

Action/Information Item

California Student Aid Commission

**Report on the 2009-10 State Budget and Discussion of the Governor's Line
Item Vetoes on the California Student Aid Commission's Programs and
Operations**

On July 28, 2009, the Governor signed revisions to the 2009-10 Budget. The following are the major changes to the Commission's budget:

Local Assistance:

- \$32 million from the Student Loan Operating Fund was authorized to cover a portion of Cal Grant costs with a corresponding General Fund reduction. The Cal Grant Program and all other Commission financial aid programs are intact and funded.
- Established the National Guard Education Assistance Award, a non-need based incentive program to encourage National Guard members of good standing to pursue higher education. The appropriations for this program were made to the Military Department which will direct the application process and select award recipients while the Commission is tasked with verifying eligibility and administering the funds to the recipients' respective institutions. Commission resources, personnel and operating funds, for administering the program will be provided through an as yet undecided Interagency Agreement with the Military Department.

State Operations (see Tab 1a):

- \$6,300,000 reduction to the Commission's administration budget.
- The Governor's veto indicated that \$4,300,000 is set aside to be restored contingent upon enactment of legislation that authorized the decentralization of the Cal Grant Program. The following is the Governor's veto language:

I am vetoing \$6,300,000 from the California Student Aid Commission, of which \$4,300,000 is set aside to be restored contingent upon enactment of legislation that authorizes the decentralization of the Cal Grant Program and other financial aid programs as warranted.

The \$2,000,000 difference represents savings that would be achieved through efficiencies resulting from the decentralization and other over-budgeting that currently exists. Under my January proposal, a proposal that was broadly supported by the higher education segments, the Student Aid Commission's intermediary role in approving awards will be largely eliminated. The proposal would establish colleges and

universities as the single point of contact for most students' financial aid needs. This change would significantly reduce the Student Aid Commission's General Fund operating costs on an ongoing basis and save money at the postsecondary segments by reducing double-handling of awards between the colleges and the Commission. This action illustrates my commitment to put the students first and to improve the efficiency of state government. I look forward to working with the Legislature on legislation that will better serve our students and the higher education segments.

- Approximately \$30,000 reduction to the augmentation for employee compensation. Each department is directed to absorb the amounts within their budget, so employees will receive full pay and benefits.
- Of the \$6.7 million remaining in the Commission's operation's budget, \$369,000 is available to support enhancement of the Grant Delivery System.
- Of the \$6.7 million remaining, \$850,000 is only available for the support of 7.0 auditor positions and 1.0 audit supervisor position for the purpose of conducting program compliance reviews for institutions participating in the Cal Grant Program and the Assumption of Loans for Education (APLE) and other specialized grant programs as deemed necessary by the Student Aid Commission, with the objective of auditing higher risk institutions once every three years. The Commission may also conduct compliance review of the Cal-SOAP.
- The balance of previously appropriated funds for the transition of support services provided by EdFund, about \$500,000, was reappropriated to the Commission; however all expenditures under this item must be first approved by the Department of Finance.

The Governor's vetoes are being challenged in a lawsuit by Senate Pro Tem Darrell Steinberg. Commission management's initial analysis on the impact of the \$6.3 million reduction is that there would be significant reductions in staff, operations, and services to students and schools if the Commission's operations budget is not restored.

Based on the Governor's veto message, if a decentralization bill is approved, \$4.3 million would be restored to the Commission's budget resulting in a \$2 million reduction. Currently, however, there is no proposed bill to decentralize the Cal Grant or other financial aid programs. Until the Commission's role under a decentralized system is defined, the impact of a \$2 million reduction on staff, operations, and services to students and schools cannot be determined.

Responsible Persons: Janet McDuffie, Chief of Administration and External Affairs
John Bays, Chief of Information Technology
Catalina Mistler, Chief of Program Administration and Services

California Student Aid Commission
2009-10 Operations Budget
(\$ in thousands)

TAB 1a

	2009-10 (SB 1)	Proposed 2009-10	
		Vetoed (AB 1)	Revised Total
Personal Services	9,903	TBD	TBD
Operating Expenses	3,633	TBD	TBD
TOTAL Operations Budget	\$ 13,563	\$ 6,330	\$ 7,233
<u>Funding Sources:</u>			
General Fund	\$ 12,623	\$ 6,330	\$ 6,293
Student Loan Operating Fund	\$ 514		\$ 514
Federal Trust Fund	\$ 130	\$ -	\$ 130
Reimbursements (Child Development & Chafee)	\$ 296	\$ -	\$ 296
TOTAL	\$ 13,563	\$ 6,330	\$ 7,233

Governor's Vetoes (July 28, 2009)

\$6,300,000 from the Commission's Operations Budget

\$4,300,000 is set aside to be restored contingent upon enactment of legislation that authorizes the decentralization of the Cal Grant Program.

\$30,000 augmentation for employee compensation. Employees will receive full pay and benefits, however, for each State agency the Governor augmented employee compensation and instructed each agency to absorb the cost. The amount for the Commission is approximately \$30,000.

Authorized Positions

132.5 full-time positions
2.2 temporary help positions
134.7 Total