

Action Item

California Student Aid Commission

Consideration of actions addressing the Commission's 2009-10 budget appropriation

Staff will provide an update at the Commission meeting.

For information, Tab 2.a provides talking points developed by staff and Commissioner Hernandez, describing the effects of the Governor's veto reducing the Commission's support budget by half. This document was discussed during the August 28, 2009 Programs, Planning and Budget Teleconference Committee Meeting.

In addition, Tab 2.b provides a summary of the Commission's statutory responsibilities for all of the programs it administers.

Responsible (Person(s)): Janet McDuffie, Chief
Administration and External Affairs

Catalina Mistler, Chief
Program Administration and Services

John Bays, Chief
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Governor Dismantles State's Financial Aid Delivery System

On July 28th, Governor Schwarzenegger vetoed half of the California Student Aid Commission (Commission) budget to administer the Cal Grant and other financial aid programs—reduced from \$13 million to \$6.7 million. The veto eliminates the programs and services the Commission provides to students, parents, teachers, high school counselors and college financial aid offices.

The Commission awards almost \$1 billion in Cal Grant and other financial aid to more than **330,000 students** enrolled in 423 public, private and for-profit colleges, universities and career technical schools statewide. The Commission is also the designated federal student loan guarantee agency for the State of California responsible for administering and overseeing over \$8 billion in loan guarantee volume annually.

In addition to administering the Cal Grant program, the largest need-based grant program in the nation, it also manages ten specialized federal and state scholarship, grant and loan forgiveness programs to foster youth, teachers, nurses and other populations.

The Commission partners with private organizations like College Access Foundation of California and the Los Angeles Area Chamber of Commerce, community-based organizations, high schools, and campuses. Through these partnerships the Commission provides financial aid awareness programs, conducts student financial aid workshops and offer private scholarships to first generation, low and middle-income high school students seeking college or career technical training.

Without additional appropriation, the Commission must legally reduce its operations from 104 positions down to 14 positions by January 2010 (8 of these positions must be auditors according to the Budget Act).

The governor's veto of the Commission leaves only 14 positions to serve more than **330,000 students** and parents while trying to distribute millions of dollars of financial aid. The governor's veto of the Commission budget will put the following programs and services for students and parents at risk.

Commission Services to Students at Risk:

- Delayed 2009-10 payments to over **330,000 students**
- Interactive Call Center and School Service Center closed to the tens of thousands of calls from students and family members requesting information about Cal Grant and other forms of aid
- Centralized Cal Grant Web-based internet system that provides real-time, 24/7 hour access to financial aid eligibility information will be dismantled. The State has invested \$17 million over the last decade for upgrades to real-time processing. Last year, this system identified and contacted 123,000 students who had submitted their FAFSA but had not submitted their GPA to be considered for a Cal Grant
- Unable to assist students in making school changes to allow them to receive their Cal Grant payments at their schools of enrollment. Last year, more than 20,000 school changes were handled efficiently through the statewide data system; because of enrollment caps and closed admissions at public universities for 2009-10, this service is even more taxed this year
- Over 500 statewide Cash for College workshops organized in partnership with local chambers of commerce, businesses and education and elected leaders from January to March 2010 will be affected. Last year over **26,000 students** were assisted in filing their FAFSAs and GPAs through these workshops
- Various financial aid awareness and assistance publications on available federal, state, institutional and private aid utilized by over one half million students, parents, counselors, teachers and outreach staff throughout California will not be disseminated

Financial Aid and Outreach Programs at Risk:

- Chafee Foster Youth Grant program (Commission administers on behalf of Department of Social Services)
- Robert C. Byrd Merit Scholarship (on behalf of California Department of Education)
- Three loan forgiveness programs for teachers and nurses
- Cash for College Scholarship program
- Child Development Supervisor Grant
- Cal-SOAP (16 regional projects that provide tutorial services to K-12 by college students)
- California Cash for College

Processes at Risk Beginning January 2010:

- Unable to invoice institutions for outstanding 2008-09 funds
- Unable to initiate 2009-10 Spring advances and Chafee Grant and loan assumption payments or other reconciled Cal Grant payments to students
- Unable to administer invoicing reimbursement process for loan auxiliary in a timely manner
- Unable to process nearly 3 million 2010-11 Cal Grant applications, Chafee Grant applications and teacher and nurse loan assumption agreements
- State of California will be unable to distribute over \$430 million in grant aid and loan assumptions for the remainder of the 2009-10 fiscal year. The Commission is the only state agency authorized to administer these funds

Exacerbating the Problem:

The Governor has proposed to immediately dismantle the Cal Grant delivery system by transferring the administration of these programs to colleges and universities severely challenged by state budget reductions. Dismantling California's centralized student financial aid system will:

- Permanently reduce student access to information about financial aid, resulting in fewer students attending college or receiving career technical education
- Eliminate early notification of Cal Grant award estimates to nearly **100,000 students** annually who would otherwise not know the Cal Grant significantly helps them afford college or career training
- Cause confusion and increased work for students and high school counselors by requiring that the student contact multiple institutions about the status of their award. The Commission operates as a 'one-stop' location for Cal Grant and other financial aid information
- Undermine the portability (award follows student, regardless of institution) of the Cal Grant by allowing it to become a campus-specific program
- Disable the administration of the Commission's ten specialized grant and loan forgiveness programs

Study in Progress at Risk:

- MDRC, a leading national research firm, College Access Foundation of California, and the Bill and Melinda Gates Foundation are partnering with the Commission's California Cash for College program in a five-year study to research college persistence for scholarship recipients versus non-recipients

**California Student Aid Commission
Statutory Responsibilities**

Commission

Item	Function	Legal Requirements
1	The Commission appoints the Executive Director and may employ other employees as deemed necessary to carry out its functions.	California Education Code §69513 Department of Personnel Administration Rules and Regulations State Personnel Board Rules and Regulations
2	The Commission is responsible for financial aid program administration, policy leadership program evaluation, and information development and coordination.	California Education Code §69522
3	The Commission consults with an advisory committee composed of students and representatives of postsecondary institutions. The commission shall submit the proposed changes to award selection procedures and selection criteria for public review and comment.	California Education Code §69517 Bagley-Keene Open Meeting Act Uniform Policies & Procedures for Commission Advisory Bodies
4	The Commission submits budget change proposals to the Department of Finance by September 15 of each fiscal year.	California Education Code §69518 Department of Finance Budget Letters

**California Student Aid Commission
Statutory Responsibilities**

Cal Grant Programs

Item	Function	Legal Requirements
5	<ul style="list-style-type: none"> ■ The Commission administers over \$967 million through the following Cal Grant programs: <ul style="list-style-type: none"> (a) Cal Grant Entitlement Programs (A and B) (b) California Community College Transfer Cal Grant Entitlement Program (c) Cal Grant Competitive Program (A and B) (d) Cal Grant C Program (e) Cal Grant T Program (f) Cal Grant Programs prior to SB 1644 ■ The administration of these programs includes, but is not limited to, the following: <ul style="list-style-type: none"> ▶ Developing policy and regulations ▶ Processing over 2 million FAFSA's and over 6.7 million GPA forms annually; 330,000 new and renewal awards; appeals; 20,000 school changes; disbursement and reconciliation of awards; tracking eligibility; withdrawing awards; auditing; and collecting funds ▶ Providing services and training to students, parents, and schools ▶ Maintaining and enhancing the Grant Delivery System ▶ Maintaining and enhancing WebGrants (for schools) ▶ Maintaining and enhancing WebGrants for Students (over 276,000 student accounts) 	<p>California Education Code §66021.2 §69430-69440 §69530-69547</p> <p>California Code of Regulations</p> <p>Budget Act</p> <p>State Administrative Manual</p> <p>Cal Grant Institutional Participation Agreement</p> <p>Cal Grant Manual</p> <p>Federal Laws and Regulations</p>

**California Student Aid Commission
Statutory Responsibilities**

Specialized Programs

Item	Function	Legal Requirements
6	<ul style="list-style-type: none"> ■ The Commission administers over \$61million through the following Specialized Programs: <ul style="list-style-type: none"> (a) Assumption Program of Loans for Education (APLE) (b) Graduate Assumption Program of Loans for Education (Grad APLE) (c) State Nursing Assumption Program of Loans for Education for Nursing Faculty (SNAPLE NF) (d) State Nursing Assumption Program of Loans for Education for Nurses in State Facilities (SNAPLE SNF) (e) National Guard Assumption Program of Loans for Education (NG APLE) (f) Law Enforcement Personnel Dependents Scholarships (LEPD) ■ The Commission administers the following Specialized Programs through Interagency Agreements with other State Agencies (as noted): <ul style="list-style-type: none"> (g) Chafee Foster Youth Program (Department of Social Services) (h) Child Development Teacher and Supervisor Grant Program (Department of Education) (i) Robert C. Byrd Honors Scholarship Program (Department of Education) (j) National Guard Educational Assistance Program (Military Department) ■ The Commission must continue to monitor participant compliance with the following Federal Program no longer funded: <ul style="list-style-type: none"> (k) Paul Douglas Teacher Scholarship Program ■ The administration of these programs includes, but is not limited to, the following: <ul style="list-style-type: none"> ▶ Developing policy and regulations ▶ Processing 15,000 applications, over 43,000 awards, appeals, disbursement and reconciliation of awards tracking eligibility, withdrawing awards, auditing, monitoring participant compliance, and collecting funds ▶ Providing services and training to students, parents, and school ▶ Maintaining and enhancing the Grant Delivery System, WebGrants and WebGrants for Students and other stand alone data systems 	<p>California Education Code §69517.5 §69519 §69612-69615.6 §69618-69619 §69750-69751.8 §69920-69628 §70100-70110 §70120-70129</p> <p>California Labor Code §4709</p> <p>California Code of Regulations</p> <p>Budget Act</p> <p>State Administrative Manual</p> <p>Federal Laws and Regulations</p> <p>Institutional Participation Agreements</p> <p>Interagency Agreements</p>

**California Student Aid Commission
Statutory Responsibilities**

Outreach Programs

Item	Function	Standards
7	<ul style="list-style-type: none"> ■ The Commission administers over \$7.5 million through the following Outreach Programs: <ul style="list-style-type: none"> (a) Cal-SOAP (16 consortia) (b) Cash For College (providing over 550 FAFSA completion workshops to over 26,000 students) (c) Community College Student Financial Aid Outreach Program (The Commission annually collaborates with existing CCC outreach programs to promote financial aid application deadlines) ■ The administration of these programs includes, but is not limited to, the following: <ul style="list-style-type: none"> ▶ Developing policy and regulations ▶ Establishing and maintaining partnerships with state, federal and public entities ▶ Processing applications; awards; disbursement and reconciliation of awards; auditing; and collecting funds ▶ Maintaining and enhancing stand alone data systems ▶ Processing private scholarships 	<p>California Education Code §69430-69440 §69560-69566 §69514.5</p> <p>Budget Act</p> <p>State Administrative Manual</p> <p>Federal Laws and Regulations</p> <p>Contracts</p>

**California Student Aid Commission
Statutory Responsibilities**

Federal Family Education Loan Program

Item	Function	Legal Requirements
8	<p><i>Establishment of an Auxiliary Organization</i></p> <ul style="list-style-type: none"> ■ The Commission established EdFund for the purpose of providing operational and administrative services for the participation by the commission 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: <ul style="list-style-type: none"> (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 to that act. ■ The Commission nominates and appoints the EdFund board of directors. ■ The Commission oversees the development and operations of EdFund in a manner that ensures broad public input and consultation with representatives of the financial aid community, colleges and universities, and state agencies. 	<p>California Education Code §69522-69529.5</p> <p>Federal Laws and Regulations</p> <p>Operating Agreement between the Commission and EdFund</p> <p>Budget Act</p> <p>State Administrative Manual</p> <p>Bagley-Keene Open Meeting Act</p>

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<p>9</p>	<p><i>Participation in the Federal Family Education Loan Program</i></p> <ul style="list-style-type: none"> ■ The Commission serves as a state student loan guarantee agency, pursuant to P.L. 94-482, and subsequent federal regulations and through a contract with the U.S. Secretary of Education. ■ The Commission is the designated state agency for receiving any federal funds for administrative costs and payments of insurance obligations. ■ The Commission has custody and control of the Student Loan Operating Fund and administers the contents of the Federal Student Loan Reserve in accordance with federal laws and regulations. ■ The Commission establishes the Loan Advisory Council to review the activities and policies of the Federal Family Education Loan Program and shall regularly advise the commission of its findings and recommendations. <ul style="list-style-type: none"> ▶ The Commission oversees a \$36 billion loan guarantee portfolio, over \$8 billion in new loan guarantees annually, a \$2.6 billion collection portfolio and over \$146 million in EdFund loan program expenses. 	<p>California Education Code §69760-69779</p> <p>California Code of Regulations</p> <p>Federal Laws and Regulations</p> <p>Operating Agreement between the Commission and EdFund</p> <p>State Administrative Manual</p> <p>Uniform Policies & Procedures for Commission Advisory Bodies</p>
<p>10</p>	<p><i>Sale of the State Student Loan Guarantee Program</i></p> <p>The Commission must cooperate fully with the Director of Finance and take all steps necessary to preserve the state student loan guarantee program assets deemed necessary or convenient by the Director of Finance.</p> <ul style="list-style-type: none"> ▶ Until the consummation of the sale or other transaction to maximize the value of the state student loan guarantee program to the state, all of the actions, approvals, and directions of the Commission affecting the state student loan guarantee program shall be effective only upon the approval of the Director of Finance. 	<p>California Education Code §69521-69521.11</p>

**California Student Aid Commission
Statutory Responsibilities**

Reports

Item	Function	Legal Requirements
11	<p>The Commission is required to submit the following reports to the Legislature and Governor:</p> <p>(a) Report on the institutions audited, the rate of noncompliance with each major program requirement, and the steps taken to address noncompliance due annually by September 30.</p> <p>(b) Review of the Competitive Cal Grant A and B Awards program and its priorities to gain a better understanding of early participation patterns and to determine the initial level of program effectiveness due annually by December 31.</p> <p>(c) Evaluation of the Cal Grant T Award program to determine the number of recipients who become employed as public school teachers due annually by November 1.</p> <p>(d) Report on the Cash for College Program detailing program data, expenditures, and the findings of an independent evaluation on the extent to which program goals have been met due annually by December 1.</p> <p>(e) Report regarding the number of participants, on the basis of sex, age, and ethnicity, in the loan assumption program for teachers (APLE) due annually by April 30.</p> <p>(f) The total number of loan assumption agreements offered by education level and institution; the number of loan assumption agreements paid out, by education level and institution; the number of loan assumption agreements that are redeemed, by year of service (year one through three); the annual and cumulative attrition rate of participants, by education level and institution regarding the State Nursing Assumption Program of Loans for Education (SNAPLE NF) due annually by April 30.</p>	<p>California Education Code</p> <p>§69437.7</p> <p>§69514</p> <p>§69529.5</p> <p>§69532</p> <p>§69551</p> <p>§69615.4</p> <p>§69618.8</p> <p>§69746.5</p> <p>§70108</p> <p>§70126</p> <p>Budget Act</p>

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<p>11</p>	<p>(g) The total number of state run facility employee participants (SNAPLE SNF), on the basis of sex, age, and ethnicity and the type of program of professional preparation they are attending or have attended and the numbers of participants who complete one, two, three, or four years of qualifying clinical registered nursing service, respectively due annually by April 30.</p> <p>(h) Report on Graduate Assumption Program of Loans for Education (Grad APLE), including the total number of warrants awarded, number of warrants allocated by education level of recipients, fields of study of applicants, and the number of warrants redeemed due annually by April 30.</p> <p>(i) Report on the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program, including the number of applicants and a measurement of student persistence and graduation rates over time due annually by December 31.</p> <p>(j) Report on the California Community College Transfer Cal Grant Entitlement Program, including the number of awards and the number of awards selected for verification of graduation from a California high school due annually by November 1.</p> <p>(k) Report on EdFund due annually by April 1.</p>	
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