

Information Item

California Student Aid Commission

Legislative Update and Report on the State Budget and its Effect on the Commission and Commission Programs

Legislative Update

The second half of the 2007-08 Legislative Session began on January 7, 2008, and ended on August 31, 2008. The Legislature had until that date to pass bills, and Governor Schwarzenegger had until September 30th to sign or veto them. On August 6, with a budget bill still outstanding, the Governor announced to the Legislature that he would veto all bills, with few exceptions, if passed to him prior to a budget bill. A budget bill was sent to the Governor on September 20 along with over 800 regular-session bills, allowing the Governor only ten days to review the mammoth package. An end-of-the-Session summary of Commission bills is included on this tab, and bill summaries, graph, and legislative committee list follow.

Chaptered:

- SB 1158 (Scott) *Student Financial Aid: Assumption Program of Loans for Education* passed both houses and was signed by the Governor on September 28th. Commission Position: Support
- SB 1621 (Ashburn) *Nursing Education* passed both houses and was signed by the Governor on July 22nd. Commission Position: No official position taken
- AB 638 (Bass) *Student Financial Aid: California Physician Assistant Loan Assumption Program* passed both houses and was signed by the Governor on September 30th. Commission Position: No official position taken
- AB 2260 (Higher Education Committee) *Student Financial Aid: Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program* was signed by the Governor on August 1st. Commission Position: Sponsored

Vetoed:

- SB 1301 (Cedillo) *Student Financial Aid: Institutional Financial Aid Eligibility (The California Dream Act)* passed both houses but was vetoed by the Governor. Commission Position: Support
- SB 1355 (Corbett) *Postsecondary Education: Private Student Loans* passed both houses but was vetoed by the Governor. Commission Position: Support

Failed:

- SB 1219 (Cedillo) *Student Financial Aid: Member and Former Members of the Armed Forces* was held in Senate Appropriations. Commission Position: Support

- SB 1656 (Romero) *Student Financial Aid: Assumption Program of Loans for Education* was held in Senate Appropriations. Commission Position: Support
- SB 1752 (Wyland) *California National Guard Education Assistance Award Program* was held in Senate Appropriations. Commission Position: No official position taken
- AB 2082 (Salas) *Student Financial Aid: Military Service* was held in Senate Appropriations. Commission Position: Support
- AB 2083 (Nunez) *Student Financial Aid: Institutional Financial Aid Eligibility* (Dream Act companion bill) was held in the Senate. Commission Position: Support
- AB 2365 (De La Torre) *Cal Grant B Awards: Award Amount* was held in Assembly Appropriations. Commission Position: Support

CSAC staff has received assurances from authors that they will continue to pursue a Military Entitlement Cal Grant and increased Access costs (books, supplies, and living stipend) in the next Legislative session.

Report on the State Budget and its Effect on the Commission and Commission Programs

The 2008-09 State Budget was approved by the Governor on September 23, 2008. The following enclosures provide high level summaries of the changes to the Commission's 2008-09 budget made by the Legislature during the final negotiations on the budget and through the Governor's line item veto authority:

- Tab 2.b.1 – Summary of Final Budget Changes made by the Legislature and Governor to the Commission's 2008-09 Budget
- Tab 2.b.2 – State Operations
- Tab 2.b.3 – Programs (Local Assistance)

The good news in the 2008-09 budget is the continued funding for the Cal Grant Competitive Program and all other grant and specialized programs. This was, in part, achieved by the appropriation of \$24 million from the Student Loan Operating Fund for the Cal Grant Program. The Cal Grant Program received additional General Fund support to fund student fee increases at the State's public colleges and universities, as well as, to maintain the maximum Cal Grant award level (\$9,708) to students attending qualified independent and private colleges and universities. Cal-SOAP and the Cash for College Program each received funding from the Federal College Access Challenge Grant, although there were some late budget changes in the level of funding for both programs as noted in Tab 2.b.1.

Not totally unexpected given the Governor's proposal to reduce all General Fund state operations by 10 percent, the General Fund portion of the Commission's state operations budget was reduced from \$14,995,000 to \$13,527,000 (a difference of \$1,468,000 or 9.8%). However, included in the budget is \$1,010,000 designated for CSAC's move to its new facility next spring. This leaves a baseline budget of \$12.5 million compared to last year's baseline budget of \$13.9 million

The Student Loan Operating Fund portion supporting the Federal Policy and Programs Division (FPPD) was also reduced from \$1 million to \$500,000. This reduction leaves

minimal resources for conducting loan program and EdFund oversight. FPPD has six (6) funded positions to oversee EdFund whose operations include over 500 employees and an annual operating budget of approximately \$100 million; a \$32 billion loan guarantee portfolio; an increasing default portfolio; and the dynamic changes occurring in the federal student loan program.

Reports indicate that the State's 2008-09 budget is already out of balance and that revenue will be lower than anticipated. Thus, while still implementing the Commission's 9.6 percent budget reduction, CSAC management is also beginning discussions on the impact of additional budget reductions.

For example, the Governor has directed that Executive Order S-09-08 – freezing personnel and personal services expenses – be continued through 2008-09 for total statewide General Fund savings of \$340 million. Control Section 4.07 of the 2008-09 Budget Act requires an additional \$50 million in statewide General Fund savings in 2008-09. The Governor anticipates that \$200 million of this General Fund savings will be achieved in the course of business. However, agencies must achieve \$190 million in General Fund savings through reductions in state operations budgets. CSAC management was notified that its reduction target is \$145,000.

The Government Code was also amended as part of the budget negotiations to add Section 13312 which authorizes additional General Fund reductions in state operations of up to 7 percent given certain economic conditions.

As you may recall, CSAC management took steps in the last fiscal year to adjust to mid-year budget reductions and to plan the transition of employees and additional operational responsibilities in anticipation of the sale of EdFund. These changes combined with the 2008-09 budget reduction affected both personnel and operating expenditures.

CSAC management is committed to meeting the Commission's mission of making education beyond high school financially accessible to all Californians and made the delivery of the Cal Grant Program awards and payments a top priority when determining how to implement the budget reductions. However, all areas of the Commission's operations were impacted.

To achieve savings in the past year and to meet the budget reduction in the current year, CSAC management implemented the policies noted below in 2007-08. These policies remain in effect in 2008-09.

- Stepping down of Retired Annuitants and Student Assistants
- Reducing non-essential training and travel
- Using video or teleconferencing in lieu of travel
- Holding non-essential vacancies open
- Requiring Compensating Time Off (CTO) in lieu of paid overtime
- Enhancing the level of review of purchase orders (POs) and contract delegations (CDs)
- Returning all non-essential blackberry phones

CSAC staff provided information on the specific staffing losses and service changes resulting from the budget reductions and staff layoff plans at the Commission's June 26-27, 2008 meeting. Noted below are some of the most significant repercussions:

- The 2008-09 budget reductions have resulted in the Commission currently being able to fund only 128 positions out of its authorized 144 positions. This loss of permanent staff is significantly greater when taking into consideration the reductions in student assistants (32) and retired annuitants (13).
- Program Administration and Services Division (PASD) Call Center hours were reduced to Monday through Friday 1-5 pm.
- The loss of training staff significantly impedes the ability to provide in-person training to schools and Cal Grant workshops.
- CSAC no longer has staff to attend and provide financial aid information at institutional and community outreach events.
- The Grant Delivery System (GDS) was moved from EdFund to the state data center in anticipation of receiving additional resources that were not provided once the sale of EdFund was delayed creating new workload in the Information Technology Division (IT) at the same time IT lost staff.
- EdFund's move required a new phone system for the Commission, which EdFund agreed to provide. Some funding was provided for ongoing system costs, but no new staff was included in the budget for the maintenance of the system, which also added new IT workload.
- Reduced staff in both PASD and Information Technology has impaired the testing and implementation of changes needed in the GDS.
- Advisory Committees in-person meetings must be reduced to one a year with all other meetings to be held as teleconferences.

Adding to CSAC's already heavy workload is the move to a new facility next spring. While the budget includes \$1,010,000 for move costs, the planning and executing of the move must be done using existing staff. At its September 4-5, 2008 meeting, the Commission approved entering into a sub-lease with EdFund for Building B in order to avoid costs associated with the vacancy of Building B, and to increase the value of the state student loan program assets by establishing a long-term sub-lease for Building B. On October 1, 2008, the Director of the Department of Finance (DOF) sent a letter to the Commission that voided the Commission's action and indicated that the Commission should proceed with its planned relocation to the building at 10971 Sun Center Drive, Rancho Cordova. While some planning time was lost while awaiting the decision from DOF, CSAC staff continues to work with Department of General Services with the anticipated move date of around April or May of 2009.

The Executive Director met with all CSAC employees to provide information on the budget and to explain that no additional layoffs or service reductions needed to be implemented at this time. The Executive Director did caution the employees that mid-year budget reductions would require changes.

With the reductions in both staff and services, the synergies and support CSAC receives from EdFund are even more critical than ever to the delivery of awards and payments to student and schools. CSAC expects to receive the same level of service from EdFund until there is a sale or other transaction that separates CSAC and EdFund. EdFund management has indicated their commitment to do so. However, CSAC's frustration regarding EdFund's level of service is the "disconnect" between each organizations expectations. CSAC and EdFund agreed to several service level agreements (mostly for information technology services), but essential services are not being provided. For example, EdFund agreed to provide backup and maintenance for the GDS. EdFund has been reactive rather than proactive in providing that service. The GDS has had about six (6) system abnormal system failures since May, which could have had catastrophic results

but thankfully did not. EdFund has provided ad hoc reactive responses to these types of instances rather than on-going interactive maintenance and monitoring which could have prevented the system failures. It is not clear if EdFund will agree with CSAC on the level of service they should provide.

Responsible Persons:

Lori Nezhura, Legislative Liaison
Governmental Affairs Unit

Janet McDuffie, Chief
Administration and External Affairs Division

Catalina Mistler, Chief
Program Administration and Services Division

John Bays, Chief
Information Technology Division

SB 1158

AUTHOR: Scott (D)

TITLE: Student Financial Aid: Assumption Program

INTRODUCED: 02/06/2008

LAST AMEND: 07/03/2008

Summary: Expands educational loan assumption program eligibility to include up to 400 credentialed teachers who are teaching at or agree to teach at a public schooled ranked among the lowest two deciles on the Academic Performance Index. Deletes the authority to provide agreements to out-of-state teachers. Reduces district intern warrants from 500 to 100. Allows for leaves of absence in certain extreme situations.

Status: 09/28/2008 - Signed by Governor; 09/28/2008 - Chaptered by Secretary of State, Chapter No. 516

Commission Position: Support

Other Support: California Postsecondary Education Commission; California Teachers Association; Los Angeles County Office of Education; Public Advocates

Opposition: Office of the Secretary of Education

SB 1219

AUTHOR: Cedillo (D)

TITLE: Student Financial Aid: Member of the Armed Forces

INTRODUCED: 02/14/2008

LAST AMEND: 06/10/2008

Summary: Commencing with the 2009-10 award year, entitles a student who is a member or former member of the United States Armed Forces, and who enrolls at a CCC campus or in a qualifying certificate or degree program, to an Entitlement Cal Grant A or B award. Requires each person who receives a preliminary award to affirm, in writing, under penalty of perjury, that he or she meets specified requirements for eligibility in the program.

Status: 06/10/2008 – Held in Senate Appropriations

Commission Position: Support

Other Support: American GI Forum of California; Grossmont College Student Veterans Organization; Los Angeles Unified School District; Military Veterans Organization at UCLA; National Veterans Foundation; Student Veteran Organization at San Diego State University; Veterans Student Union, UC Irvine

Opposition: None

SB 1301

AUTHOR: Cedillo (D)

TITLE: Student Financial Aid

INTRODUCED: 02/20/2008

LAST AMEND: 08/31/2008

Summary: Called the "Dream Act." Requires that the California State University and the California Community Colleges, and requests that the University of California, establish procedures and forms that would enable AB 540 students to be eligible to receive institutional financial aid awards. Amended to eliminate fee waivers from consideration.

Status: 09/30/2008 - Vetoed by Governor

Veto Message: To the Members of the California State Senate: I am returning Senate Bill 1301 without my signature. I share the author's goal of making affordable education available to all California students, but given the precarious fiscal condition the state faces at this time, it would not be prudent to place additional demands on our limited financial aid resources as specified in this bill. For this reason, I am unable to sign this bill. Sincerely, Arnold Schwarzenegger

Commission Position: Support

Other Support: SB 1301 has received a broad base of support from K-12 districts, community college districts, community organizations, unions, policy and research organizations, and the private and public sector

Opposition: Californians for Population Stabilization

SB 1355

AUTHOR: Corbett (D)

TITLE: Postsecondary Education: Private Student Loans

INTRODUCED: 02/20/2008

LAST AMEND: 07/15/2008

Summary: Requires a public or private postsecondary educational institution to make specified disclosures related to private student loans in financial aid material. Requires institutions to distinguish private loans from federal loans in individual financial aid awards. For any private loan lender list, provide general information on the terms of the loan available through the lender, and to disclose the reason for each lender's inclusion on the list.

Status: 09/30/2008 - Vetoed by Governor.

Veto Message: To the Members of the California State Senate: I am returning Senate Bill 1355 without my signature. This bill would require public and private postsecondary education institutions to disclose specified information regarding the terms of private loans and federal loans in specified financial aid materials. However, recently enacted

federal legislation (H.R. 4137) makes changes to the Federal Family Education Loan program, requiring more comprehensive lender disclosures and consumer education of students and families than this bill, particularly as budgeting and financial management relates to student loan programs. The federal legislation also imposes new restrictions on private lenders and education institutions in order to address concerns related to unfair lending practices and conflicts of interest. Therefore, given the comprehensive nature of the federal reforms recently enacted, I am unable to sign this bill at this time. Sincerely, Arnold Schwarzenegger

Commission Position: Support

Other Support: California Faculty Association; California Postsecondary Education Commission; Faculty Association of California Community Colleges; The Project on Student Debt

Opposition: California Association of Private Postsecondary Schools; Department of Finance

SB 1621

AUTHOR: Ashburn (R)

TITLE: Nursing Education

INTRODUCED: 02/22/2008

LAST AMEND: 05/28/2008

Summary: Amends Education Code Section 70101 to require all SNAPLE-NF applicants to have completed, at minimum, a baccalaureate degree prior to entering into a loan assumption agreement. Prohibits a person currently teaching nursing at an accredited State college or university from entering into such agreement.

Status: 07/22/2008 - Signed by Governor; 07/22/2008 - Chaptered by Secretary of State, Chapter No. 183

Commission Position: None

Support: Aging Services of California; Board of Governors of the California Community Colleges; California Federation of Teachers; California Hospital Association; California Postsecondary Education Commission

Opposition: None

SB 1656

AUTHOR: Romero (D)

TITLE: Assumption Program of Loans for Education

INTRODUCED: 02/22/2008

LAST AMEND: 04/14/2008

Summary: Extends APLE eligibility to include otherwise qualified applicants who agree to teach full time at a school for juvenile offenders within a Division of Juvenile Justice (DJJ) facility of the Department of Corrections and Rehabilitation (DCR). Requires DCR to furnish the Commission with a list of schools and programs for juvenile offenders within facilities of the DJJ.

Status: 05/22/2008 – Held in Senate Appropriations

Commission Position: Support

Other Support: California Correctional Peace Officers Association; Youth Law Center

Opposition: None

SB 1752

AUTHOR: Wyland (R)

TITLE: National Guard Education Assistance Award Program

INTRODUCED: 02/22/2008

LAST AMEND: 04/22/2008

Summary: Creates the California National Guard Education Assistance Award Program, an award program for active members of the California National Guard, the State Military Reserve, or the Naval Militia who have served at least two years. Resembles the Cal Grant program but is not need-based. Adjutant General determines eligibility and the Commission delivers funding to the institutions. Requires the Legislative Analyst to report on this program to the Legislature on or before January 1, 2016. Sunsets on January 1, 2016, unless a later statute deletes or extends that date.

Status: 05/22/2008 – Held in Senate Appropriations

Commission Position: None

Support: National Guard Association of California

Opposition: None

AB 638

AUTHOR: Bass (D)

TITLE: Student Financial Aid: Physician Loan Assumption

INTRODUCED: 02/21/2007

LAST AMEND: 07/02/2008

Summary: Creates the Physician Assistant Loan Assumption Program to be administered by the Student Aid Commission for physician assistants who practice in medically underserved areas of the state. Requires the Commission to develop regulations. Requires an annual report by the Commission. Does not obligate the Commission to administer the program until operational funds are appropriated.

Status: 09/30/2008 - Signed by Governor; 09/30/2008 - Chaptered by Secretary of State, Chapter No. 628

Commission Position: None

Support: San Joaquin Valley College; The College of Allied Health Professions; United Nurses Associations of CA/Union of Health Care Professionals; University of California; University of Southern California

Opposition: None

AB 2082

AUTHOR: Salas (D)

TITLE: Student Financial Aid: Military Service

INTRODUCED: 02/19/2008

LAST AMEND: 07/01/2008

Summary: Grants selection priority to students serving in the National Guard with at least two years of service when awarding March 2, and September 2, Competitive Cal Grants. Allows for revision of the selection criteria. Requires that applicants receiving special consideration for that service receive a weighting not to exceed the least weighted disadvantage measure.

Status: 08/07/2008 – Held in Senate Appropriations

Commission Position: Support

Other Support: American Federation of State, County and Municipal Employees; California Faculty Association

Opposition: None

AB 2083

AUTHOR: Nunez (D)

TITLE: Student Financial Aid: Institutional Eligibility

INTRODUCED: 02/19/2008

LAST AMEND: 08/29/2008

Summary: Requires that the California State University and the California Community Colleges, and request that the University of California, establish procedures and forms that would enable AB 540 students to be eligible to receive institutional financial aid awards. Adds fellowships to list of eligible institutional aid.

Status: 08/29/2008 – Held in Senate Appropriations

Commission Position: Support

Other Support: AB 2083 has received a broad base of support from K-12 districts, community college districts, community organizations, unions, policy and research organizations, and the private and public sector

Opposition: Californians for Population Stabilization; Concerned Women for America of California

AB 2260

AUTHOR: Higher Education Cmt

TITLE: Postsecondary Education

INTRODUCED: 02/21/2008

LAST AMEND: 06/09/2008

Summary: Provides technical changes to Education Code Section 69437.6 to allow the consideration of college GPAs for Competitive Cal Grant B awards. It comes as a response to a 2007 DOF audit which found that the Commission is using college GPAs for Competitive Cal Grant B selection though existing law does not allow it. Repeals the statute authorizing a governing board of a community college district to contract out the operation of bookstores.

Status: 08/01/2008 - Signed by Governor; 08/01/2008 - Chaptered by Secretary of State, Chapter No. 235

Commission Position: Sponsored

Other Support: None

Opposition: None

AB 2365

AUTHOR: De La Torre (D)

TITLE: Cal Grant B Awards: Award Amounts

INTRODUCED: 02/21/2008

LAST AMEND: 03/24/2008

Summary: Increases the percentage of Cal Grant B recipients receiving tuition and/or fees in their first academic year beginning in the 2009-10 award year to 25% with step increases each year until 100% of Cal Grant B recipients would receive tuition and/or fees commencing with the 2012-13 academic year.

Status: 05/22/2008 – Held in Assembly Appropriations

Commission Position: Support

Other Support: American Federation of State, County and Municipal Employees; AFL-CIO; California Postsecondary Education Commission; California State Student Association; California State University; Latino Coalition for a Healthy California

Opposition: None

Legislative Update

2008 Bill Progression Through the Legislative Process

Tab 2.a.2

2008 Progression of Commission Bills Through the Legislative Process

Bills	Author	Subject	1st Policy Committee	1st Fiscal Committee	House of Origin Floor	2nd Policy Committee	2nd Fiscal Committee	2nd House Floor	House of Origin Concurrency (if necessary)	Governor's Signature and Chaptered	
SB 1158	Scott	APLE Changes									
SB 1219	Cedillo	Military Cal Grant									
SB 1301	Cedillo	AB 540 Access to Institutional Aid									
SB 1355	Corbett	Private Loan Disclosures									
SB 1621	Ashburn	SNAPLE Changes									
SB 1656	Romero	APLE Changes									
SB 1752	Wyland	CA National Guard Educ Assist Award									
AB 638	Bass	New Physician Assistants APLE									
AB 2082	Salas	Competitive Cal Grant Selection Changes									
AB 2083	Nunez	AB 540 Access to Institutional Aid									
AB 2260	Higher Ed Cmt	Competitive Cal Grant GPA Changes									
AB 2365	De La Torre	Cal Grant B Increase in Access Cost									

Supported
 Sponsored
 No Position

2008 Legislative Committees

Senate Appropriations Committee

Tom Torlakson, Chair
Dave Cox, Vice Chair
Sam Aanestad
Roy Ashburn
Gilbert Cedillo
Ellen M. Corbett
Bob Dutton
Dean Florez
Sheila James Kuehl
Jenny Oropeza
Mark Ridley-Thomas
George C. Runner
Joe Simitian
Mark Wyland
Leland Yee

Senate Education Committee

Jack Scott, Chair
Mark Wyland, Vice-Chair
Elaine Alquist
Jeff Denham
Abel Maldonado
Alex Padilla
Gloria Romero
Joe Simitian
Tom Torlakson

Senate Budget and Fiscal Review Committee

Denise Moreno Ducheny, Chair
Bob Dutton, Vice Chair
Elaine Alquist
Dave Cogdill
Tom Harman
Christine Kehoe
Alan S. Lowenthal
Mike Machado
Bob Margett
Alex Padilla
Gloria Romero
Darrell Steinberg
Mark Wyland

Joint Committee on Legislative Budget

Sen. Denise Ducheny, Chair
Sen. Dave Cogdill
Sen. Dennis Hollingsworth
Sen. Christine Kehoe
Sen. Bob Margett
Sen. Alex Padilla
Sen. Jack Scott
Sen. Tom Torlakson

Asm. John Laird, Vice Chair
Asm. Jim Beall
Asm. Julia Brownley
Asm. Anna M. Caballero
Asm. Michael Duvall
Asm. Mark Leno
Asm. Roger Niello
Asm. Mimi Walters

Senate Budget and Fiscal Review Subcommittee No. 1 on Education

Denise Moreno Ducheny, Chair
Bob Margett
Gloria Romero

2008 Legislative Committees

Assembly Appropriations Committee

Mark Leno, Chair
Mimi Walters, Vice Chair
Anna M. Caballero
Mike Davis
Mark DeSaulnier
Bill Emerson
Warren T. Furutani
Jared Huffman
Betty Karnette
Paul Krekorian
Doug La Malfa
Ted W. Lieu
Fiona Ma
Alan Nakanishi
Pedro Nava
Sharon Runner
Jose Solorio

Assembly Budget Committee

John Laird, Chair
Roger Niello, Vice Chair
Juan Arambula
Jim Beall
John Benoit
Patty Berg
Sam Blakeslee
Julia Brownley
Paul Cook
Hector De La Torre
Chuck DeVore
Michael Duvall
Bill Emerson
Noreen Evans
Mike Feuer
Jean Fuller
Mary Hayashi
Ed Hernandez
Bob Huff
Dave Jones
Paul Krekorian
Bill Maze
Gene Mullin
Ira Ruskin
Jim Silva
Sandré Swanson
Lois Wolk

**Assembly Budget Subcommittee
No. 2 on Education Finance**

Julia Brownley, Chair
Michael Duvall
Jean Fuller
Gene Mullin
Sandré Swanson

**Assembly Education Committee
(K-12)**

Gene Mullin, Chair
Martin Garrick, Vice Chair
Julia Brownley
Joe Coto
Mike Eng
Loni Hancock
Bob Huff
Betty Karnett
Alan Nakanishi
Jose Solorio

**Assembly Higher Education
Committee**

Anthony Portantino, Chair
Shirley Horton, Vice Chair
Juan Arambula
Jim Beall
Paul Cook
Cathleen Galgiani
Ira Ruskin

Summary of Final Budget Changes made by the Legislature and Governor to the Commission's 2008-09 Budget

State Operations:

- 10 Percent Budget Reduction:
The 2008-09 budget proposed by the Governor in January 2008 included a 10 percent reduction in General Funded state operations for all agencies. This amounted to a reduction of \$1,576,000 for the Commission. The Assembly and Senate Budget Subcommittees restored approximately half of that reduction. The Governor reinstated the reduction at \$1,468,000, leaving \$111,000 in the budget to fund ongoing telephone system and Department of Technology Services costs that were identified after the January budget proposal.

- Federal Policy and Programs Division:
With the delay in the proposed sale of the state's student loan program assets, the Governor and Legislature had restored \$1 million and 6 positions to fund the loan program and EdFund oversight responsibilities of the Federal Policy and Programs Division. However, the Governor reduced the funding to \$500,000 in the final budget. The Governor's veto message states:

"I am reducing \$500,000 from the Federal Policy and Programs Division (FPPD) to align funding with the FPPD's responsibilities and to preserve resources. The current funding level exceeds what is necessary to support the staff of the FPPD. Furthermore, any savings that can be achieved in the Student Loan Operating Fund will result in the program being more valuable and thus result in additional General Fund revenue upon the sale, or other transaction, involving EdFund that is authorized by Chapter 182 of the Statutes of 2007."

- Cash for College Program:
During final budget negotiations, the Legislature reversed its decision fund the Cash for College (CFC) Program (from the Federal College Access Challenge Grant) at \$410,000. The amount appropriated in the budget remains at \$130,000, as proposed by the Governor. CSAC staff is working with the CFC advisory committee to determine how to prioritize the appropriated funding and to search for alternative funding sources. The CFC workshops are critical to assisting students in completing the Free Application Financial Student Aid (FAFSA), one of the two required documents for a Cal Grant.

Programs (Local Assistance):

- Competitive Cal Grant Program:
Full funding for the Competitive Cal Grant Program was restored in the budget.

- Cal Grant Program:
\$24 million from the Student Loan Operating Fund has been appropriated to fund the Cal Grant Program.

**Summary of Final Budget Changes made by the Legislature and Governor
to the Commission's 2008-09 Budget**

- Cash for College and Cal-SOAP Program:
During the final budget negotiations, the Legislature reversed its decision to reject the Governor's proposal to dedicate \$1 million of the Federal College Access Challenge Grant funds for Career Technical Education (CTE) public awareness and outreach activities and approve \$500,000 for Cal-SOAP and \$500,000 for Cash for College to fund Cal-SOAP at \$6.849 million and Cash for College at \$830,000 in 2008-09. This change requires adjustments to the Cal-SOAP project funding allocations previously approved by the Commission as noted in Agenda Item 3.

Federal Family Education Loan Program:

- "Sale of EdFund":
AB 519 extended the statutes authorizing the proposed sale or other transaction of the state's student loan guarantee portfolio and certain related assets and liabilities of the student loan guarantee program from January 10, 1009 to January 10, 2011.
- Lender of Last Resort Loan Origination:
AB 519 also amended the California Education Code to allow loan origination or capitalization activities authorized pursuant to an agreement with the United States Secretary of Education for the lender-of-last-resort program. (Additional information is provided in agenda item 6.)

**California Student Aid Commission
2008-09 State Operations Budget
(\$ in thousands)**

	Budget Bill AB 88 As Approved By Legislature	Governor Vetoed	Budget Act
Personal Services	\$ 10,775	\$ (872)	\$ 9,903
Operating Expenses	\$ 4,857	\$ (307)	\$ 4,550
TOTAL	\$ 15,632	\$ (1,179)	\$ 14,453
<u>Funding Sources:</u>			
General Fund	\$ 14,206	\$ (679)	\$ 13,527
Student Loan Operating Fund	\$ 1,000	\$ (500)	\$ 500
Federal Trust Fund	\$ 130	\$ -	\$ 130
Reimbursements (Child Development & Chafee)	\$ 296	\$ -	\$ 296
TOTAL	\$ 15,632	\$ (1,179)	\$ 14,453

	Budget Bill AB 88 As Approved By Legislature	Governor Vetoed	Budget Act
Authorized Positions			
Permanent	144.5	0.0	144.5
Temporary Help	2.2	0.0	2.2
TOTAL	146.7	0.0	146.7

Governor Vetoed:

Unallocated Reduction

- Legislature proposed \$789,000 in lieu of the original 10% unallocated reduction of \$1,579,000. The Governor vetoed the Legislative actions and reduced the unallocated reduction by an additional \$679,000, which increased the unallocated reduction from \$789,000 to \$1,468,000. The Governor sustained the remaining \$111,000 for on-going telephone system and state data center costs.

California Student Loan Program

- The Legislature proposed \$1,000,000 from SLOF for the oversight of the federal loan program. The Governor reduced the funding for the oversight of the federal loan program from \$1,000,000 to \$500,000 on a limited-term basis to align funding with FPPD's responsibilities and to preserve resources. The Governor's veto message indicated that the current funding exceeds what is necessary and that any savings that can be achieved in SLOF will result in the program being more valuable and thus result in additional General Fund revenue upon sale or other transaction, involving EdFund that is authorized by Chapter 182 of the Statutes of 2007.

**CALIFORNIA STUDENT AID COMMISSION
2008-09 PROGRAM (LOCAL ASSISTANCE) BUDGET
(\$ in millions)**

Tab 2.b.3

PROGRAM	2008-09 Governor's Proposed Budget	2008-09	
		Legislative Actions ¹	Total
Cal Grants			
Entitlement	\$773.9	(\$80.0)	\$693.9
Competitive	\$57.5	\$57.4	\$114.9
Cal Grant C	\$7.9	\$0.0	\$7.9
Cal Grant A (Pre SB 1644)	\$0.1	\$0.0	\$0.1
Cal Grant B (Pre SB 1644)	\$0.1	\$0.0	\$0.1
Subtotal Cal Grants	\$839.5	(\$22.6)	\$816.9
Other Programs			
APLE ²	\$40.6	\$0.0	\$40.6
CAL SOAP	\$5.7	\$1.6	\$7.3
Chafee Foster Youth	\$13.5	\$0.0	\$13.5
BYRD	\$5.7	\$0.0	\$5.7
Grad APLE	\$0.4	\$0.0	\$0.4
Child Development	\$0.3	\$0.0	\$0.3
Law Enforcement	\$0.1	\$0.0	\$0.1
National Guard APLE	\$0.3	\$0.0	\$0.3
SNAPLE - NF	\$0.2	\$0.0	\$0.2
SNAPLE - NSF	\$0.1	\$0.0	\$0.1
Cash for College	\$0.2	\$0.0	\$0.2
Subtotal Other Programs	\$67.2	\$1.6	\$68.8
TOTAL LOCAL ASSISTANCE	\$906.7	(\$21.0)	\$885.7

FUNDING SOURCES	2008-09 Governor's Proposed Budget	2008-09	
		Legislative Actions	Total
Cal Grants			
General Fund	\$828.9	(\$46.6)	\$782.3
Operating Fund	\$0.0	\$24.0	\$24.0
Federal Trust Fund	\$10.6	\$0.0	\$10.6
Reimbursement	\$0.0	\$0.0	\$0.0
Other Programs			
General Fund	\$47.5	(\$5.7)	\$41.8
Reimbursement from Operating Fund	\$0.0	\$0.0	\$0.0
Federal Trust Fund	\$0.2	\$7.3	\$7.5
Reimbursement	\$19.5	\$0.0	\$19.5
All Programs			
General Fund	\$876.4	(\$52.3)	\$824.1
Operating Fund	\$0.0	\$24.0	\$24.0
Federal Trust Fund	\$10.8	\$7.3	\$18.1
Reimbursement	\$19.5	\$0.0	\$19.5

¹ No additional funding changes in the Governor's vetoes.

² Governor vetoed Legislative augmentation of 800 awards in order to curb growth. Awards remain at 7,200.