
Women	80,181	59%
Total	136,677	100%

Average Student Assets by Segment*

School Segment	Assets
California Community Colleges	\$320
University of California	\$426
California State University	\$381
Independent Colleges and Universities	\$732
Private Career Colleges	\$530

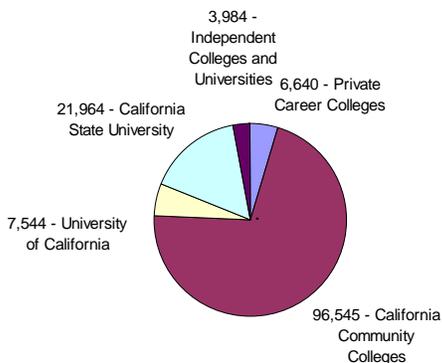
*65 percent of qualified non-recipients are independent.

Competitive Cal Grant Qualified Non-Recipients by Age



Total: 136,677

Competitive Cal Grant Qualified Non-Recipients by School Segment



Total: 136,677



California Student Aid Commission
 P.O. Box 419030
 Rancho Cordova, CA 95741-9030
www.csac.ca.gov

The California Student Aid Commission is the state's principal provider of intersegmental statewide grant aid to postsecondary students. Founded in 1955 as the California State Scholarship Commission, the Commission's primary programmatic responsibilities include administration of the Cal Grant program, the Chafee Grant Program and several targeted state scholarship and loan assumption programs. The 15-member Commission also oversees the activities of its nonprofit student loan services auxiliary, EdFund.

CALIFORNIA STUDENT AID COMMISSION Tab 2.b.3
2010-11 CAL GRANT PROGRAM

Governor's Proposed Reductions

Proposal	Students Affected	Amount Reduced (\$ in millions)
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Reduction		
Eliminate New Competitive Cal Grants	New	22,500 \$45.5

Trigger Reductions (if \$6.9 million in Federal Funding not Received)		
Reduce Fee Coverage		113,480 \$77.6
At UC from \$10,302 to \$8,958 (Excludes \$0.5 million for 390 new Competitive Cal Grants)	<i>New</i>	13,700
	<i>Renewal</i>	35,855
	Total	49,555 \$58.5
At CSU from \$4,429 to \$4,026 (Excludes \$0.5 million for 390 new Competitive Cal Grants)	<i>New</i>	20,615
	<i>Renewal</i>	43,310
	Total	63,925 \$19.1
Freeze Income Ceiling		280 \$1.1
For Cal Grant As at 2009-10 levels (with UC @ \$10,302 and CSU @ \$4,429)	New	90 \$0.7
For Cal Grant Bs at 2009-10 levels (with UC @ \$10,302 and CSU @ \$4,429)	New	190 \$0.4
Total Trigger Reductions		113,760 \$78.7

Total Reductions		136,260 \$124.2
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Office of the Governor

ARNOLD SCHWARZENEGGER
THE PEOPLE'S GOVERNOR

EXECUTIVE ORDER S-01-10

01/08/2010

WHEREAS there is continuing weak performance in the California economy and there is an anticipated \$21.0 billion General Fund deficit through the 2010-11 fiscal year; and

WHEREAS immediate and comprehensive action to reduce current spending must be taken to ensure, to the maximum extent possible, that the essential services of the State are not jeopardized and the public health and safety is preserved; and

WHEREAS the State's employee attrition rate is approximately 12 percent per year due to employee retirements and separations from service; and

WHEREAS given the current rate of attrition and the need to maintain essential services, particularly in periods of economic downturn when the need for many services escalates, it is not prudent to freeze all state hiring.

NOW, THEREFORE, I, ARNOLD SCHWARZENEGGER, Governor of the State of California, by virtue of the power and authority vested in me by the Constitution and statutes of the State of California, issue this Order to become effective immediately:

IT IS ORDERED that all Agency Secretaries and Department Directors shall take immediate steps to cap the workforce by achieving an additional 5 percent salary savings by July 1, 2010, and maintain the additional salary savings levels.

IT IS FURTHER ORDERED that every effort shall be made to achieve the additional 5 percent salary savings through attrition.

IT IS FURTHER ORDERED that all State agencies and departments under my direct executive authority shall develop a plan to achieve the additional 5 percent salary savings.

IT IS FURTHER ORDERED that by February 1, 2010, all State agencies and departments under my direct executive authority shall submit their plan to the Cabinet Secretary, the Director of the Department of Finance, and the Director of the Department of Personnel Administration for review to ensure that the plan is sufficient to achieve the additional 5 percent salary savings.

IT IS FURTHER ORDERED that by March 1, 2010, all State agencies and departments under my direct executive authority shall implement their plan.

IT IS FURTHER ORDERED that the Director of the Department of Personnel Administration and the Director of the Department of Finance shall monitor compliance with the plans to ensure that the State agencies and departments will achieve the additional 5 percent salary savings.



IT IS FURTHER ORDERED that this workforce cap shall not apply to the Franchise Tax Board's direct revenue collection functions in order that revenues for the State are not adversely affected.

IT IS FURTHER ORDERED that this workforce cap shall not apply to the constitutional offices because the Fiscal Year 2009-2010 budget of each of those officers included a permanent reduction that achieves savings. However, the Constitutional Officers are invited to implement similar or other mitigation measures to achieve similar salary savings for the current and next fiscal years.

IT IS REQUESTED that other entities of State government not under my direct executive authority, including the Board of Equalization, University of California, the California State University, California Community Colleges, the legislative branch (including the Legislative Counsel Bureau and the Bureau of State Audits), and judicial branch, implement similar or other mitigation measures to achieve similar salary savings for the current and next fiscal years.

This Order is not intended to create, and does not create, any rights or benefits, whether substantive or procedural, or enforceable at law or in equity, against the State of California or its agencies, departments, entities, officers, employees, or any other person.

I FURTHER DIRECT that, as soon as hereafter possible, this Order shall be filed in the Office of the Secretary of State and that widespread publicity and notice be given to this Order.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 8th day of January 2010.

ARNOLD SCHWARZENEGGER
Governor of California

ATTEST:

DEBRA BOWEN
Secretary of State