

## Information/Action Item

### *California Student Aid Commission*

Update on the 2011-12 State Budget issues relating to Commission programs and operations

---

The May Revision to the Governor's proposed 2011-12 Budget was released May 16, 2010. There are no proposed cuts or reductions to the Cal Grant Programs or the Commission's State operations. A detailed chart of the changes to the Commission's programs is provided in Tab 1.b. Following is a high-level summary of the May Revision.

#### **May Revision High-Level Summary**

The May Revision reflects an upward revision to the current-year tax revenues as a result of higher-than-anticipated cash receipts.

- 2010-11 tax revenue forecast increased by \$3.5 billion.
- Approximately half (\$1.6 billion) of the increased revenue would be used for funding for K-12 education and community colleges.

The May Revision focuses on core services and proposes reductions that include:

- Eliminating 43 boards, commissions, task forces, offices, and departments, including the California Postsecondary Education Commission (CPEC), California Medical Assistance Commission, the Managed Medical Insurance Board and the Unemployment Insurance Appeals Board.
- Selling nonessential or under-utilized state properties.
- Reducing state administration as functions are realigned to local authorities. Eliminating Departments of Mental Health and Alcohol and Drug Programs and reducing state personnel by at least 25 percent for affected programs.

The May Revision also describes the types of reductions that would be necessary in an "all cuts" budget if tax extensions are not approved. Education reductions would include:

- A \$5 billion reduction to Proposition 98 funding which is the equivalent to eliminating 4 weeks of the K-12 school year and 52,000 community college courses or laying off 51,000 teachers, raising K-12 class sizes, and raising community college fees from \$36 to \$125 per unit.

- An additional \$500 million cut for the University of California and California State University systems which would likely result in fee increases exceeding 30 percent.

### **2011-12 Cal Grant Program**

There are no proposed cuts or reductions to the 2011-12 Cal Grant Program. The changes listed below reflect updated projections and fund shifts.

- Senate Bill 70 Requirements – Initial Reduction Estimates:
  - \$105 million decrease due to the new income, asset and minimum need requirements for renewal awards. An estimated 12,920 students could be affected.
  - \$19 million decrease due to the new qualifying institution eligibility requirement to have a three-year trial Cohort Default Rate (CDR) of 24.6 percent. An estimated 5,500 students could be affected. (The estimated number of students affected was reduced to 2,600 as a result of revised CDRs).
- \$29.6 million increase in General Fund to reflect revised estimates resulting from higher participation in the Entitlement Program and revisions to the Cohort Default Rates.
- \$5 million increase in General Fund due to the elimination of the Federal Leveraging Educational Assistance Partnership Program (LEAP).
- Other Funds:
  - \$12.25 million increase from ECMC for Cal Grants for a total of \$42.25 million.
  - \$113,344 decrease in Temporary Assistance for Needy Families (TANF) for the Cal Grant Program for a total of \$171,935.

### **Other Programs**

- \$5.6 million decrease due to the elimination of the Federal Robert C. Byrd Honors Scholarship Program funds.

### **2010-11 Cal Grant Program Update**

- Cal Grant payments totaling approximately \$46 million have been on hold since April 18, 2011.
- Department of Finance (DOF) has authorized an increase of \$146 million. The Legislature is reviewing the authorization and funds are expected to be available soon.

- DOF has also acknowledged that an additional \$33 million increase in General Funds may be needed to fully fund the 2010-11 Cal Grant Program. A final adjustment is expected after the 2010-11 final reconciliation is completed in December 2011.

State Operations

- The following three 2011-12 Finance Letters (Budget Change Proposals) were denied:
  - \$198,000 and two positions from the General Fund to continue the Federal Policy and Programs Division (FPPD) of the Commission.
  - \$316,000 from the General Fund to pay for lease litigation costs.
  - \$272,000 from the General Fund to enter into a contract with the State Controller's Office to perform a thorough audit and investigation of EdFund expenditures from recent fiscal years.

**Responsible Person:** Janet McDuffie, Chief  
Administration & External Affairs Division

**CALIFORNIA STUDENT AID COMMISSION  
2011-12 PROGRAM (LOCAL ASSISTANCE) BUDGET  
Per Governor's Proposed Budget  
(\$ in millions)**

| PROGRAM                        | 2010-11          | 2011-12                     |                  |                                   | Total            |
|--------------------------------|------------------|-----------------------------|------------------|-----------------------------------|------------------|
|                                | Budget *         | Governor's Budget (January) | Senate Bill 70   | Governor's May Revise Adjustments |                  |
| <b>Cal Grants</b>              |                  |                             |                  |                                   |                  |
| Entitlement                    | \$1,187.1        | \$1,372.8                   | (\$98.0)         | \$11.5                            | \$1,286.3        |
| Competitive                    | \$129.6          | \$132.8                     | (\$20.0)         | \$14.0                            | \$126.8          |
| Cal Grant C                    | \$11.1           | \$11.3                      | (\$6.0)          | \$4.1                             | \$9.4            |
| <b>Subtotal Cal Grants</b>     | <b>\$1,327.8</b> | <b>\$1,516.9</b>            | <b>(\$124.0)</b> | <b>\$29.6</b>                     | <b>\$1,422.5</b> |
| <b>Other Programs</b>          |                  |                             |                  |                                   |                  |
| APLE                           | \$37.3           | \$38.70                     | \$0.0            | \$0.0                             | \$38.7           |
| CAL-SOAP                       | \$7.3            | \$7.30                      | \$0.0            | \$0.0                             | \$7.3            |
| Chafee Foster Youth            | \$12.9           | \$12.90                     | \$0.0            | \$0.0                             | \$12.9           |
| BYRD                           | \$5.7            | \$5.70                      | \$0.0            | (\$5.7)                           | \$0.0            |
| Grad APLE                      | \$0.2            | \$0.20                      | \$0.0            | \$0.0                             | \$0.2            |
| Child Development              | \$0.3            | \$0.30                      | \$0.0            | \$0.0                             | \$0.3            |
| Law Enforcement                | \$0.1            | \$0.10                      | \$0.0            | \$0.0                             | \$0.1            |
| National Guard APLE            | \$0.2            | \$0.00                      | \$0.0            | \$0.0                             | \$0.0            |
| SNAPLE - NF                    | \$0.4            | \$0.60                      | \$0.0            | \$0.0                             | \$0.6            |
| SNAPLE - NSF                   | \$0.0            | \$0.00                      | \$0.0            | \$0.0                             | \$0.0            |
| CNG EAAP                       | \$3.0            | \$3.00                      | \$0.0            | \$0.0                             | \$3.0            |
| John R. Justice                | \$0.2            | \$0.20                      | \$0.0            | \$0.0                             | \$0.2            |
| Cash for College               | \$0.9            | \$0.90                      | \$0.0            | \$0.0                             | \$0.9            |
| <b>Subtotal Other Programs</b> | <b>\$68.5</b>    | <b>\$69.90</b>              | <b>\$0.0</b>     | <b>(\$5.7)</b>                    | <b>\$64.2</b>    |
| <b>TOTAL LOCAL ASSISTANCE</b>  | <b>\$1,396.3</b> | <b>\$1,586.8</b>            | <b>(\$124.0)</b> | <b>\$23.9</b>                     | <b>\$1,486.7</b> |

| FUNDING SOURCES             | 2010-11 Budget * | Governor's Budget (January) | Senate Bill 70 | Governor's May Revise Adjustments | Total   |
|-----------------------------|------------------|-----------------------------|----------------|-----------------------------------|---------|
| <b>Cal Grants</b>           |                  |                             |                |                                   |         |
| General Fund                | \$1,216.5        | \$496.7                     | (\$124.0)      | \$135.7                           | \$508.4 |
| Student Loan Operating Fund | \$100.0          | \$30.0                      | \$0.0          | \$12.3                            | \$42.3  |
| Federal Trust Fund          | \$11.3           | \$20.0                      | \$0.0          | (\$5.0)                           | \$15.0  |
| Reimbursement               | \$0.0            | \$970.2                     | \$0.0          | (\$113.3)                         | \$856.9 |
| <b>Other Programs</b>       |                  |                             |                |                                   |         |
| General Fund                | \$31.0           | \$39.60                     | \$0.00         | \$0.00                            | \$39.6  |
| Student Loan Operating Fund | \$0.0            | \$0.00                      | \$0.00         | \$0.00                            | \$0.0   |
| Federal Trust Fund          | \$14.7           | \$8.20                      | \$0.00         | \$0.00                            | \$8.2   |
| Reimbursement               | \$22.8           | \$22.10                     | \$0.00         | (\$5.67)                          | \$16.4  |
| <b>All Programs</b>         |                  |                             |                |                                   |         |
| General Fund                | \$1,214.5        | \$536.3                     | (\$124.0)      | \$135.7                           | \$548.0 |
| Student Loan Operating Fund | \$100.0          | \$30.0                      | \$0.0          | \$12.3                            | \$42.3  |
| Federal Trust Fund          | \$25.8           | \$28.2                      | \$0.0          | (\$5.0)                           | \$23.2  |
| Reimbursement               | \$22.8           | \$992.3                     | \$0.0          | (\$119.0)                         | \$873.3 |

\* 2010-11 Budget includes the revised projections assumed in the Governor's May Revision to the 2011-12 Budget.