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## 6.a

### Action /Information Item

#### *California Student Aid Commission*

#### Consideration of the Ratification of a Contract of \$350,000 with University Enterprises for Student Assistants in 2007-2008

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The Executive Director is authorized to execute contracts and contract amendments for \$100,000 or less. All contracts and contract amendments in excess of \$100,000 must be authorized by the Commission. Commission policy allows the Executive Director to enter into a contract in an emergency upon notification to the Commission with the understanding that the Commission will have the opportunity to ratify or cancel the contract at their next meeting.

The Commission has entered into contracts with University Enterprises, Inc. (UEI, formerly the CSUS Foundation) for many years, allowing the Commission to hire college students to assist with workload throughout the Commission. Some areas where student assistant services are utilized include: the call center, grant operations, research, and accounting. We currently employ an average of 25 part-time students throughout the year. Their assistance is vital to the day-to-day operations of the Commission.

Pursuant to Government Code section 19133, UEI was required to possess legally sufficient letters of affiliation with the educational institutions where student assistants were enrolled. However, UEI was unable to obtain these letters in a timely manner and the Department of General Services (DGS) would only approve a contract through June 30, 2007. This issue has been resolved and a new contract needs to be in place by July 1, 2007 in order for our student assistants to continue working. Not having a new contract in place would be detrimental to the Commission's ability to process Cal Grant applications and payments.

In order to have a new contract with DGS approved and implemented by July 1, 2007, the Commission will need to execute the contract as soon as possible. DGS requires 10 days for contract approval. Therefore, the Commission could not wait until the June 21-22, 2007 Commission meeting to obtain the Commission's authority for the Executive Director to sign a new contract. Upon Commission Chair McClain's approval, the contract with University Enterprises was signed and submitted to DGS on June 6, 2006. Staff is now seeking the Commission's ratification of this contract.

**Recommended Action:** Ratify the University Enterprises contract for the period July 1, 2007 through June 30, 2008, in the amount of \$350,000.

**Responsible Staff:** Robert Illa, Fiscal Officer  
Management Services Division

Janet McDuffie, Chief  
Management Services Division

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## 6.b

### Action/Information Item

#### *California Student Aid Commission*

### Consideration of Amendment to Contract with COMSYS to Increase the Amount by \$68,000 to a Total of \$500,000 and to Extend the Term of the Contract through December 2007 for Phase I of the Grant Delivery System

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To obtain authorization to undertake a significant information technology project, a State department must prepare a Feasibility Study Report (FSR). The FSR provides a complete summary of the results of the feasibility study and establishes the business case for investment of state resources in a project by setting out the reasons for undertaking the project and analyzing its costs and benefits. If the Department of Finance approves the FSR, the State department must prepare a Budget Change Proposal (BCP) for approval by the Department of Finance. The BCP sets out the funding and personnel requirements for the project, as well as the justification for including those requirements in the Governor's Budget.

In 2005-06, the Department of Finance approved the Commission's FSR for the Grant Delivery System Service (GDS) Oriented Enhancements. These enhancements were to be accomplished in two phases that corresponded roughly with their respective fiscal year of implementation. Phase I covered the Real Time Database changes and is currently being implemented. Phase II covers system improvements that use the real time changes implemented in Phase I.

The Commission prepared a BCP for additional resources for the implementation of Phase I for fiscal year 2006-07. The Department of Finance approved the BCP, and ultimately, the funding and personnel requirements were authorized in the 2006-07 Budget Act. The Commission also prepared a BCP for additional resources for implementation of Phase II for fiscal year 2007-08. The Department of Finance approved this BCP and included it in the Governor's Budget for 2007-08. The Governor's Budget is currently being considered by the Legislature.

The FSR and BCPs for both Phase I and Phase II proposed that experienced in-house personnel would be used to develop, test and implement the application modifications for Phase I and Phase II. To provide coverage for maintaining and enhancing the GDS for operational purposes during the project period, the FSR and BCPs proposed that the Commission would contract with firms that could

provide experienced programmers to backfill for CSAC staff working on the project.

For 2006-07, the Commission contracted with COMSYS for those services. Commission staff utilized the California Multiple Award Schedule (CMAS) process to solicit information technology companies for the services of programmers. COMSYS was selected to provide these needed services during the Phase I of the project.

The initial contract amount of \$432,000 provided the Commission with three programmers at an average of \$80 per hour over a twelve-month period. However, the contract was not awarded until November 2006 and has a termination date of June 30, 2007. Extension of the contract's effective date through December 2007 and the additional \$68,000 will allow continued backfill support of the GDS system during an extremely critical part of Phase I and full system coverage during the entire initial twelve-month period with a small contingency reserve of one staff month.

The Commission's budget includes sufficient funding for this \$68,000 contract amendment.

**Recommended Action:** Authorize the Executive Director to increase the COMSYS contract by \$68,000 to a total of \$500,000 and to extend the term of the contract through December 2007

**Responsible Staff:**

- Robert Illa, Fiscal Officer  
Management Services Division
  
- Janet McDuffie, Chief  
Management Services Division
  
- John Bays, Chief  
Information Technology Division

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## 6.c

### Action/Information Item

#### *California Student Aid Commission*

#### Consideration of up to \$325,000 for Contracts with Multiple Vendors for Consulting Services for Phase II of the Grant Delivery System

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The Executive Director must obtain approval from the Commission prior to entering into a new contract or executing a contract amendment of over \$100,000.

As described in Tab 6.b, the Department of Finance (DOF) approved the Commission's Feasibility Study Report (FSR) for the Grant Delivery System Service (GDS) Oriented Enhancements in 2005-06. These enhancements were to be accomplished in two phases that corresponded roughly with their respective fiscal year of implementation. Phase I covered the Real Time Database changes and is currently being implemented. Phase II covers system improvements that use the real time changes implemented in Phase I.

As further described in Tab 6.b, if the Department of Finance approves an FSR, a Budget Change Proposal (BCP) setting out the funding and personnel requirements for the project must be prepared for approval by the Department of Finance to include those requirements in the Governor's Budget. Tab 6.b involved the contract for IT programmer services for Phase I that was authorized in the Budget Act for fiscal year 2006-07.

This tab involves a contract or contracts for additional Web Services Architecture expertise that will be required to assist experienced in-house personnel in the design, development, testing and Implementation of GDS enhancements for Phase II. The Department of Finance approved the Commission's BCP for additional resources for the implementation of Phase II of the GDS enhancement in 2007-08 and included them in the Governor's proposed budget for FY 2007-08.

Commission staff utilizes the California Multiple Award Schedule (CMAS) process to solicit information technology companies for the services of Information Technology designers and architects. A Request for Offer (RFO) is underway to select these needed services. The contract amount of \$325,000 will provide the Commission with 3,250 hours of consultant services at an average of \$90 per hour over a twelve month period.

Contracts need to be in place by July 1, 2007, or as soon after that date as possible, in order to meet the project scheduled outlined in the DOF-approved FSR. Delay in release of the project resources means slippage of the schedule. If the 12-month schedule slips more than 1.2 months, a Special Project Report

(SPR) must be submitted to DOF requesting approval of the schedule slip. An SPR is a staff-intensive three-to-six-month process, during which (according to the state administrative manual) the project will be suspended until approval of the SPR. This could cause the project to be canceled and further erode credibility.

The interviews and evaluations of the prospective respondents to our CMAS request will start as soon as we have responses to our RFO. Staff will update the Commission on the status of the contract(s) at the Commission meeting.

Funding for these contracts is included in the Governor's Budget for 2007-08, and the Legislative budget sub-committees approved the portions of the Governor's Budget which included the funding. Although a Budget Act for 2007-08 will not be effective before July 1, 2007, CSAC staff is requesting that the Commission act now to authorize the Executive Director to enter into the contracts. Staff will proceed with the State process for advertising and selecting the contractors, but no contracts will be executed until the State Budget, including the funding and authority for the contracts, is signed. This process will avoid delay to Phase II.

**Recommended Action:** Authorize the Executive Director to enter into contracts with the selected CMAS vendor(s) for up to \$325,000.

**Responsible Staff:**

Robert Illa, Fiscal Officer  
Management Services Division

Janet McDuffie, Chief  
Management Services Division

John Bays, Chief  
Information Technology Division

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## 6.d

### Action /Information Item

#### *California Student Aid Commission*

#### Consideration of Contract with the Department of Technology Services for Data Center Support in the amount of \$178,000 for 2007-2008

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The Commission is in the process of renewing its annual contract with the Department of Technology Services for the 2007-08 fiscal year in the amount of \$178,000. Although the hosting of the Grant Delivery System has moved to EDFUND, there are a number of other services the Commission continues to receive from the Department of Technology Services. These services include: network connectivity to the mainframe and State's network; statistical research and reporting systems; network support, such as internet services; router management; firewall maintenance; Grant Delivery System back-up and recovery; personnel transaction; and support for financial systems at the State Controller Office through CALSTARS.

**Recommended Action:** Authorize the Executive Director to enter into an Interagency Agreement for \$178,000 with the Department of Technology Services for the period of July 1, 2007 through June 30, 2008.

**Responsible Staff:**

Robert Illa, Fiscal Officer  
Management Services Division

Janet McDuffie, Chief  
Management Services Division

John Bays, Chief  
Information Technology Division

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## 6.e

### Action/Information Item

#### *California Student Aid Commission*

#### Consideration of Ratification of an Amendment to the Department of Finance Contract to Increase Amount by \$100,000 to a Total of \$309,000 and to Increase the Term of the Contract to December 31, 2007 for Internal Audit of New Applicant Eligibility in the Cal Grant Program

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The Executive Director must obtain approval from the Commission prior to entering into a new contract or executing a contract amendment of over \$100,000. However, in the event an emergency approval is necessary for a contract of over \$100,000, the Executive Director may approve such contract with simultaneous notification to the Commission. Such emergency approval shall be ratified at the next regularly scheduled Commission meeting, and if not ratified, the contract shall be cancelled.

In October 2006, the Commission entered into a contract with the Department of Finance to develop an audit program to audit controls over, and compliance with statutory requirements for, new applicant eligibility in the Cal Grant Program, and to perform the audit. The original contract was for \$100,000 for a term ending June 30, 2007. Upon completion of the audit program, the Department of Finance determined that the audit of the Entitlement Cal Grant Program would require an addition \$109,000 to complete. At the April 18-20, 2007, Commission meeting, the Commission ratified a contract amendment to increase the contract amount by \$109,000, for a total of \$209,000, and to extend the term of the contract to August 31, 2007.

The Department of Finance has expended \$191,078 of the amended contract amount of \$209,000 as of the end of April. The Department estimates that an additional \$100,000 will be needed to complete the remaining tasks for the Entitlement Program and to expand the scope to include the Competitive program.

DOF estimates that most of the work will be complete by the end of September. However, the contract should be extended through December 31, 2007, to allow for any challenges or contingencies that might be encountered related to the specific testing of the Information Technology system processing, which could delay the completion of the audit steps. Additional time is also needed to allow CSAC management time to prepare a response to the audit report before the final report is issued and then presented to the Commission.

Upon notification to the Commission Chair, a signed amendment to increase the contract amount by \$100,000 for a total of \$309,000 and to extend the term until December 31, 2007 was submitted to the Department of General Services for approval.

Due to the importance of, and need for, an audit of the complete Cal Grant Program, Commission staff requests that the Commission take action to ratify the amendment.

***Recommended Action:*** Ratify the Department of Finance contract amendment for \$100,000 for a total contract amount of \$309,000 and extend the term through December 31, 2007.

***Responsible Staff:*** Robert Illa, Fiscal Officer  
Management Services Division

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# 6.f

## Action / Information Item

### *California Student Aid Commission*

#### Consideration of an Interagency Agreement with the Department of Mental Health to Provide Administrative Assistance to the Department of Mental Health for Assumption Program of Loans for Education (APLE) for Mental Health Professionals

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In 2004, voters passed Proposition 63 which imposed a tax on individuals with a taxable income of \$1 million or more to fund the Mental Health Services Act (MHSA). The Department of Mental Health (DMH) provides MHSA funds to counties to provide outreach services to the underserved community for mental health services. DMH is authorized to use MHSA funds to expand programs and services, develop partnerships, hire personnel, and establish a loan forgiveness program.

In October 2006, DMH staff contacted Commission staff for information on administering loan assumption programs. DMH is proposing to partner with the Commission to administer a statewide loan forgiveness program to provide up to \$10,000 in annual loan payments for public mental health, county and community-based organization employees in an effort for employers (counties or public mental health agencies) to hire and retain staff.

DMH will develop and implement selection criteria, coordinate the application process with employers and county participants, and provide eligible payment information applications for payment to the Commission. Commission staff will issue the loan assumption payments to the lenders, maintain a database tracking system, and report Commission activity related to this program.

DMH is proposing to provide the financial resources necessary to the Commission for the functions associated with this program. The proposed agreement between the Commission and DMH would provide up to \$300,000 annually for three years (\$900,000 total) in program support (State Operations) to the Commission for administering the loan assumption portion of the program. The proposed agreement would also provide \$40 million over the three years for the loan assumption payments.

If approved, the Commission would receive funding for the new program from Proposition 63 funds through an interagency agreement with DMH. Upon approval of the agreement, the Department of Finance must

approve a 2007-08 budget revision to provide authority for the Commission to receive and spend these reimbursement funds. It is anticipated that this program will be implemented and assumption awards made by the fall of 2007. Loan assumption payments would begin in 2008-09.

**Recommended Action:** Authorize the Executive Director to enter into a three-year interagency agreement with the Department of Mental Health for \$40,900,000 beginning July 2007 and on an ongoing basis subject to the availability of the Mental Health Services Act funds.

**Responsible Staff:** Catalina Mistler, Division Chief  
Program Administration and Services Division

Linda Brown, Manager  
Specialized Programs Operations Branch

Robert Illa, Fiscal Officer  
Management Services Division

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# 6.g

## Action /Information Item

### *California Student Aid Commission*

#### Consideration of the California Student Opportunity Access Program (Cal-SOAP) 2007-2008 Contracts

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There are currently 16 Cal-SOAP (California Student and Opportunity Access Program) projects at 17 locations throughout the State. The Commission's proposed 2007-08 budget includes funding for the Cal-SOAP programs. The proposed budget would shift program funding from the Student Loan Operating Fund to the State's General Fund. However, the \$8,567,000 funding level is not certain.

In the May Revision of the Governor's 2007-08 Budget, the Governor proposed a \$3.6 million or 42 percent reduction in the funding allocation for Cal-SOAP and proposed to narrow the mission and services of Cal-SOAP by limiting the use of the funding to financial aid awareness. Currently, Cal-SOAP also provides academic assistance and college advisement to middle and high school students, in addition to financial aid awareness for high school juniors and seniors.

During the legislative sub-committee budget hearings, several project directors met with legislative members and their staff to provide information about the impact of Cal-SOAP in their districts and to their constituents. Legislators and their staff expressed support for Cal-SOAP and the budget committees voted to restore the \$3.6 million and to retain the program's current mission and services. The Legislature's action retains the full \$8.6 million Cal-SOAP funding.

However, the Governor may implement his proposed reduction by exercising his authority to reduce appropriations and eliminate the legislative restoration of the \$3.6 million. If this should occur, the remaining \$5 million in Cal-SOAP funding will need to be reallocated and the mission and scope of the program may need to be redefined.

Staff has identified the following possible scenarios and their impact on the future of Cal-SOAP, contingent on the Governor's decision:

#### **Scenario 1**

The \$8,567,000 funding level remains unchanged and the mission and services remain intact.

If this scenario occurs, staff recommends that budget allocations for each consortium for the 2007-08 fiscal year remain at current levels as listed on Tab 6.g.1.

## **Scenario 2**

The Governor reduces the Cal-SOAP appropriation to \$5 million, but the scope and mission of the program remain intact.

This scenario would significantly affect program services. CSAC management and Cal-SOAP administrators and partners would have to look for ways to continue providing all current services, but with only little more than one-half of past funding. Further, a reduced budget may not be sufficient to support the current 16 Cal-SOAP projects. Consequently, consideration would have to be given to closing up to 5 or 6 projects. In addition, Cal-SOAP projects would need to work diligently to retain the significant matching resources revenue provided by local partners who contribute more than \$14 million in added value to the program funding. The entire program will face operational disruptions in the first half of the new fiscal year, while a radically pared-down system is developed to operate within the smaller budget.

## **Scenario 3**

The Governor reduces the Cal-SOAP appropriation to \$5 million, and the scope and mission of Cal-SOAP are narrowed to financial aid activities only.

The change in the scope and mission would limit a substantial portion of the opportunity and access components of Cal-SOAP by eliminating academic assistance and college access services for middle school and high school students, other than juniors and seniors. The statutory requirement for local matching resources for Cal-SOAP projects may no longer apply and could result in the Cal-SOAP losing more than \$14 million in local support. The entire program will face significant operational disruption as most of the current program services are eliminated.

If scenario two or three were to occur, staff would implement the following steps to address the proposed funding and programmatic changes:

- Consult with the Cal-SOAP Project Directors, Governing Board Chairs and Advisory Committee on the impact of a budget reduction and development of an allocation methodology.
- Determine policy language to redefine the program depending on whether Scenario 3, listed above, is implemented.
- Develop a Request For Proposal (RFP), which is a state contracting process, to reallocate the reduced funding.
- Consider the Commission's response to inquiries from statewide representatives regarding loss of services in their districts.
- Request a special meeting of the Commission to consider and potentially act on the selection methodology and/or the recommended new project funding levels.

**Recommended Action:** Authorize the Executive Director to execute contracts with the Cal-SOAP consortia for the period of July 1, 2007 through June 30, 2008, for a total amount of \$8,567,000, if this amount is included in the 2007-08 Budget Act.

***Responsible Staff:***

Robert Illa, Fiscal Officer  
Management Services Division

Janet McDuffie, Chief  
Management Services Division

Steve Caldwell, Chief  
Governmental and Public Affairs Division

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## AUTHORITY TO SIGN CAL-SOAP CONTRACTS

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The Commission is authorized by statute to determine the actual funding levels of each of the Cal-SOAP projects. If the Commission's 2007-08 Budget includes \$8,567,000 in Student Loan Operating Funds for the administration of the Cal-SOAP Program, staff recommends that budget allocations for the 2007-08 fiscal year remain at current levels.

Consortium	2007-08 Funding Recommendation
Central Coast	\$300,000
Central Valley	\$370,000
East Bay	\$673,683
Greater Long Beach	\$300,000
Los Angeles	\$850,000
Merced	\$363,130
Northcoast	\$500,526
North Valley	\$445,650
Sacramento	\$455,834
San Diego	\$1,250,000
San Francisco	\$335,000
San Jose	\$620,511
Santa Barbara	\$642,833
South San Joaquin	\$366,000
SUCCESS	\$628,833
South County Gilroy	\$465,000
<b>Total</b>	<b>\$8,567,000</b>

**Recommendation:** Authorize the Executive Director to execute contracts with the Cal-SOAP consortia for the period of July 1, 2007 through June 30, 2008, for a total amount of \$8,567,000, if this amount is included in the 2007-08 Budget Act.

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# 6.h

## Action /Information Item

### *California Student Aid Commission*

#### Update on the 2007-2008 Commission Budget

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The following are the changes to the Commission's 2007-08 Budget per the Governor's May Revision and subsequent Legislative actions.

#### **State Operations:**

- \$15.3 million shift of the State Operations from the Student Loan Operating Fund (SLOF) to the General Fund (due to the proposed sale of EDFUND) including:
  - ❖ \$1,167,000 increase and 3 new positions to implement the second phase of the Grant Delivery System Service-Oriented Enhancements; and,
  - ❖ \$175,000 increase and 2 new positions to strengthen Program Compliance Review efforts.
- \$100,000 increase and 1 position to administer the Public Interest Attorney Loan Repayment Program (approved by the Legislature, but not included in the Governor's Budget).

#### **Programs (Local Assistance):**

- \$42.8 million baseline adjustment decrease to the Cal Grant Program due to:
  - ❖ A shift of paid recipients from higher cost institutions to lower cost institutions.
  - ❖ A decrease in California Community College (CCC) Transfer Entitlement paid recipients from changes required by AB 840 to ensure that recipient were California residents at the time they graduated from high school. This decrease was offset by a slight increase in funds for growth in new CCC Transfer Entitlement awards with the age limit change from 24 to 28.
- \$2.5 million increase to reflect additional loan assumption payments for APLE recipients and an increase in the number of awards from 7,400 to 8,000. The Legislature rejected the Governor's proposal to set aside 600 awards for the Governor's Math and Science Teacher Initiative participants.

- Shift Cal-SOAP funding from the Student Loan Operating Fund to the General Fund. The Governor proposed to reduce funding to \$5 million and to limit the program services to financial aid awareness only, while the Legislature restored full funding of \$8.6 million to maintain the program's original purpose.
- 100 new loan assumption warrants for the Public Interest Attorney Loan Repayment Program (approved by the Legislature, but not included in the Governor's Budget).

The Governor's May Revision includes a proposal to sell the Commission's student loan auxiliary, EDFUND. The statutory changes required to accomplish the sale will be included in a budget trailer bill. Additional information regarding the sale of EDFUND and the State's budget and trailer bill processes are included in Tab 6.h.3 and Tab 6.h.4, respectively.

**Recommended Action:** For information only. No action is required.

**Responsible Staff:** Robert Illa, Fiscal Officer  
Management Services Division

Janet McDuffie, Chief  
Management Services Division

**California Student Aid Commission**  
**FY 2007-08 Proposed Operations Budget**  
**Includes Governor's Budget & Legislative Actions to Date**

**6.h.1**

(as of June 5, 2007)

(\$ in thousands)

	2007-08 Governor's Proposed Budget	2007-08	
		Adjustments	May Revision
<b>Personal Services</b>	\$ 10,708	\$ 73	\$ 10,781
<b>Operating Expenses</b>	\$ 4,937	\$ 27	\$ 4,964
<b>TOTAL</b>	<b>\$ 15,645</b>	<b>\$ 100</b>	<b>\$ 15,745</b>
<b><u>Funding Sources:</u></b>			
General Fund	\$ -	\$ 15,449	\$ 15,449
Student Loan Operating Fund	\$ 15,349	\$ (15,349)	\$ -
Reimbursements (Child Development & Chafee)	\$ 296	\$ -	\$ 296
	<b>\$ 15,645</b>	<b>\$ 100</b>	<b>\$ 15,745</b>

	2007-08 Governor's Proposed Budget	2007-08	
		Adjustments	May Revision
<b>Authorized Positions</b>			
<b>Permanent</b>	144.0	1.0	145.0
<b>Temporary Help</b>	2.2		2.2
<b>TOTAL</b>	<b>146.2</b>	<b>1.0</b>	<b>147.2</b>

**Major Adjustments:**

Fund Shift

\$15,349,000 funding shift for State Operations from Student Loan Operating Fund to General Fund including:

- \$1,167,000 increase and 3.0 new positions to implement the second phase of the Grant Delivery System Service-Oriented Enhancements.
- \$175,000 increase and 2.0 new positions to strengthen Program Compliance Review efforts.

Public Interest Attorney Loan Repayment

\$100,000 increase and one position to administer the Public Interest Attorney Loan Repayment Program. (Approved by the Legislature, but not included in the Governor's Budget.)

## Update on Proposed 2007-08 Local Assistance Budget for Commission Programs

**6.h.2**

(as of June 5, 2007)

(\$ in millions)

	Entitlement	Competitive	Cal Grant A & B (Prior to SB 1644)	Cal Grant C	APLE	Cal SOAP (Operating Fund)	BYRD	LEPD	Child Development	Chafee	Grad APLE	National Guard APLE	Total
<b>Governor's Proposed 2007-08 Budget</b>	\$725.6	\$117.3	\$0.2	\$9.2	\$49.3	\$8.6	\$5.7	\$0.1	\$0.3	\$13.5	\$0.4	\$0.2	\$930.3
<b>Governor's May Revise</b>	\$674.6	\$126.1	\$0.2	\$8.4	\$51.7	\$5.0	\$5.7	\$0.1	\$0.3	\$13.5	\$0.4	\$0.2	\$886.4
<b>Senate &amp; Assembly Subcommittee Actions</b>	\$674.6	\$126.1	\$0.2	\$8.4	\$51.7	\$8.6	\$5.7	\$0.1	\$0.3	\$13.5	\$0.4	\$0.2	\$890.0

### Funding for Cal Grant Programs

Funding Source	Governor's		Legislative Committees
	January Budget	May Revise	
General Fund	\$841.6	\$798.8	\$798.8
Federal Trust Fund	\$10.6	\$10.6	\$10.6
<b>Total</b>	<b>\$852.2</b>	<b>\$809.4</b>	<b>\$809.4</b>

### Funding for all Programs

Funding Source	Governor's		Legislative Committees
	January Budget	May Revise	
General Fund	\$900.2	\$856.2	\$859.8
Federal Trust Fund	\$10.6	\$10.6	\$10.6
Reimbursements	\$19.5	\$19.5	\$19.5
<b>Total</b>	<b>\$930.3</b>	<b>\$886.4</b>	<b>\$890.0</b>

**Footnote:**

No funding yet approved for SNAPLE, SNAPLE - NSF, and Public Interest Attorney Loan Repayment Program since a year of service is required prior to receipt of benefits.

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## The Proposed Sale of EdFUND

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The Governor's May Revision included a proposal to sell the Commission's student loan auxiliary, EdFUND. Current law (beginning with California Education Code Section 69522) authorizes the Commission to establish an auxiliary organization for the purpose of providing operational and administrative services for the commission's participation in the Federal Family Education Loan Program, or for other activities approved by the Commission and determined by the Commission to be all of the following:

- (A) Related to student financial aid.
- (B) Consistent with the general mission of the Commission.
- (C) Consistent with the purposes of the federal Higher Education Act of 1965 (Public Law 89-329) and amendments thereto.

This update is not presented to express a position on the proposed sale of EdFUND. It is intended to identify issues related to the level of service currently provided by the Commission with support from its auxiliary EdFUND. While current law does not require the existence of an auxiliary to the Commission, some issues may need to be addressed in the budget trailer bill process regarding Commission programmatic and operational changes.

Commission staff has worked with the Legislature and the Administration to identify how the proposed sale of EdFUND affects the way the Commission administers and distributes Cal Grants to more than 300,000 students annually. While neither the Commission nor the EdFUND Board has taken a position on the proposed sale of EdFUND, Commission staff has worked with staff at the Department of Finance and staff to the legislative budget sub-committees to identify related costs of business that may not have been considered.

### **COMMISSION AND EdFUND SYNERGY PROJECTS**

These costs involve "synergy" projects for which EdFUND has provided significant support, including equipment and services such as the phone system, and the development and distribution of outreach materials, including the Fund Your Future Workbook series and College Cash Box provided to high schools and others each year.

The Commission also works closely with EdFUND on several Information Technology (IT) and Business Services synergy projects. IT synergies include the hosting of the Grant Delivery System; Interactive Voice Response (IVR); APLE and GPA Imaging, as well as Web Grants for students. Business Service synergies include the EdFUND Mail Center system, which generate letters for the Cal Grant Operations Branch, prints and mails all operations memos and special alerts, provides mail pick-up and delivery, and also warehouses Commission forms and publications.

## Tab 6.h.3

### COMMISSION AND EDFUND STAFF

Additionally, of the more than 600 employees at EDFUND, close to 50 are civil service staff assigned to EDFUND. Consideration of the civil service issues that would arise in this instance must be part of any transition plan if a sale were to be completed.

### OUTREACH AND PUBLIC AWARENESS

The effect of a sale of EDFUND would likely have a direct effect on the Commission's ability to promote the grant and specialized programs to the state's students. Many students with financial need may not be aware of the Commission's entitlement and competitive grants and loan relief programs for higher education. The Legislature has, over the years, stressed the need to inform low-income and first-generation college students know about the opportunities available to them to remove the financial barriers to success in postsecondary education.

The Annual Public Awareness Campaign: The Governor's proposal does not include General Fund money to pay for the Cal Grant public awareness campaign that has previously been paid from the Student Loan Operating Fund, as authorized by the voluntary flexible agreement with the United States Department of Education. Absent information about Cal Grants and other financial options, at-risk populations may be further dissuaded from pursuing post-secondary education and skilled careers. The result is a continued drain on the economy, which could result in under-skilled and underpaid workers and an average state income drop below the national average by 2020. The latest survey on the Campaign shows that more than 90 percent of those students contacted are made aware of the Cal Grant program through campaign communications effort, which generates an additional \$2 million in pro bono contributions toward student outreach and awareness.

The California Cash for College Program: The Commission also oversees California Cash for College, an annual expenditure of approximately \$500,000 toward partnership efforts of high schools, community colleges, universities, regional and local communities working to assist low-income and first-generation college bound students and families successfully complete the daunting and complex financial aid process. The program, which grew by more than 40 percent this year to support more than 400 workshops statewide, receives in excess of an additional \$435,000 in scholarship and leveraged support to supplement the State's contribution. If the State were to not support this program, this added partnership money may not be forthcoming.

Assembly Bill 1540 authored by Assemblywoman Karen Bass would provide statutory authority for the Commission's Cash for College program. This program has enabled the Commission, with the help of numerous legislative and segmental volunteers and regional coordinators, to reach nearly 20,000 students and families and provide one-on-one assistance with financial aid forms and information through more than 400 local Cash for College workshops.

California Student Access and Opportunity Program (Cal-SOAP): As a result of changing the source of funding for the Cal-SOAP program from the Student Loan

## Tab 6.h.3

Operating Fund to the General Fund, the Governor proposed to reduce funding for Cal-SOAP from \$8.6 million to \$5 million and to change the scope of the program. The Legislature has restored the \$3.6 million to Cal-SOAP. While not tied directly to the sale of EDFUND, the move to funding from the General Fund would become permanent upon the sale of EDFUND, thus increasing the probability of annual uncertainty in Cal-SOAP funding in future State Budgets.

### **Conclusion**

Commission staff has initially identified approximately \$4 million in additional funding that would be needed to continue to provide the current level of Cal Grant service, as well as outreach and training that is currently provided via synergy and partnership efforts with EDFUND. Staff will propose that the Commission consider submitting 2007-08 budget change proposals to the Department of Finance to request needed resources (see Tab 6.i).

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## The Budget and Trailer Bill Process

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### State Budget

A new state budget is adopted every year. The state fiscal year begins on July 1<sup>st</sup> and ends on June 30<sup>th</sup>. Departments submit budget change proposals (BCPs) in the fall for consideration in the Governor's proposed budget for the next fiscal year. After the Governor's January 10 budget introduction, the Legislature has until June 15<sup>th</sup> to pass the budget. In February, the Legislative Analyst's Office (LAO) provides an analysis of the Governor's Budget which becomes a guide for the Legislature's consideration of the initial Governor's Budget.

The Legislature holds primarily informational hearings in February, March and April. In May, the Governor releases the May Revision of the Governor's Budget which updates the January proposal for caseload, enrollment and revenue projections. With taxes due on April 15<sup>th</sup>, the Department of Finance has the ability to update the largest influencer on state revenue, Personal Income Tax receipts. An example of caseload and enrollment adjustments included in the May Revision is the projections related to Cal Grant applications and the number of students and potential expenditures based on the applicants' choice of postsecondary institution based on their Free Application for Federal Student Aid (FAFSA).

The Department of Finance may also consider BCPs for inclusion in the May Revision process. However, BCPs submitted as "Spring Finance Letter" requests are required to be for issues that are new and could not have been anticipated in the pre-January budget BCP process which has a September due date.

Currently, the Joint Budget Conference Committee is working out the differences between the Senate and Assembly versions of the state budget based on the work of the budget subcommittees that dealt with specific issues during the period between the May Revision and the Conference Committee process which began on June 1. Any issues on which the Conference Committee reaches an impasse will be dealt with by the Big 5. The Big 5 consists of the Governor and the majority and minority party leaders of the Senate and the Assembly.

### The Trailer Bill Process

Each year, some budget changes proposed by the Governor or the Legislature necessitate changes to existing law in order to implement changes contained in the budget bill. In these cases, separate bills are introduced to implement the changes. These budget implementation bills are called "trailer bills" and are heard concurrently with the Budget Bill. By law, all proposed statutory changes necessary to implement the Governor's Budget are due to the Legislature by February 1.

## **Tab 6.h.4**

Several bills are set aside as “spot” bills early in the year and will eventually contain the language necessary to change statute in concurrence with funding in the budget bill. The Legislature is currently working with SB 54 (Ducheny) as the 2007-08 budget bill and has set aside AB 195-215 and SB 77-100 as budget trailer spot bills. One of these bills will become the Education Trailer Bill that will address any statutory changes necessary to implement decisions made in the Budget Act of 2007 (the 2007-08 State Budget).

## Action /Information Item

### *California Student Aid Commission*

#### Consideration of Preliminary Budget Change Proposals for 2008-2009

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The Governor's May Revision proposes to sell the Commission's non-profit loan guarantee organization, EDFUND, which will enable the State to receive one-time revenues.

As noted in Tab 6h, EDFUND has provided several key services to the Commission throughout the years, including information technology, business and mail services, document imaging, Web Grants for students, Grant Delivery System support, and the layout and printing services for several of the Commission's publications. EDFUND also assists with outreach services, through the Cal Grant Public Awareness Campaign and the Cash for College Program. If EDFUND is sold, the General Fund should assume the cost of these activities along with supporting the Commission's existing budget.

Although the outcome of the Governor's proposal is unknown, the Department of Finance (DOF) has indicated that the Commission should submit budget change proposals (BCPs) for the resources needed due to the decoupling of synergies between the Commission and EDFUND.

Commission staff is requesting approval to begin working on these BCPs that, when fully developed, will be presented to the Commission for approval at its September 6-7, 2007 meeting. Budget Change Proposals must be submitted to DOF no later than September 13, 2007.

**Recommendation:** Approve the development of the 2008-09 Budget Change Proposal(s) for the additional resources needed due to the decoupling of CSAC and EDFUND.

**Responsible Staff:** Robert Illa, Fiscal Officer  
Management Services Division

Janet McDuffie, Chief  
Management Services Division