

## Information/Action Item

### *California Student Aid Commission*

#### Update on the 2011-12 State Budget

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The 2011-12 Budget Act was signed on June 30, 2011. Highlights of the changes to the State's Higher Education budget are provided below.

#### **Commission Programs**

Aside from the previous Cal Grant Program reductions required in Senate Bill 70 and the elimination of some federal funds, there were no further reductions in the 2011-12 Budget Act for the Commission's Cal Grant and Specialized Programs. The budget also reflects the additional \$20 million (for a total of \$62.3 million in 2011-12) in support for the Cal Grant Program from ECMC. A summary of the funding for each of the programs administered by the Commission is provided in Tab 2.a.

#### **Senate Bill 70**

The final state budget will result in continued savings from Senate Bill 70 provisions that make changes to Cal Grant eligibility by:

- disqualifying formerly Cal Grant-eligible institutions that have a cohort default rate above 24.6 percent from participating in the Cal Grant Program;
- reducing by 20 percent Cal Grant awards going to renewal students continuing enrollment in institutions with a cohort default rate above 24.6 percent; and
- withdrawing renewal students from the Cal Grant program who do not meet the income and asset ceiling and minimum financial need requirements.

The number of students affected by SB 70 in the 2011-12 award year is provided in Tabs 2.b and 2.c.

#### **UC and CSU**

The University of California (UC) and the California State University (CSU) General Fund budgets were reduced an additional \$150 million for a total reduction of \$650 million each.

Tuition/Fee Increases

In response to the additional budget reductions, the UC Regents and the CSU Board of Trustees approved tuition/fee increases for 2011-12. The Cal Grant Program will cover the tuition/fee increases, although additional funding will be needed.

	2010-11	2011-12	Increase	% Increase	Cal Grant Program Cost Estimate
<b>UC</b>	\$ 11,124	\$ 12,192	\$ 1,068	9.6%	\$58.6 m
<b>CSU</b>	\$ 4,884	\$ 5,470	\$ 586	12.0%	\$30.4 m

Additional "Trigger" Reductions

The 2011-12 budget is predicated upon a \$4-billion assumption of higher revenues. However if those revenues are not achieved, up to \$2.5 billion in "trigger" cuts will occur. On December 15, 2011, as stipulated in Assembly Bill 121, the Department of Finance (DOF) shall certify whether the projected \$4 billion in additional revenues has been realized. DOF is required to choose between its own forecast and the Legislative Analyst's, whichever is higher.

If revenues do not come in as anticipated in the budget, both the UC and CSU budgets would be reduced by \$100 million each and the California Community Colleges' budget would be reduced up to \$72 million.

As noted in Tab 2.d, the "trigger" cuts will be based on the amount of revenues received and are not limited to higher education.

**CPEC**

The Governor also made a decision to eliminate all but a small federal portion of the California Postsecondary Education Commission (CPEC) with the following veto message:

*I am vetoing the California Postsecondary Education Commission's (CPEC) \$1 .9 million General Fund appropriation, and 19.1 positions. While I appreciate the importance of coordinating and guiding state higher education policy, I believe CPEC has been ineffective. I am requesting that the state's three public higher education segments, along with other higher education stakeholders, explore alternative ways to more effectively improve coordination and development of higher education policy. CPEC would continue to administer a component of the federal Improving Teacher Quality Grants Program in 2011-12. This action is consistent with my actions to reduce the cost of state operations and the size of state government through eliminations, consolidations, reductions, and efficiencies.*

### **Supplemental Report Language**

“On or before January 1, 2012, the Office of the Legislative Analyst shall submit a report to the Legislature that includes the recommendations of the Legislative Analyst with respect to the structure and duties of a statewide higher education coordinating body for California. In developing its recommendations, the Legislative Analyst may consult with the Assembly and Senate policy and budget committees, the Administration, the Postsecondary Education Commission (CPEC), the Student Aid Commission (CSAC), the Bureau of Private Postsecondary Education, the Superintendent of Public Instruction, the Chancellor’s Office of the California Community Colleges, the University of California, the California State University, and appropriate postsecondary education stakeholders. It is the intent of the Legislature that the report examine statewide coordination of educational institutions in other states, and identify effective policies, practices, and structures from these examples.”

### **Commission State Operations**

The 2011-12 Budget Act requires additional reductions in state operations for all agencies. Section 3.91 requires the DOF to reduce \$249,900,000 from the General Fund and \$152,000,000 from other funds. DOF notified staff that the Commission’s General Fund appropriation will be reduced by \$308,000.

Staff has been directed to provide DOF with a savings plan no later than August 26, 2011. The plan should include the steps the Commission will take to achieve the savings, with as much detail as possible. In order to determine if the Commission is meeting its target, the Commission must provide DOF with an update during the first full work week of each month, beginning in October, as to whether the Commission is on target to meet the reductions. This update shall also include a hiring summary for the preceding month.

Once DOF determines that the Commission’s plan is sufficient to achieve the savings, the Commission is no longer subject to the provisions of the Hiring Freeze. Currently, the Commission has four vacant positions. Two have been approved to fill and two have not.

The 2011-12 reduction comes on top of the Commission’s 2010-11 Section 3.91 budget reduction of \$591,000 and an additional reduction of \$512,000 and the elimination of 6 positions as part of a separate workforce cap requirement. The administrative overhead for the Commission is now at .7% or 7/10 of one percent of all funds administered by the Commission. A summary of the Commission’s operations budget is provided in Tab 2.e.

#### ***Responsible Person:***

Janet McDuffie, Chief  
Administration & External Affairs Division

**CALIFORNIA STUDENT AID COMMISSION  
2011-12 PROGRAM (LOCAL ASSISTANCE) BUDGET  
Budget Act  
(\$ in millions)**

PROGRAM	2010-11	2011-12		
	Budget *	Governor's Budget (May Revise)	Senate and Assembly Budget Committees	Total
<b>Cal Grants</b>				
Entitlement	\$1,187.1	\$1,286.2	\$0.0	\$1,286.2
Competitive	\$129.6	\$126.8	\$0.0	\$126.8
Cal Grant C	\$11.1	\$9.5	\$0.0	\$9.5
<b>Subtotal Cal Grants</b>	<b>\$1,327.8</b>	<b>\$1,422.5</b>	<b>\$0.0</b>	<b>\$1,422.5</b>
<b>Other Programs</b>				
APLE	\$37.3	\$38.7	\$0.0	\$38.7
CAL-SOAP	\$7.3	\$7.3	\$0.0	\$7.3
Chafee Foster Youth	\$12.9	\$12.9	\$0.0	\$12.9
BYRD	\$5.7	\$0.0	\$0.0	\$0.0
Grad APLE	\$0.2	\$0.2	\$0.0	\$0.2
Child Development	\$0.3	\$0.3	\$0.0	\$0.3
Law Enforcement	\$0.1	\$0.1	\$0.0	\$0.1
National Guard APLE	\$0.2	\$0.0	\$0.0	\$0.0
SNAPLE - NF	\$0.4	\$0.6	\$0.0	\$0.6
SNAPLE - NSF	\$0.0	\$0.0	\$0.0	\$0.0
CNG EAAP	\$3.0	\$3.0	\$0.0	\$3.0
Cash for College	\$0.2	\$0.2	\$0.0	\$0.2
John R. Justice	\$0.9	\$0.9	\$0.0	\$0.9
<b>Subtotal Other Programs</b>	<b>\$68.5</b>	<b>\$64.2</b>	<b>\$0.0</b>	<b>\$64.2</b>
<b>TOTAL LOCAL ASSISTANCE</b>	<b>\$1,396.3</b>	<b>\$1,486.7</b>	<b>\$0.0</b>	<b>\$1,486.7</b>

FUNDING SOURCES	2010-11 Budget *	Governor's Budget (May Revise)	Senate and Assembly Budget Committees	Total	Budget Act Adjustments	Final Budget
<b>Cal Grants</b>						
General Fund	\$1,216.5	\$1,202.0	\$171.9	\$1,373.9	(\$13.7)	\$1,360.2
Student Loan Operating Fund	\$100.0	\$42.3	\$0.0	\$42.3	\$20.0	\$62.3
Federal Trust Fund	\$11.3	\$6.3	\$0.0	\$6.3	(\$6.3)	(\$0.0)
Reimbursement	\$0.0	\$171.9	(\$171.9)	\$0.0	\$0.0	\$0.0
<b>Other Programs</b>						
General Fund	\$31.0	\$32.3	\$0.0	\$32.3	\$0.0	\$32.3
Student Loan Operating Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Federal Trust Fund	\$14.7	\$14.8	\$0.0	\$14.8	\$0.0	\$14.8
Reimbursement	\$22.8	\$17.1	\$0.0	\$17.1	\$0.0	\$17.1
<b>All Programs</b>						
General Fund	\$1,214.5	\$1,234.3	\$171.9	\$1,406.2	(\$13.7)	\$1,392.5
Student Loan Operating Fund	\$100.0	\$42.3	\$0.0	\$42.3	\$20.0	\$62.3
Federal Trust Fund	\$25.8	\$21.1	\$0.0	\$21.1	(\$6.3)	\$14.8
Reimbursement	\$22.8	\$189.0	(\$171.9)	\$17.1	\$0.0	\$17.1

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

**2011-12 Cal Grant Program**  
(as of July 16, 2011)

**New Cal Grant Offers by Program and SB 70 Affected School**

Program	Total Initially at SB 70 Affected School	At SB 70 Affected School	Taken Leave of Absence	Moved to non-SB 70 Affected School
<b>Entitlement</b>				
Cal Grant A	158	128	3	27
Cal Grant B	886	741	14	131
<b>Total</b>	<b>1,044</b>	<b>869</b>	<b>17</b>	<b>158</b>
<b>Competitive<sup>1</sup></b>				
Cal Grant A	606	572	2	32
Cal Grant B	1,039	901	13	125
<b>Total</b>	<b>1,645</b>	<b>1,473</b>	<b>15</b>	<b>157</b>
<b>Cal Grant C</b>	<b>804</b>	<b>804</b>	<b>0</b>	<b>0</b>
<b>All Cal Grants</b>	<b>3,493</b>	<b>3,146</b>	<b>32</b>	<b>315</b>

Segment Moved From	Segment Moved to					Total
	CCC	UC	CSU	ICU	PCC	
ICU	2					2
PCC	88	3	22	14	186	313
<b>Total</b>	<b>90</b>	<b>3</b>	<b>22</b>	<b>14</b>	<b>186</b>	<b>315</b>

<sup>1</sup> Includes only March Competitive Cal Grant Award offers

**Renewal Cal Grant Offers by Program and SB 70 Affected School**

Program	Total Initially at SB 70 Affected School	At SB 70 Affected School	Taken Leave of Absence	Moved to non-SB 70 Affected School
<b>Entitlement</b>				
Cal Grant A	147	142		5
Cal Grant B	602	591		11
<b>Total</b>	<b>749</b>	<b>733</b>	<b>0</b>	<b>16</b>
<b>Competitive</b>				
Cal Grant A	138	132		6
Cal Grant B	305	298		7
<b>Total</b>	<b>443</b>	<b>430</b>	<b>0</b>	<b>13</b>
<b>Cal Grant C</b>	<b>332</b>	<b>331</b>	<b>0</b>	<b>1</b>
<b>All Cal Grants</b>	<b>1,524</b>	<b>1,494</b>	<b>0</b>	<b>30</b>

Segment Moved From	Segment Moved to					Total
	CCC	UC	CSU	ICU	PCC	
ICU						0
PCC	17		2	4	7	30
<b>Total</b>	<b>17</b>	<b>0</b>	<b>2</b>	<b>4</b>	<b>7</b>	<b>30</b>

**2011-12 Cal Grant Program**  
**Renewing Cal Grant Recipients Disqualified due to Financial Criteria**<sup>1</sup>  
 As of July 16, 2011

Segment	Renewing Recipients		Amount (in millions)	
California Community Colleges	3,315	22%	\$4.7	5%
University of California <sup>2</sup>	3,938	26%	\$41.8	42%
California State University <sup>3</sup>	5,284	36%	\$28.1	28%
Independent Colleges and Universities	1,811	12%	\$17.9	18%
Private Career Colleges	536	4%	\$6.7	7%
<b>Total</b>	<b>14,884</b>	<b>100%</b>	<b>\$99.2</b>	<b>100%</b>

<sup>1</sup> Renewing recipients who do not meet the limits on household income and assets and/or financial need criteria.

<sup>2</sup> Tuition/fee awards at the University of California adjusted for the second fee increase, from \$11,124 to \$12,192.

<sup>3</sup> Tuition/fee awards at the California State University adjusted for the second fee increase, from \$4,884 to \$5,472.

***Financial Criteria Not Met***

Over income ceiling	13,253	89%
Over asset ceiling	1,168	8%
Financial need criteria not met	463	3%
<b>Total disqualified due to financial edits</b>	<b>14,884</b>	<b>100%</b>

## 2011-12 Budget Act "Triggers"

The 2011-12 budget is predicated upon a \$4-billion assumption of higher revenues. However if those revenues are not achieved, up to \$2.5 billion in "trigger" cuts will occur. On December 15, 2011, as stipulated in Assembly Bill 121, the Department of Finance (DOF) shall certify whether the projected \$4 billion in additional revenues has been realized. DOF is required to choose between its own forecast and the Legislative Analyst's, whichever is higher. The actual reductions will be based on the amount of revenues realized as shown in the chart below.

<b>Tier 0</b> <b>\$3 to \$4 billion</b>	<b>Tier 1</b> <b>\$2 to \$3 billion</b>	<b>Tier 2</b> <b>\$0 to \$2 billion</b>
<p>No additional cuts; any remainder rolled to the 2012-13 budget.</p>	<p>About \$600 million in cuts with any remainder rolled to the 2012-13 budget.</p> <ul style="list-style-type: none"> <li>• \$100 million to UC</li> <li>• \$100 million to CSU</li> <li>• \$100 million to In-Home Supportive Services hours</li> <li>• \$100 million to Department of Developmental Services</li> <li>• \$80 million to public safety programs</li> <li>• \$30 million to community colleges</li> <li>• \$23 million across-the-board to childcare funding</li> <li>• \$20 million to Department of Corrections and Rehabilitation</li> <li>• \$16 million to California State Library in library grants</li> <li>• \$15 million to Medi-Cal Managed Care</li> <li>• \$15 million to California Emergency Management Agency</li> <li>• \$10 million to Department of Social Services in anti-fraud grants</li> </ul>	<p>Up to \$1.9 billion in cuts in addition to the Tier 1 cuts, proportionate to revenues.</p> <ul style="list-style-type: none"> <li>• \$1.5 billion reduction to K-12 schools that allows districts to drop up to 7 classroom days, that would lower the required total to 168 days.</li> <li>• \$248 million to eliminate school bus transportation</li> <li>• \$72 million to community colleges</li> </ul>

All cuts would take effect Jan. 1, 2012, except for the school year reduction, which districts could impose starting Feb. 1, 2012.

**CALIFORNIA STUDENT AID COMMISSION  
2011-12 STATE OPERATIONS BUDGET  
Budget  
(\$ in thousands)**

	2010-11			2011-12
	Budget Act <sup>1/</sup>	Adjustments	Final Budget	Budget Act
<b>Personal Services</b>	\$ 9,456	\$ (1,054)	\$ 8,402	\$ 8,903
<b>Operating Expenses</b>	\$ 2,200	\$ 154	\$ 2,354	\$ 2,230
<b>TOTAL</b>	\$ 11,656	\$ (900)	\$ 10,756	\$ 11,133
<b><u>Funding Sources:</u></b>				
General Fund	\$ 10,560	\$ (926)	\$ 9,634	\$ 10,242
Student Loan Operating Fund	\$ 257	\$ (26)	\$ 231	\$ -
Federal Trust Fund (Cash for College)	\$ 263	\$ -	\$ 263	\$ 263
Reimbursements <sup>2/</sup>	\$ 576	\$ 52	\$ 628	\$ 628
<b>TOTAL</b>	\$ 11,656	\$ (900)	\$ 10,756	\$ 11,133

	2010-11			2011-12
	Budget Act <sup>1/</sup>	Adjustments	Final Budget	Budget Act
<b>Authorized Positions</b>				
<b>Permanent</b>	116.5	-6.0	110.5	108.5
<b>Temporary Help</b>	2.2	0.0	2.2	2.2
<b>TOTAL</b>	118.7	-6.0	112.7	110.7

<sup>1/</sup> 2010-11 budget does not include the \$1.2 million and 9 positions for the reestablishment of services previously provided by EdFund and now provided by ECMC

<sup>2/</sup> Reimbursements through interagency agreements with:  
 CA Department of Education for the Child Development Program  
 CA Department of Social Services for the Chafee Program  
 CA Military Department for the National Guard Education Assistance Award Program  
 CalEMA for the John R. Justice Program

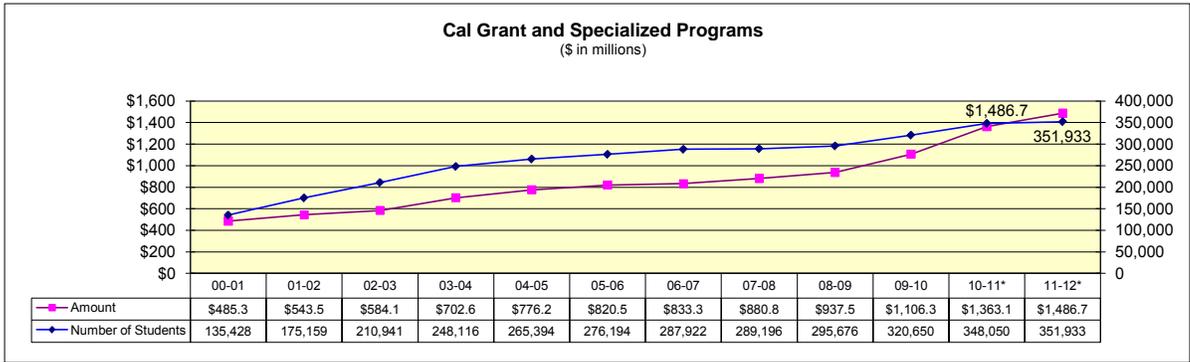
**Major Adjustments**

2010-11

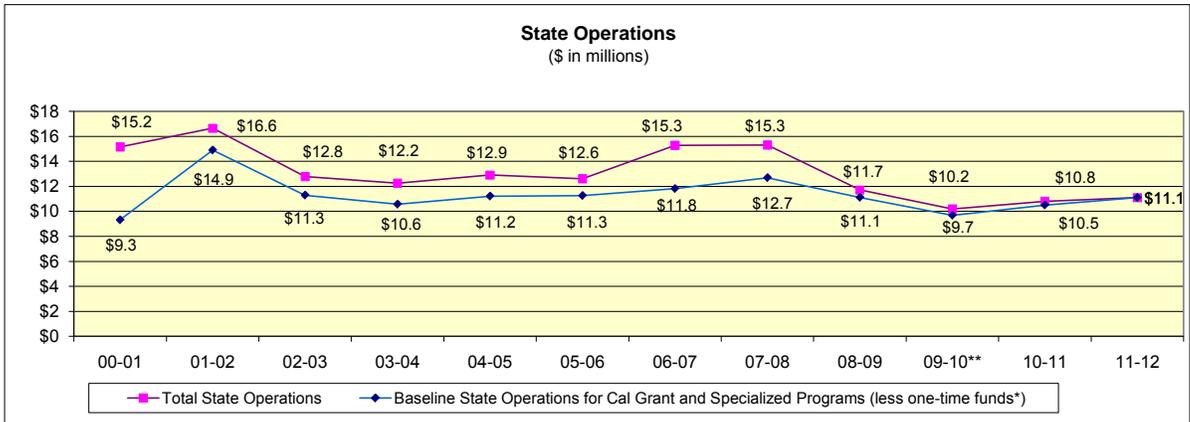
- Decrease due to workforce cap reductions
- Decrease due to statewide reduction of General Fund appropriations per Budget Act Section 3.91
- Increase for retirement and health benefits

2011-12

- Increase to restore salaries and benefits due to termination of furloughs as of November 2011
- Decrease due to the elimination of the Federal Policy and Programs Division staff except for the Chief
- Does not reflect the additional \$308,000 General Fund reduction per Budget Act Section 3.91



Percent Change from 2000-01 to 2011-12: Amount: 206% Number: 160%

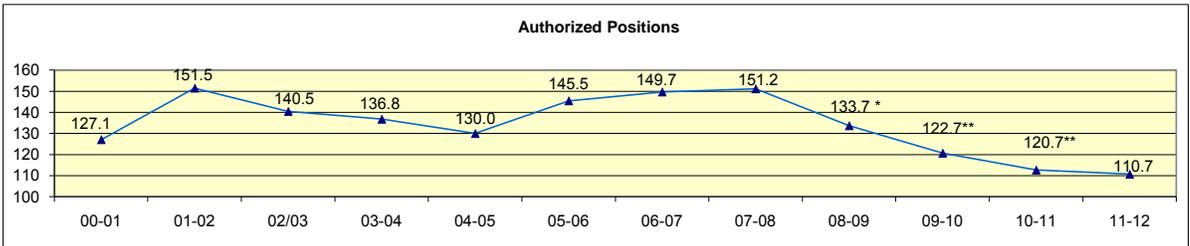


Percent Change from 2000-01 to 2011-12: Total: -27% Baseline: 19%

\*\*One-time funds\* include funding for the implementation of Cal Grant Entitlement Program (SB 1644), the tri-annual SEARS survey, Grant Delivery System Enhancements (including Real Time processing).

Administrative Overhead												
Fiscal Year	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12
Overall rate	3.0%	3.0%	2.1%	1.7%	1.6%	1.5%	1.8%	1.7%	1.2%	0.9%	0.8%	0.7%
Baseline Rate	1.9%	2.7%	1.9%	1.5%	1.4%	1.4%	1.4%	1.4%	1.2%	0.9%	0.8%	0.7%

Percent Change from 2000-01 to 2011-12: Overall: -61% Baseline: -76%



Percent Change from 2000-01 to 2011-12: Number: -13%

\* The reduction in positions in 2008-09 does not reflect the additional loss of 20 student assistants who were terminated on 6-30-08 due to budget reductions and Executive Order 09-08.

**Footnote: 2001/02 was the first year of Cal Grant Entitlement Program.**