

Information Item

California Student Aid Commission

State Budget Update

The Governor's May Revision to the proposed 2008-09 Budget was released on May 13, 2008. Since then, the Senate and Assembly Budget Subcommittees have met and taken action on many of the Commission's budget items. However, the items for which the Senate and Assembly did not take the same action are being discussed by the Budget Conference Committee. Once the Legislature agrees on a budget, the Governor still has the opportunity to reduce the budget with his veto authority.

The following enclosures provide high level summaries of the actions taken to date:

- Tab 13.a – Governor's May Revision and subsequent Legislative actions
- Tab 13.b – State Operations
- Tab 13.c – Programs (Local Assistance)

At the Commission's February and April 2008 meetings, CSAC staff discussed the steps being taken to achieve a 1.5-percent savings in current fiscal year, to implement the impact of the proposed sale of EDFUND, and to plan for the proposed 10-percent budget reduction in 2008-09. To achieve savings in the current year and to reduce costs in the budget year, CSAC management implemented the following policies:

- Stepping down of Retired Annuitants and Student Assistants
- Reduce non-essential training and travel
- Video or Teleconference in lieu of travel
- Holding non-essential vacancies open
- Compensating Time Off (CTO) in lieu of paid overtime
- Enhanced level of review of purchase orders (POs) and contract delegations (CDs)
- Return of all non-essential blackberry phones

Also noted at the April 2008 meeting, the Commission has a very efficient operation with an overhead rate for administering the grant and specialized programs in 2007-08 of 1.6-percent. The Governor's proposed 10-percent budget reduction of \$1.6 million requires reductions in both personnel and operating expenditures. A reduction of this magnitude for the Commission also affects the Commission's services to students and institutions.

In March, CSAC management developed and received approval from the Department of Personnel Administration (DPA) to implement layoff plans to begin meeting the proposed funding reductions and the sale of EDFUND. Management anticipated that employees affected by the layoff would be searching for

employment at other state agencies. With the sale of EDFUND delayed, most employees are no longer affected by a layoff plan. However, some employees still remain in a layoff situation due to the proposed 10-percent budget reduction. Unfortunately, employees affected by the layoff and others not directly affected have obtained other employment due to the many uncertainties regarding the Commission's budget.

CSAC management has been monitoring the consequences these proposals are already having on staffing and the delivery of grants and services to students, parents, and institutions. CSAC management held an offsite meeting to discuss the budget proposals and the effect on staff and services, the decisions that need to be made regarding core services, and planning for the future. Tab 13.d provides a summary of CSAC management meeting regarding these issues. The Program Administration and Services and Technology Services Divisions are already implementing decisions to mitigate the effects from these proposals:

Program Administration and Services (PASD)

- 9 staff members accepted jobs with other agencies.
 - With the elimination of student assistants and some permanent staff, the Call Center abandon rate has significantly increased from 8-percent to 30-percent. PASD staff has recommended reducing the Call Center hours from Monday through Friday from 1-5 p.m. to allow Call Center staff to manage emails and correspondence during the morning hours and handle calls in the afternoon. The recommendation is based on Call Center experience establishing that a higher volume of calls occurs in the afternoon.
 - School Support Training staff has been merged into the Call Center Branch creating a Customer Relations Branch. Staff is reducing the amount of in-person training to schools based on the budget cuts. Staff is working on power point training tools and researching other web tools to continue providing training to new schools and new financial aid administrators.
- The consequences of the loss of trained staff include the following:
- ⇒ The redirection of staff from various branches to assist in processing forms results in workload backlogs and impacts students payments and changes to their awards.
 - ⇒ Without trained staff to respond to calls, the increased call center abandon rate (8% to 30%) creates a longer wait time for students.
 - ⇒ Loss of staff creates delays in responding to emails and correspondence regarding student eligibility and grant payment status.
 - ⇒ Delays in processing forms delays the release of Cal Grant and Specialized program payments.
 - ⇒ Delays in processing calls and forms has Increased the number of complaints from customers.

- ⇒ Reduced participation in high school counselor training on the Cal Grant and Specialized Programs results in misinformation to students.
- ⇒ Reduced in-person training to financial aid administrators increases the error rate on Cal Grant awards and payments.

Information Technology (IT)

- 5 staff members have accepted jobs with other agencies.
- The employee providing primary Backup and Recovery architect for production systems and network server backup coverage left May 30th. The impact of this change is the potential loss of GDS recovery capability if there is a system failure. IT is providing backup training to two staff for continued coverage and has documentation that will assist in bring them up to speed. IT is advertising to backfill the position as a priority.
- The lead helpdesk technician left June 13th. He provides desktop support to internal staff and provides support to 2000 high schools and 400 post secondary education institutions. This reduces IT support in this area by 33%. IT will mitigate by providing additional staff support from the Enterprise Service Branch and transferring and filling an application development position to provide for helpdesk and desktop support. Additionally non technical duties such as procurement and security access processing will be transferred to applicable program areas.
- IT is losing two staff in the project management office. This will reduce our capability to respond to change requests from PASD and complete mandatory control agency documentation, capture business requirements, and assist application programmers in completing the requirements documents. Mitigation will consist of redirecting managers/programmer analyst staff to backfill these duties.
- IT lost one staff member in the Quality Assurance & Configuration Management Unit June 13th resulting in a 20-percent reduction in testing, change control, and defect management. This affects the release of enhancements and critical defects to production. Mitigation will be prioritizing and working only on mission critical defects and redirecting available application program staff to assist where possible. IT will need to prioritize recruitment.
- Due to combined effects of staff losses and additional workload associated with the GDS system transition, staff moves, and other service transitions, implementation of the Phase II of the Real Time Database Project has been delayed until October at the earliest. IT is in the process of submitting a Special Project Report to the Office of the State Chief Information Officer requesting approval of schedule and scope changes. Scope changes include removing four of the five proposed Web Services that were proposed in Phase II and focusing on creating the Real Time Database web application changes requested by the project advisory committee.

The Executive Director met with all CSAC employees on June 18, 2008 to provide an update on the State Budget, the layoff plans, and a new organizational structure. High level organizational charts are provided in Tab 13.e and 13.f. The proposed 10-percent budget reduction will result in the Commission being able to support only 128 positions, a reduction of 16 permanent positions. This loss of permanent staff is significantly greater when taking into consideration the reductions in student assistants (32) and retired annuitants (13). In developing the new structure, management considered the core activities and services, employee skills and abilities, and DPA requirements. Some staff will be reassigned to different divisions and asked to perform new duties. Due to the loss of employees, there are some vacant positions that need to be filled. The reorganization will be phased-in over the next few months and there may be some additional changes once the final budget is signed.

CSAC management will provide an oral update on the budget and concerns raised as a result of the budget proposals at the meeting.

Responsible Persons:

Janet McDuffie, Chief
Federal Policy and Programs Division

Catalina Mistler, Chief
Program Administration and Services Division

John Bays, Chief
Information Technology Division

**Governor's May Revision and subsequent Legislative actions
Regarding the Commission's 2008-09 budget**

State Operations:

- Redirect the \$1.8 million General Fund augmentation that was designated for restoring shared services from EdFund to fund the Commission's relocation (\$1 million) and increased rent and telephone costs (\$450,000).
 - The Assembly and Senate Budget Subcommittees approved the redirection of the \$1.8 million as follows:
 - ⇒ \$1 million is designated for move costs, furnishings, and equipment associated with the Commission's relocation.
 - ⇒ The remaining amount is left in the Commission's budget, essentially reducing the \$1.6 million reduction to \$800,000.
- Due to the delay in the sale of EdFund, remove the 11.0 new positions previously designated for reclaimed workload.
- Due to the delay in the sale of EdFund, add \$1 million from the Student Loan Operating Fund and 6.0 positions to reestablish the Federal Policy and Programs Division.
- Authorize that any current year General Fund savings will be re-appropriated for relocation costs or any other unforeseen needs associated with the sale of EdFund in 2008-09.
- The Assembly Budget Subcommittee recommended \$1.7 million from Student Loan Operating Fund (SLOF) to continue funding for the Cal Grant Public Awareness Campaign. No action taken by the Senate.

Programs (Local Assistance):

- Both the Assembly and Senate Subcommittees recommended augmenting the General Fund appropriation by \$57 million to retain the Competitive Cal Grant program.
- Eliminate the \$80 million Cal Grant fee increase placeholder. The placeholder was included in the event the UC and CSU increased fees beyond the level anticipated in the Governor's proposed budget; however additional fee increases by the UC and CSU are not anticipated.
- Shift \$223 million in Cal Grant funds from the General Fund to federal Temporary Assistance for Needy Families Program (TANF) funds.
 - The Senate and Assembly Budget Subcommittees rejected this proposal
- Both the Assembly and Senate Subcommittees rejected the Governor's proposal and restored the number of APLE warrants to its current level of 8,000.

**Governor's May Revision and subsequent Legislative actions
Regarding the Commission's 2008-09 budget**

- Shift Cal-SOAP funds from General Fund to Federal College Access Challenge Grant funds in the amount of \$7.3 million. Of this amount, \$1 million is to be dedicated for Career Technical Education (CTE) public awareness and outreach activities.
 - The Senate and Assembly Budget Subcommittees rejected the \$1 million for CTE and instead approved \$500,000 for Cal-SOAP and \$500,000 for Cash for College. This action would fund Cal-SOAP at \$6.849 million and Cash for College at \$830,000 in 2008-09.
 - Additional funding augmentations for Cal-SOAP are still under discussion by the Budget Conference Committee.

EdFund:

- Due to the delay in sale of EdFund, restore \$2 million of continuous appropriation for civil service employees from SLOF and reestablish 24.0 positions for a limited term to reflect the remaining number of staff currently assigned to EdFund.
- Adopt language that allows the Commission to originate loans pursuant to the Lender of Last Resort program for the Federal Family Education Loan Program.
 - The Assembly adopted additional language that makes it clear that the Commission's auxiliary must follow the directives of the state's agent, the Commission, and that notification must be given to the Legislature in implementing major actions related to the broadened authority being given to the Commission through the Governor's proposal. In addition, the Commission be charged with bringing together stakeholders to explore and recommend to the Legislature and the Governor additional steps that the state can take to address the credit crisis and its impact on access to postsecondary education in California. This proposal is being discussed by the Budget Conference Committee.

**California Student Aid Commission
FY 2008-09 Proposed Operations Budget**

13.b

(as of June 16, 2008)

(\$ in thousands)

	2008-09 Governor's Proposed Budget	2008-09		
		Adjustments	May Revision	Conference Committee
Personal Services	\$ 10,256	\$ (269)	\$ 9,987	\$ 9,987
Operating Expenses	\$ 4,376	\$ 1,269	\$ 5,645	\$ 5,645
TOTAL	\$ 14,632	\$ 1,000	\$ 15,632	\$ 15,632
<u>Funding Sources:</u>				
General Fund	\$ 14,206		\$ 14,206	\$ 14,206
Student Loan Operating Fund	\$ -	\$ 1,000	\$ 1,000	\$ 1,000
Federal Trust Fund	\$ 130	\$ -	\$ 130	\$ 130
Reimbursements (Child Development & Chafee)	\$ 296	\$ -	\$ 296	\$ 296
	\$ 14,632	\$ 1,000	\$ 15,632	\$ 15,632

	2008-09 Governor's Proposed Budget	2008-09		
		Adjustments	May Revision	Conference Committee
Authorized Positions				
Permanent	145.1	-4.8	140.3	140.3
Temporary Help	2.2		2.2	2.2
TOTAL	147.3	-4.8	142.5	142.5

Major Adjustments:

- Reduction of \$1,579,000 as part of the 10% budget-balancing reduction.
- Redirection of \$1,800,000 one-time augmentation for restoring shared services from EdFund. Of that amount, \$1,010,000 is limited to moving costs, furnishings, and equipment associated with the Commission's relocation. The remaining amount is left in the budget, essentially reducing the \$1,579,000 reduction to \$800,000.
- Increase of \$1,000,000 and 6 positions to restore the Federal Policy and Programs Division due to the delay in sale of EdFund
- The Assembly Subcommittee recommendation to appropriate \$1,700,000 from the Student Loan Operating Fund for the Cal Grant Public Awareness Campaign is still under consideration by the Conference Committee.

Update on Proposed 2008-09 Local Assistance Budget for Commission Programs

(as of June 16, 2008)

(\$ in millions)

13.c

	Entitlement	Competitive	Cal Grant A & B (Prior to SB 1644)	Cal Grant C	APLE	Cal SOAP	BYRD	LEPD	Child Development	Chafee	Grad APLE	APLE NF	APLE NSF	National Guard APLE	Cash for College	Total
Governor's Proposed 2008-09 Budget	\$773.9	\$57.5	\$0.2	\$7.9	\$40.6	\$5.7	\$5.7	\$0.1	\$0.3	\$13.5	\$0.4	\$0.2	\$0.1	\$0.3	\$0.2	\$906.6
Governor's May Revise	\$693.9	\$57.5	\$0.2	\$7.9	\$40.6	\$7.3	\$5.7	\$0.1	\$0.3	\$13.5	\$0.4	\$0.2	\$0.1	\$0.3	\$0.2	\$828.2
Assembly Subcommittee Actions	\$693.9	\$114.5	\$0.2	\$7.9	\$40.6	\$8.3	\$5.7	\$0.1	\$0.3	\$13.5	\$0.4	\$0.2	\$0.1	\$0.3	\$1.4	\$887.4
Senate Subcommittee Actions	\$693.9	\$114.5	\$0.2	\$7.9	\$40.6	\$6.8	\$5.7	\$0.1	\$0.3	\$13.5	\$0.4	\$0.2	\$0.1	\$0.3	\$0.7	\$885.2
Conference Committee	\$693.9	\$114.5	\$0.2	\$7.9	\$40.6	\$6.8	\$5.7	\$0.1	\$0.3	\$13.5	\$0.4	\$0.2	\$0.1	\$0.3	\$0.7	\$885.2

Funding for Cal Grant Programs

Funding Source	Governor's		Assembly Sub Committee	Senate Sub Committee	Conf. Committee
	January Budget	May Revise			
General Fund	\$828.9	\$525.9	\$805.9	\$805.9	\$805.9
Federal Trust Fund	\$10.6	\$10.6	\$10.6	\$10.6	\$10.6
Reimbursements	\$0.0	\$223.0	\$0.0	\$0.0	\$0.0
Total	\$839.5	\$759.5	\$816.5	\$816.5	\$816.5

Funding for all Programs

Funding Source	Governor's		Assembly Subcommittee	Senate Subcommittee	Conference Committee
	January Budget	May Revise			
General Fund	\$876.3	\$567.5	\$847.5	\$847.5	\$847.5
Federal Trust Fund	\$10.8	\$18.2	\$18.2	\$18.2	\$18.2
Reimbursements	\$19.5	\$242.5	\$19.5	\$19.5	\$19.5
SLOF	\$0.0	\$0.0	\$2.2	\$0.0	\$0.0
Total	\$906.6	\$828.2	\$887.4	\$885.2	\$885.2

Footnote:

- The Assembly Committee's recommendation of \$1.5 million be allocated for Cal-SOAP from SLOF to cover the "gap" in funding due to the difference in the start of the state and federal fiscal years. is still under discussion by the Conference Committee.

CSAC Management Action Planning Workshop Summary

CSAC management has been monitoring the affect on staffing and student services due to the budget reduction and the sale of EDFUND proposals. CSAC management held an offsite meeting on May 23, 2008 to discuss the consequences of these proposals, the affect on staff and services, the decisions that need to be made regarding core services to student, parents and institutions, and planning for the future. The following is a summary of that meeting.

Planning Criteria: CSAC management considered the following criteria in developing the core activities for the Commission:

- Core mission and services to students
- Legal requirements
- Short and long term focus
- Political considerations

Core Activities: CSAC management identified the following as the core activities that need to be preserved in light of the proposed budget reduction:

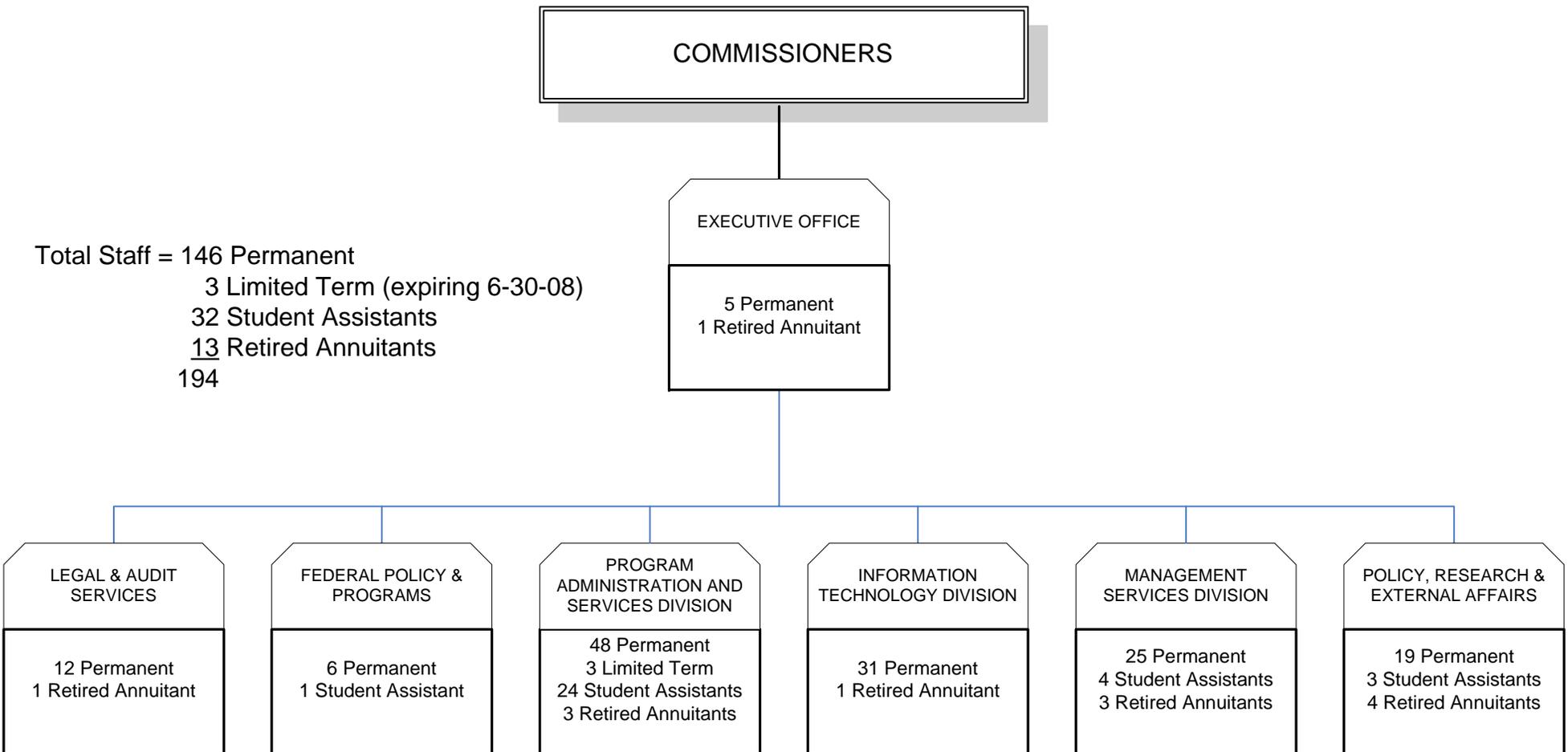
- Cal Grant Programs
 - Delivery of Cal Grant and Specialized programs
 - Maintain the Grant Delivery System
 - Run production and provide back up and recovery system
 - Provide Web grant services for students
 - Cal Grant projections
- Specialized Programs
 - APLE
 - SNAPLE NSF
 - SNAPLE SF
 - APLE projections
- Outreach Programs
 - Cal-Soap
 - Cash For College
- Administrative support
 - Maintain support and services to CSAC staff
 - Provide new telephone services
 - Plan and implement moves
- Executive and Legislative support
 - Reports to Legislature
 - Legislative analysis and liaison
 - Communication with Legislative Analyst Office and Department of Finance
- Regulations
- Oversight of EDFUND

CSAC Management Action Planning Workshop Summary

Workload Reductions: Based on the list of core activities, management identified ways to streamline and reduce workload and costs and still try to meet service demands with fewer staff. Management considered the elimination or reduction of the following existing services and functions:

- Call-Center Hours
 - Reduce call center hours (such as M-F 1-5 p.m.)
 - Conform call center to decision-critical times (such as increasing staff on the phones and the call center hours during March 2 deadline)
- Enhance WebGrant for Student
 - Add the ability to complete and submit additional information (such as leave of absence and change in demographics) in order to reduce the production and processing of paper forms. (This must be coordinated with other IT project priorities in order to be implemented.)
- Reduce Letter Production
 - Eliminate non-essential letters (such as the disqualification notices to students who probably do not even know they were being considered for a Cal Grant, which occurs because CSAC downloads all California student FAFSA files and receives GPA from all students at some institutions.)
 - Print post cards to notify applicants and recipients of award status
 - Send electronic mail instead of paper (This must be coordinated with other IT project priorities in order to be implemented.)
 - Coordinate grant status information with the institutional award notices
- Reduce Face-to-Face Training
 - Due to staff reductions, CSAC can no longer support its historic Cal Grant High School Counselor workshop. Staff propose holding three regional workshops instead of the 10 -12 held in the past.
 - Develop electronic training opportunities both in-house and through partnerships with institutions
- Reduce Printing and Postage
 - No longer print and mail many of the program manuals and financial aid publications and instead have them available through the CSAC web site to download
- Reduce Program
 - Return the administration of contracted programs (Robert C. Byrd Honors Scholarship Program and the California Chafee Grant Program) to their originating departments
- Reduce Institutional Audits
- Reduce/Eliminate/Restructure Advisory Committees

CALIFORNIA STUDENT AID COMMISSION 2007-08



CALIFORNIA STUDENT AID COMMISSION 2008-09

