

Action Item

California Student Aid Commission

Authorization to submit budget change proposals for the 2010 fiscal year
State budget

Enclosed is the Governor's policy direction for his proposed 2010-11 Budget. (Tab 3.a) The policy states that preliminary projections suggest the State will face significant shortfalls in 2010-11 and spending is likely to be further reduced. General fund spending will be limited to the same amount appropriated for 2009-10. General Fund Budget Change Proposals (BCPs) will not be reviewed or considered without prior approval of the Department of Finance. Non-General Fund BCPs and increased spending levels must be sustainable within the existing revenue structure of the fund source that supports the proposal.

In fiscal years 2008-09 and 2009-10 the California Student Opportunity and Access Program (Cal-SOAP) and Cash for College Program (CFC) were funded from the federal College Access Challenge Grant Program (Challenge Grant). In order to continue the Cal-SOAP and CFC programs, new funding authority will be needed in 2010-11. Therefore, staff is proposing the following 2010-11 BCPs to fund these programs and their current appropriation level:

- \$7.349 million for Cal-SOAP
- \$330,000 for Cash for College

Staff will propose to use any available federal resources to fund the Cal-SOAP and CFC programs. President Obama's 2010 proposed budget contains \$2.5 billion over five years for the College Access and Completion Fund to increase college graduation rates and close achievement gaps. In response to the President's budget, Congressman George Miller proposed the Federal Student Aid and Fiscal Responsibility Act of 2009 (H.R. 3221). H.R. 3221 would allocate 25 percent of the \$2.5 billion, which would basically double the funding for the Challenge Grant. However, in the absence of federal funding, other funding sources such as the Student Loan Operating Fund or General Fund should be considered.

BCPs must be submitted to the Department of Finance no later than September 14, 2009.

Recommendation: Authorize staff to submit to the Department of Finance the 2010-11 BCPs for Cal-SOAP and Cash for College programs.

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

BUDGET LETTER

	NUMBER: 09-23
SUBJECT: 2010-11 BUDGET POLICY	DATE ISSUED: August 12, 2009
REFERENCES: BL 09-12	SUPERSEDES: BL 08-23

TO: Agency Secretaries
 Department Directors
 Department Chief Counsels
 Department Budget Officers
 Department Accounting Officers
 Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter (BL) sets forth the Governor's policy direction for his proposed 2010-11 Budget. As a reminder, BL 09-12, issued April 15, 2009, outlines due dates, and the technical and procedural requirements for preparation of the 2010-11 Governor's Budget.

General Fund Cost Containment Must Continue during this Fiscal Crisis

Since Governor Schwarzenegger took office in November of 2003, he has proposed numerous measures to reduce the imbalance between revenues and expenditures. Even with those efforts, the deterioration of the state's revenues, brought on by the most severe fiscal crisis to face California in the state's history, has necessitated significant reductions in many programs as well as other measures to bridge a \$60 billion budget gap.

Preliminary projections suggest the state will still face a significant shortfall in 2010-11. Given this reality, program spending is likely to be further reduced. At best, General Fund spending for the upcoming budget year will be limited to the same amount appropriated for 2009-10 when the amended budget was enacted.

Therefore, no policy General Fund Budget Change Proposals (BCPs) that request an augmentation will be reviewed or considered for the January Budget without prior submittal approval of the Program Budget Manager. Only the most critical Enrollment, Caseload and Population (ECP) requests will be considered, as well as BCPs to address court mandates or conditions where any delay in funding would result in imminent, irreparable, and significant damage to the health or safety of persons or property in this state. Such requests must clearly explain why emergency funding has not been sought and why the funding cannot be delayed beyond 2010-11. All General Fund requests must be submitted with other General Fund reduction proposals that fully offset those costs, including proposed legislation to eliminate or reduce the entitlements for consideration with the ECP requests. BCPs to fund costs associated with court orders must include copies of the court orders and status of pending appeals.

Non-General Fund BCPs and increased spending levels must be sustainable within the existing revenue structure of the fund source that supports the proposal. To the extent that special fund revenue sources are also impacted by the recession, program reductions may be needed to keep funds solvent. An

exception might be considered if a revenue enhancement is proposed in conjunction with the spending increase. However, such a revenue enhancement would have to be a fee increase, and such an increase will only be considered if it is demonstrably supported by the affected industry or fee payers. To the extent a non-General Fund BCP directly or indirectly results in a negative impact to the General Fund, that BCP will be considered a General Fund BCP for review purposes and will be returned.

In recent years, most departments have endured multiple unallocated funding reductions and unfunded increased mandated workload. As a result, some departments are struggling to fulfill their statutory and regulatory requirements in an effective and timely way. Consequently, during this budget development period, and on the same schedule as BCP deadlines, departments may submit proposed statutory or regulatory changes that would result in decreasing their workload requirements and thus enabling them to more effectively administer their remaining mandates within their constrained budgets. Additional information on the guidelines for making such proposals will be included in a subsequent BL.

Proposed Statutory Changes

Pursuant to Government Code §13308, Finance must provide to the Legislature on or before February 1 of each year, all proposed statutory changes, as prepared by the Legislative Counsel, necessary to implement the Governor's Budget. Therefore, all BCPs requiring statutory changes must also include a copy of the proposed legislation, approved through the normal proposed legislation process. Finance will submit any approved language to the Legislative Counsel.

Comprehensive Budget Development Process

The Government Code and the Budget Act require the Governor's Budget development process to be as comprehensive as possible, and any subsequent adjustments may only be made to meet critical and unanticipated needs. As already mentioned, the January budget is not expected to include any policy proposals, except those related to budget reductions and those fully meet the criteria stated above. Similarly, spring Finance Letters, due to the Legislature no later than April 1, will not be considered unless the aforementioned criteria are fully met. The May Revision changes to the Governor's Budget are due to the Legislature no later than May 14 and will encompass only additional and critical ECP adjustments and any necessary budget balancing proposals. Policy proposals that request an augmentation will not be accepted for May submission. They will be returned without review. Further instructions for the Spring and May processes will be issued after January 10.

Budget Change Proposal Form

Departments are reminded that the BCP form has a section for the date the BCP is submitted to the Legislature with space for a Finance supervisor's signature to attest to that submission. The purpose of this information is to improve the tracking of the "final" version of a department's BCP. This "final" version of a BCP is the only version to be made public unless disclosure is approved by the Governor's Office or made pursuant to a court order. Information contained in BCPs is an integral part of the Governor's Budget deliberation process. As such, a BCP is treated as a privileged and confidential working paper subject to the Governor's deliberative process privilege until the BCP reflects the Governor's final decision to include the BCP as part of his budget proposal to the Legislature. Disapproved BCPs and unapproved

versions of BCPs (i.e., those not released to the Legislature) are working papers subject to the Governor's privilege, and are not to be released except when the privilege is waived by the Governor's Office or pursuant to a court order. Questions about requests for confidential budget documents under the Public Records Act or litigation discovery requests seeking confidential budget documents should be directed to department legal staff, and, if necessary, by department legal staff to Finance legal staff. Any department that violates this direction will be banned from submitting any BCPs in the following fiscal year.

Departments must use the latest form for submittal of BCPs with the 2010-11 Governor's Budget. The BCP form can be found on the Finance public website: <http://www.dof.ca.gov/Budgeting/Forms>

If you have any questions, please contact your Finance budget analyst.

/s/ Michael C. Genest

MICHAEL C. GENEST
Director