

**Cal-SOAP Project Directors' Funding Recommendation
And Discussion of the Proposed Shift in Funding Source for Cal-SOAP**

Project Directors' Funding Recommendation

After the Programs, Planning and Budget Committee's March 28, 2008 meeting, staff asked the Cal-SOAP project directors to provide their recommendation on 2008-09 funding allocations. At that time, staff requested that the project directors include the following conditions when developing their recommendation:

- Reduce allocations based on the Governor's proposed 10 percent budget reduction;
- Determine an appropriate minimum funding level; and,
- Fund the new Solano Consortia at the minimum funding level.

The project directors submitted the following chart for consideration in determining project funding levels for the 2008-2009 fiscal year based:

Consortium	06-07 Funding	07-08 Funding	08-09 Funding	08-09% change
San Diego	1,250,000	928,750	744,963	-19.79%
Los Angeles	850,000	631,550	507,203	-19.7%
Santa Barbara	642,833	477,625	429,863	-10%
East Bay	673,683	500,546	450,491	-10%
San Jose	620,511	461,040	414,936	-10%
Northcoast	500,526	377,897	340,107	-10%
So. County Gilroy	465,000	351,075	315,968	-10%
Sacramento	455,834	344,155	309,740	-10%
North Valley	445,650	336,466	302,819	10%
Central Valley	370,000	311,910	280,719	-10%
So. San Joaquin	366,000	308,538	277,684	-10%
Merced	363,130	306,119	275,507	-10%
San Francisco	335,000	300,000	270,000	-10%
Central Coast	300,000	300,000	270,000	-10%
Gr. Long Beach	300,000	300,000	270,000	-10%
*SUCCESS / Solano	628, 833	131,250	270,000	\$300K – 10%
Total	8,567,000	\$6,366,921	\$5,730,000	

* 2006-2007 was the last year of funding for the SUCCESS Cal-SOAP. The Commission issued a Request for Proposal (RFP) and awarded a planning grant to UC Berkeley for development of a new Cal-SOAP in the Solano region.

The project directors also expressed their preference to not submit their Annual Program Plans (APP) for the upcoming year based on a proposed reduction. They prefer to submit their plans for next year based on this year's (2007-08) funding levels.

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Federal College Access Challenge Grant

After requesting the project director's recommendation on funding allocations based on the proposed reduction and funding the new Solano Consortium, the staff and project directors became aware of a "Finance Letter" (Tab 6a.2) submitted by the Department of Finance to the Legislature April 1, 2008 that would shift Cal-SOAP funding from the General Fund to a federally funded grant. Consequently, in addition to their funding recommendation, the project directors submitted a list of questions and concerns regarding this potential shift in funding source for Cal-SOAP. Staff has provided responses to most of their questions, but noted that staff is still seeking answers and guidance regarding the use and availability of the federal funds.

The Finance Letter requests a \$7,364,000 appropriation to shift funding for Cal-SOAP from the General Fund to Federal Funds from the new College Access Challenge Grant. The Finance Letter also requests up to a \$1million allocation of these fund to specifically provide career technical education (CTE) awareness and outreach activities. The total funding would almost fully return the basic Cal-SOAP funding to the 2007-08 appropriation level depending on how much was allocated for CTE.

Staff had preliminary discussions with the Department of Finance (DOF) and the Office of the Secretary of Education (OSE) staff earlier this year after becoming aware of the federal College Access Challenge Grant. The Federal College Access Challenge Grant Program (CACGP) is a \$66-million federal grant program established by the College Cost Reduction Act of 2007 to assist states in helping low-income students and families to learn about, prepare for, and finance a postsecondary education. The CACGP provides states one-year grants over a maximum of 2 years to meet the needs of underrepresented students and families. This includes outreach activities and providing assistance in completing the FAFSA. Each state must contribute an amount equal to one-third of its federal allocation in order to receive full federal funding.

California is eligible for \$7.67 million in federal funding each year and must therefore contribute \$2.53 million each year. The state share of funds may be provided in cash or in-kind contributions. States may not use funds to promote any lender's loans. States may award subgrants to one or more non-profit organizations or partnerships of organizations that have been in existence prior to the enactment of the legislation, September 27, 2007. Direct administrative costs, either State or federal, are capped at 6 percent, with an additional 8 percent allowable in indirect costs. Based on the submission of the Finance Letter, the Governor will be designating the California Student Aid Commission as fiscal agent to these federal funds. The U.S. Department of Education (ED) has not yet released the official application for this new program and must approve the state's application prior to awarding.

The Governor's Proposed 2008-09 Budget released in January 2008 contained \$330,000 of these new federal funds for the Cash for College Program. As it became clear that additional funds were available, staff discussed how the new grant monies might be used to fund various activities including the Cash for College program, Cal-SOAP, and other outreach activities. As a result of these discussions, the Department of Finance submitted the Finance Letter with a recommendation for funding Cal-SOAP with the additional federal grant funds. Staff was not aware of the Administration's decision until receiving a copy of the Finance Letter on April 2, 2008. The Legislature must still approve the Governor's proposals, but initial discussions with legislative staff indicate support.

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Staff is seeking answers to several questions regarding the process and timeline for fund availability. Staff's current understanding of the timeline for fund availability is the following:

June 2008 – Application for the grant funds becomes available

August 2008 – Awards will be made

September 2008 – Grants will be funded

In addition to a tentative fund availability time line, several questions remain regarding the contractual timeframe. The Cal-SOAP currently operates on the state fiscal year which runs from July through June. The federal fiscal year runs from October through September. If the federal funds are awarded in August, staff is unclear on whether Cal-SOAP expenditures for July can be paid from the federal fund.

Staff also has additional concerns regarding the funding of the Solano Consortium and how the career technical education funds should be administered as noted below.

Solano Consortium

The federal College Access Challenge Grant statute specifies that the funds may only be sub-contracted to eligible entities that were in existence on the day before the legislation was authorized. The legislation was authorized in September 2007. This stipulation for fund usage will affect the new Solano Consortium. It does not appear the federal funds can be used to fund the new project independently, as the project was not established and funded until April of 2008.

Having just established the new Solano Consortium, staff would like to pursue options for funding the consortium or funding for services in the Solano area through another consortium.

Career Technical Education (CTE)

The Finance Letter also includes an allocation (up to \$1 million) to specifically provide career technical education (CTE) awareness activities. Commission staff will have further discussions with the administration and the legislature to gain a better understanding of the intent of the budget language regarding use of the funds and the CTE public awareness effort. At a recent Senate Budget Subcommittee hearing, the Executive Director supported the Governor's initiative but requested flexibility in the administration of the funds.

Staff Recommendations:

Staff responded to an email from the project directors late Wednesday evening in response to additional questions. The email also contained the staff recommendations. However, staff does not know how many of the project directors opened the email. While staff notes that the Commission prefers that staff consults with the project directors when developing funding recommendations, time did not permit such consultation. Staff's understanding is that the project directors prefer an allocation amount when developing their APPS. Therefore, staff requests the Commission consideration of the following recommendations:

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1. Given the proposed funding shift and the reversal of the proposed budget reduction, staff concurs with the project directors and recommends the 2008-09 APPs be submitted based on current funding levels (2007-2008) for each project.
2. Seek General Funds to fill any gap between July 1, 2008 and the awarding of the federal funds.
3. Seek funding for the Solano Consortium based on the following:
 - a. Requesting \$300,000 in General Funds, or if unsuccessful;
 - b. Requesting another consortium provide service and allocating any remaining funds to that consortium.
4. Defer allocating the "up to \$1 million" for career technical education awareness until staff has further discussions with the Administration and Legislature.