

Action /Information Item

California Student Aid Commission

Consideration of Concepts for Budget Change Proposals for the 2009-10 State Budget

Commission staff are proposing the following 2009-10 Budget Change Proposal (BCP) concepts for consideration. These requests reflect critical priorities within the Commission. Additional information regarding each concept is enclosed.

- \$446,024 in General Funds (GF) for increased lease costs
- \$379,690 in GF and 4 positions to address increased workload in Program Compliance
- \$186,239 in GF to renew software maintenance that were not renewed due to budgetary reductions
- \$213,000 in GF and 2 positions for supporting the Grant Delivery System (GDS) at the Department of Technology Services
- \$24,848 in GF to build a disaster recovery site for the Grant Delivery and WebGrants systems
- \$172,000 in GF, two full-time positions and 3 part-time student assistants to support the increased workload in the Specialized Programs Branch
- \$142,800 in GF and 8 half-time positions in Student Support Services to efficiently match staffing levels with extreme call volume and supporting workload and backlog
- Amount to be determined for the transition of loan program compliance from EdFund to the Commission
- \$4,808,000 in GF and 28 positions to fully fund services previously provided by EdFund

All BCP Concepts approved by the Commission must be developed into formal Budget Change Proposals and submitted to the Department of Finance no later than September 12, 2008.

Recommendation: Approve the BCP Concepts and authorize staff to submit 2009-10 BCP's to the Department of Finance.

Responsible Staff: Janet McDuffie, Chief
Administration and External Affairs

**CSAC Staff Summary
2009-10 Budget Change Proposal Concept
Increase in Lease Costs**

Proposal:

Request on-going funding of \$446,024 for the increase in yearly lease costs associated with the Commission's new facility, for total annual lease-related funding of \$1.3 million.

Discussion:

In May of 2007, the Governor proposed the sale of the state student loan guarantee program assets. The sale was expected to occur in 2007-08, but has been delayed for up to two years. Prior to the Governor's announcement in May 2007, the Commission and EdFund planned to move to a new site with adjacent buildings. This was both necessary and cost efficient given the need to continue to work closely in administering the FFEL Program and for EdFund to continue to provide core services to the Commission.

Due to delays in obtaining approval to move forward on space planning, the Commission had to move staff from another building for which the lease expired in August 2008. This interim move was not initially funded, but did result in no increased lease costs for 2008-09. The Commission is still awaiting direction as to how the second move, in April 2009, will be funded.

The Governor's proposed 2008-09 budget included \$1.8 million for transition costs associated with the sale of the state student loan guarantee program assets. However, due to the delay in the sale, the Governor's May Revision shifted the \$1.8 million from transition costs to cover the Commission's move-related expenses, including \$1.35 million for the one-time costs associated with the Commission's move to a new facility and other expenses associated with relocation of the Commission or any other costs deemed necessary by the DOF, and \$450,000 in on-going funds for increased lease and telephone system costs. The Legislative budget committees have proposed reducing the funding for one-time move costs to \$1.01 million and shifting the remaining funds to the Commission's budget. In making the recommendation to the Legislature, the Legislative Analyst's Office indicated that since the increased lease costs would occur in 2009-10, it would be appropriate to submit a budget change proposal to request additional resources for lease costs.

Fiscal Impact:

Increase to the General Fund in the amount of \$446,024.

**CSAC Staff Summary
2009-10 Budget Change Proposal Concept
Increased Workload in Program Compliance**

Proposal:

Request \$379,690 and 4 Associate Management Auditor positions to conduct audits of Cal Grant institutions.

Discussion:

The Commission is responsible for the effective oversight and efficient administration of authorized Federal and State financial aid programs. This includes ensuring program integrity through compliance audits and reviews of the institutions participating in the Commission's programs. Institutions participating in the Cal Grant Program, Specialized Programs and Cal-SOAP are monitored through the Commission's Program Compliance Office (PCO). The current staffing level limits these reviews to once approximately every nine years for Cal Grant and once every three years for Cal-SOAP.

The Commission's ability to conduct compliance audits and reviews since May 1991 has been limited by the availability of both funding and staff. An internal audit conducted by Department of Finance (DOF) auditors on the Commission's new applicant eligibility procedures for the Cal Grant Program, resulted in a finding that the low frequency of audit reviews of participating institutions is concerning especially since the Commission relies on them to verify Cal Grant eligibility. DOF recommended that to maximize the use of its limited resources, the PCO should consider using a more risk-based approach in selecting the participating institutions (PI) and student records for audit. Additionally, the current audit program could be used for high risk PIs, while a more streamlined audit program that focuses on the most common areas of non-compliance could be developed for lower risk PIs. PCO has implemented a focused audit review program, but recent budget reductions have resulted in the loss of two auditor positions negating the benefits of focused audits.

During the past five fiscal years (2003-04 through 2007/08) the Program Compliance auditors returned to the State General Fund in findings the amount of \$4,569,667.56. Without comprehensive and timely audits and reviews, there is an innate risk that State funds could be subject to waste, loss and misuse. Regular audits and reviews of participating institutions will aid as a deterrent to the incorrect application of program requirements and fraud. Denial of additional staff and funds to perform audits and reviews could result in funds being disbursed to ineligible students; funds not being returned to the Commission even if they are not disbursed at the participating institution would; incorrect student information going undetected; and the integrity of the Commission's Cal Grant programs being jeopardized.

Fiscal Impact:

Increase to the General Fund in the amount of \$379,690.

**CSAC Staff Summary
2009-10 Budget Change Proposal Concept
Software Maintenance Renewal**

Proposal:

Request \$186,239 to renew maintenance on licensed software products.

Discussion:

The Commission's Information Technology Services (ITS) division has the responsibility for maintaining and supporting all software in use or in support of Commission systems. ITS currently supports software for more than 20 servers, 150 desktop machines, varied network systems, data connections, telephony services, automated call distribution, Interactive voice response systems, and imaging systems among others.

As a result of budget reductions (the 10% across-the-board cut, which equates to \$1.6 million for the Commission) and due to the proposed sale of the state student loan guarantee program assets, the Commission was forced to propose that it not renew critical software during Budget Year 2008-09 to reduce expenditures. Furthermore, the Commission did not begin negotiations for renewal of its Microsoft Enterprise Agreement which will expire on July 31, 2009. The current Enterprise Agreement leverages the Commission's relationship with EdFund, affording the Commission access to services that are not typically afforded to an agency the size of the Commission. The Commission has been working to determine the appropriate Microsoft renewal/upgrade path in the event of the sale. As a result, the Commission has many software products in use that are not supported by vendors.

The non-renewed software products are commercially supported products. The Open Source equivalents (software for which the source code is made available under a copyright license that permits users to use, change, and improve the software, and to redistribute it in modified or unmodified form), where applicable, do not offer the required features or support needed. Continuing to operate without maintenance leaves the Commission susceptible to future failures.

Non-maintained software is vulnerable to newer security exploits. The Commission would not be able to take advantage of new features or enhancements. The potential exists that a software bug could render the software inoperable, severely impacting the Commission's ability to provide services to its end users negating the short term cost savings.

Fiscal Impact:

Increase to the General Fund in the amount of \$186,239.

**CSAC Staff Summary
2009-10 Budget Change Proposal Concept
Grant Delivery System Support
for DTS Location**

Proposal:

Request \$213,000 and two positions to support the Grant Delivery System while located at the Department of Technology Services.

Discussion:

The Information Technology Services (ITS) division has the responsibility for maintaining and supporting the Grant Delivery System (GDS) at the Department of Technology Services Gold Camp Campus data center 24 hours per day. GDS is a complex system that has significant system administration, security, network, and hardware workload associated with it. During FY 2007-08 the Grant Delivery System was moved from the EDFUND data center to the DTS data center in preparation for the sale of EDFUND proposed in the Governor's 2007-08 Budget. Last year the Commission submitted a Budget Change Proposal (BCP) to transition services from EDFUND to CSAC. Included were two additional ITS staff to specifically deal with the transfer of 24X7 support of Grant Delivery System from EDFUND to CSAC. However, only one of those positions was included in the Governor's January budget and this position was not subsequently included in the Governor's May Revision. Workload issues were further exacerbated by an additional loss of one position from the Customer Support Branch due to budget cuts. Mission-critical systems and network administration workload has exceeded ITS' capacity to provide effective 24X7 monitoring, support, upgrading, troubleshooting and GDS systems recovery. Existing services from EDFUND are minimal for GDS coverage and puts the Commission's system at risk. Systems have not been upgraded in over a year and ITS currently has no expertise on the storage area network and little remaining experience on backup and recovery system.

This proposal is necessary because current workload exceeds existing capacity. Sufficient expertise in the Linux operating system, storage area network, firewall support, intrusion detection systems, and GDS backup and recovery systems is lacking. Available staff to redirect to these duties is limited, because the duties require highly technical skills that may take years to attain.

Fiscal Impact:

Increase in the General Fund in the amount of \$213,000.

**CSAC Staff Summary
2009-10 Budget Change Proposal Concept
Disaster Recovery Site for GDS and WebGrants**

Proposal:

Request \$24,848 in one-time funds to construct an information technology system disaster recovery site.

Background/History:

The Commission hosts the Grants Delivery and WebGrants infrastructures at the Department of Technology Services. This site also serves as a pseudo disaster recovery site, sharing common infrastructure with the Commission's production systems. Currently, the Commission has a single Dell 6850 server designated as a disaster recovery box for the Grant Delivery Systems. All other required infrastructure needed to recover the system and make it available to the Commission's customers is shared with devices at the Department of Technology Services. The Commission does not have a dedicated infrastructure for Disaster Recovery. In the event of a disaster at the Department of Technology Services, the potential exists that the Commission may not be able to recover the Grant Delivery or WebGrants systems.

The Commission has twice had to use the current server designated as the disaster recovery box to continue operations of the Grant Delivery System: once while the GDS systems was moved from EdFund to the Department of Technology Services and once as a result of a Storage Area Network (SAN) failure that corrupted the database. The disaster recovery box has proven to be a vital to the continuance of GDS services.

Disaster recovery environments should be separate from production and have the required infrastructure to support it. Shared location and infrastructure create potential issues for the Commission. If the Commission continues to host its Disaster Recovery systems on shared production infrastructure, in the event of a true disaster the Commission will be unable to recover the Grant Delivery and WebGrants Systems. New hardware/software/service components will be required to build the disaster recovery site.

Fiscal Impact:

Increase to the General Fund in the amount of \$24,848.00.

CSAC Staff Summary
2009-10 Budget Change Proposal Concept
Increased Workload in Specialized Programs

Proposal:

Request \$172,000 and two Program Technicians and three part-time State student assistants to support increased workload in the Specialized Programs Branch.

Discussion:

The Commission's Specialized Programs Branch processes program applications, selects, maintains and tracks participant records (through their final year of program eligibility, which can last 10 years or more), and processes loan assumption, scholarship, and grant payments for ten unique financial aid programs.

The combination of the increased number of new participants, increased workload due to new legislative provisions and e-mail, and additional distribution requirements continue to leave the Specialized Programs Branch inadequately staffed to effectively administer all the Specialized Programs.

11.5 positions are currently assigned to the Specialized Programs Branch. Overtime (at the equivalent of an additional 3 positions) is required to keep up with the workload. The current staff is not sufficient to handle the current workload and the anticipated increase in the program workload. The consistent use of overtime is creating a conflict with the employee's union. As new participants move into the renewal, tracking and payment phases of the programs, the number of personnel needed to process the workload increases.

The Governor's FY 2008-09 budget continues to support the acceptance of new participants for eight of the ten Specialized Programs. The need for teachers, daycare providers, and nursing faculty, and the support for a variety of preparation programs emphasize the need for expeditious processing when these professionals redeem their benefits.

Without additional staffing to ensure the increased workload is processed and the elimination of the current backlog, these critical Specialized Programs will continue to experience poor customer service, increasing workload backlog, increasing complaints to elected officials, and increasing risk as the State fails to meet its contractual obligations among the loan assumption programs. In addition, employee issues will emerge related to workplace stress from workload demands in excess of staff resources.

Fiscal Impact:

This request would increase the General Fund by \$172,000.

CSAC Staff Summary
2009-10 Budget Change Proposal Concept
Increase Staff in Student Support Services

Proposal:

Request \$142,000 and the equivalent of 4 full-time Program Technicians to improve service to students and parents.

Discussion:

The Commission's Program Administration and Services Division's (PASD) Customer Service Branch requests funding and positions to provide approximately 6,000 hours of intermittent help to assist with customer service for students, parents, high school counselors, and individuals interested in the Commission's financial aid programs through its Customer Service Branch. Annually, the Commission processes over 1,773,600 Free Application for Federal Student Aid (FAFSA) applications; and offers over 311,318 awards for the Cal Grant programs alone, not including all the awards made for the 10 Specialized Programs. Additionally, the Commission communicates with many of these students and others who are interested in the Commission's programs or have questions about their application/award status.

Currently, the Call Center has 6 Program Technicians, 1 Management Services Technician, and 3 Associate Financial Aid Analysts. Due to the State's current budget crisis and the proposed sale of EdFund, the Commission's student assistant contract was not renewed and all student assistants were terminated by the end of June 2008. In July, *if* there was an available phone port open for a customer (calls were backlogged and all ports were full most of the month), the customer had to wait an average of 25.5 minutes for the call to be answered. The current call abandon rate is 37 percent. Additionally, there is a current backlog of 800 pending e-mails and more than 250 pending appeals. Therefore, correspondence from students and parents forwarded by the Governor's office is difficult to complete in a timely manner.

During 2007, the Call Center relied heavily on 12 student assistants who each worked approximately 20 hours per week (12,000 total hours) and answered 60 percent of the calls received. With the assistance of these students, Call Center staff was able to answer 91 percent of the total calls received, which equates to 149,638 calls, as well as respond to 13,218 e-mails and 397 appeals.

Without sufficient staff to answer all calls, particularly during peak seasonal and daily calling periods, the increase in the abandoned call rate and backlogged work will continue to grow and have a negative impact on the Commission's ability to provide the very basic and necessary financial aid information to needy students

Due to the length of time it takes to train new staff on complicated Commission programs, in order of them to fully learn and accurately and efficiently communicate to our customers, best practice would be to have permanent staff answer customer's calls. Temporary measures are inefficient. Student Assistant's schedules change each school term, making it difficult to retain trained staff and have them available to fill our needs. Employing student assistance results in a constant turnover and a great deal of time spent training as well as making temporary staff reassignments which leads to work backlogs in the other areas.

Fiscal Impact:

This request would increase the General Fund by \$142,000.

**CSAC Staff Summary
2009-10 Budget Change Proposal Concept
Transition of Loan Program Compliance from EdFund
to the Commission**

Proposal:

To be determined.

Discussion:

This item will be developed based on the Commission's decision regarding Tab 11.

Fiscal Impact:

To be determined.

CSAC Staff Summary
2009-10 Budget Change Proposal Concept
Transition of Workload from EdFund to Commission
(Including Imaging Replacement)

Proposal:

Request \$4,808,000 and 28 new positions to transition services provided by EDFUND to the Commission.

Discussion:

The Administration proposes to sell the state student loan guarantee program assets, including EDFUND, to generate revenue for the State. Upon the sale of these assets, the Commission must be self-sufficient as it will no longer be able to rely upon the services currently provided by EDFUND. The Commission is requesting funding and 28 new positions to provide the resources necessary for the Commission to fully re-establish functions in business operations, technology services, research, communications, training/outreach, program compliance, and security and risk management that have been provided by EDFUND.

In 1997, the Commission was authorized to create a nonprofit auxiliary, EDFUND, for the purpose of providing services related to the Commission's participation in the FFEL Program. Since its establishment, EDFUND has provided administrative support for many of the Commission's functions, which includes business services, technology services, research, institutional training, and outreach. These services support the Commission's efforts to provide information to students, parents, high schools and colleges on the Commission's Cal Grant (Cal Grants A, B, C, and T) and Specialized Programs (California Chafee Foster Youth Grant, Assumption Program of Loans for Education [APLE], State Nursing APLE, National Guard APLE, Robert C. Byrd Honors Scholarships, Child Development Grants, Law Enforcement Personnel Dependent Grants, and Gear-Up Scholarship). EDFUND's services have also been instrumental in providing award notices to students and ensuring the timely delivery of award payments.

The Commission and the State have benefited from the collaboration by the Commission and EDFUND. EDFUND has provided services at cost. The sale of the state student loan guarantee program assets requires that those services be provided solely by the Commission, with the State's General Fund bearing the entire cost.

Without the resources necessary for the continuation of the essential functions noted above, the Commission cannot provide needed services to students, parents and schools, and will not be able to provide timely awards and payments to students.

Fiscal Impact:

This request would increase the General Fund by \$4,808,103.