

Information/Action Item

California Student Aid Commission

Update on state and federal issues and legislation, including update on 2010-11 State budget relating to Commission programs and operations

2010 Non-budget Bills

The second half of the 2009-10 Legislative Session ended on August 31, 2010. A summary of the final disposition of Commission bills is provided in Tab 3.a.

2010-11 State Budget

The 2010-11 Budget was enacted on October 8, 2010. A summary of the Commission's budget is provided in Tab 3.b.

2010-11 State Operations

The Governor used his line item veto authority to reduce the Commission's operations budget as noted below:

1. Deleted the \$475,000 in additional resources approved by the Legislature for the detangling of EdFund:
 - \$280,000 in one-time funding for Fund Your Future Publications.
 - \$103,000 for one additional Information Technology position.
 - \$60,000 for equipment and software.
 - \$32,000 for security system/video surveillance.

Veto Message:

I am reducing Schedule (1) to delete legislative augmentations totaling \$475,000 General Fund and 1.0 position for publication of a periodical and for additional information technology staff and equipment. This reduction is necessary to limit program expansion and to help bring ongoing expenditures in line with existing resources and to build a prudent reserve. With this reduction, \$11,236,000 still remains to support programs, including \$1.2 million for restoring essential services performed by EdFund.

2. Reduced the Federal Policy and Programs Division's operations budget by half (from \$514,000 to \$257,000) due to USED's decision to terminate the guaranty agreement with the Commission.

Veto Message:

I am reducing Schedule (1.5) by \$257,000 Student Loan Operating Fund and 3.0 net personnel years to reflect the phase-out of workload associated with oversight of EdFund resulting from recent federal legislation ending the Federal Family Education Loan Program and the U.S. Department of Education's decision to terminate the Student Aid Commission's guaranty agency agreement. It is anticipated that these federal decisions will end all Federal Policy and Program Division workload by January 1, 2011. Over \$250,000 remains available to fund this activity for the first six months of this fiscal year.

Similarly, I am reducing the amount authorized in Schedule (4.5), the amount payable from the Student Loan Operating Fund, by \$257,000.

Executive Order S-01-10 – Workforce Cap

In order to achieve a full year savings in fiscal year 2010-11, the Governor directed departments to take immediate steps beginning March 1, 2010 to cap the statewide workforce by 5 percent. This Workforce Cap is permanent and will decrease the base funding level amount for 2010-11 and ongoing. Since February 1, 2010, departments have been submitting monthly updates to their plans for achieving the Workforce Cap. In accordance with instructions provided, the reduction targets could be achieved through abolishing vacant positions, capturing savings from attrition, implementing layoffs, reclassifying existing positions to lower cost classifications, reducing overtime expenses, or a combination of these approaches.

However, Budget Letter 10-31 issued October 26, 2010 notified departments that the initial reduction targets provided in January have been revised to reflect the Control Section 3.90 reduction in the Budget Act of 2010. The new reduction amount may reflect an increase from the initial targets that were outlined in BL10-03 and previously being reported on a monthly basis. These reduction amounts are now final and Control Section 3.90 of the 2010 Budget Act provides the authority to reduce the appropriations to reflect these savings.

Commission staff submitted a plan that achieved the required savings. The Department of Finance notified Commission staff that the General Fund reduction amount for the Commission increased from our planned \$109,000 to \$512,000. Commission staff will report on the impact of this funding reduction at the meeting.

2010-11 Cal Grant Awards

With the enactment of the 2010-11 State Budget, Commission staff was able to issue the fall term advances for the Cal Grant Program with the exception of advances to University of California (UC) and the California State University (CSU).

AB 1634 requires the State Controller, State Treasurer, and Director of Finance to implement and carry out a cash management plan to meet specified goals concerning a short-term General Fund cash shortage until sufficient external borrowing for the 2010–11 fiscal year may be secured. Included in this legislation is a deferral of Cal Grant fall term payments to the UC and the CSU. Cal Grant payments to the UC, for the months of July, August, September, and October 2010, shall be paid no later than December 10, 2010. Cal Grant payments to the CSU, for the months of July, August, September, and October 2010, shall be paid no later than December 3, 2010.

However, UC and CSU will continue to pay Cal Grants to students using other funds until the State releases the payments.

2009-10 Budget Update

Similar to 2008-09, the Cal Grant program was underfunded in 2009-10. Commission staff requested \$63 million in additional 2009-10 funding, but Department of Finance only authorized \$42.5 million. Recent projections indicate that the Commission may need \$32 million in additional funding (\$12 million more than previously projected). The additional \$32 million is not expected to be authorized until after the 2009-10 award year closes December 30, 2010.

Responsible Person(s): Lori Nezhura, Legislative Liaison
Executive Office

Janet McDuffie, Chief
Administration & External Affairs Division

SUMMARY OF THE FINAL DISPOSITION OF COMMISSION BILLS FOR THE 2010 LEGISLATIVE SESSION

The 2010 Legislative Session has now come to a close. The California Student Aid Commission supported and sponsored a variety of bills promoting student financial aid opportunity, administration, and transparency. The chaptered bills listed below will go into effect on January 1, 2011. Policy and operational issues affected by the changing legislation have already been addressed in Grant Policy Bulletins or Operation Memos. Copies of the bills can be viewed at http://info.sen.ca.gov/cgi-bin/pagequery?type=sen_billinfo&site=sen&title=Bill+Information.

AB 1703 (Knight) Nursing Assumption Program of Loans for Education

Summary: Provides for an increased loan assumption for a SNAPLE-NSF participant that completes qualified clinical registered nursing service at a state-operated veterans' home. Adds active military duty in the United States Armed Forces to the list of occurrences that would authorize the extension of the term of a loan assumption agreement under the program.

Commission Position: Support

Status: Dead

AB 1761 (Fong) Cal Grant B Awards: Award Amount

Summary: Increases the percentage of new Cal Grant B recipients eligible for payment of tuition or fees in their first academic year of attendance.

Commission Position: Support

Status: Dead

AB 1997 (Portantino) Community Colleges: Student Financial Aid: Pilot Program

Summary: Requires the Office of the Chancellor of the California Community Colleges to establish a voluntary pilot program at no more than 10 CCC campuses to increase student participation in state and federal financial aid programs. The goal is to identify best strategies for increasing FAFSA submissions by targeting two populations: (1) students potentially eligible for financial aid who complete a fee waiver application but not a FAFSA and (2) students potentially eligible for financial aid who do not apply to receive any campus, state, or federal financial aid.

Commission Position: Support

Status: Vetoed by the Governor. To view the veto message, go to

http://dl5.activatedirect.com/fs/distribution:letterFile/yvcee9xanplikz_files/z62d2q6km5tjib?&c=d|yvcee9xanplikz|z62qzd7qv6i961&ce=1285886561.72879dcc9796d93378b0f7e02b1e3455.

AB 2447 (Furutani) Student Financial Aid: Cal Grant Program

Summary: Requires the maximum amounts of Cal Grant A and B awards for students attending nonpublic institutions, the Cal Grant B access award for all students, and the Cal Grant C award to be adjusted annually for inflation. Requires Cal Grant A and B tuition payments for students attending public institutions to cover systemwide fees.

Commission Position: Sponsor

Status: Dead

**SUMMARY OF THE FINAL DISPOSITION OF COMMISSION BILLS
FOR THE 2010 LEGISLATIVE SESSION**

AB 2086 (Coto) Cal Grant: Qualifying Institutions: Publication of License Examination Passage Rates

Summary: Redefines qualifying institution for purposes of the Cal Grant program to mean an institution that is within any of the categories listed in existing law and that complies with a requirement to provide information on where to access license examination passage rates for graduates of specified programs if that data is electronically available through the Web site of a state licensing or regulatory agency.

Commission Position: Support

Status: Chaptered, *Chp. 248, Statutes of 2010*

SB 957 (Price) Student Financial Aid: Cal Grant C Awards

Summary: Requires the Student Aid Commission to develop and regularly update the areas of occupational or technical training for which students may utilize Cal Grant C awards. Requires the commission to give priority in granting such awards to students pursuing occupational or technical training in high-need, high-growth, or high-wage areas. Requires the commission to publish the list of priority programs on its Web site.

Commission Position: Support

Status: Vetoed by the Governor. To view the veto message, go to

http://dl5.activatedirect.com/fs/distribution:letterFile/yvcee9xanplikz_files/z64x81xk9g1mnp?&c=d|yvcee9xanplikz|z651jtjl0g7yaz&ce=1285946485.954f48321a096062626f41829c7529e8.

SB 1382 (Veterans Affairs Committee) Student Financial Aid: Cal Grant: Methodology

Summary: Deletes the requirement in Cal Grant Program law that specifies the minimum financial need required for receipt of a new Cal Grant award be calculated consistent with the Student Aid Commission's methodology in 2000-01 (when veterans education benefits were taken into account).

Commission Position: Sponsor

Status: Chaptered, *Chp. 113, Statutes of 2010*

SB 1460 (Cedillo) Student Financial Aid: Eligibility: California Dream Act of 2010

Summary: Requires the establishment of procedures and forms that enable AB 540 students to apply for, and participate in, all institutional student aid programs, including the Board of Governors fee waiver.

Commission Position: Support

Status: Vetoed by the Governor. To view the veto message, go to

http://dl5.activatedirect.com/fs/distribution:letterFile/yvcee9xanplikz_files/z65dzg76mk1rdj/0/0?&c=d|yvcee9xanplikz|z65p1zm6c0d0km&ce=1285947211.f3e0d02bf28eeca34cf3c1db25b17f4f.

**SUMMARY OF THE FINAL DISPOSITION OF COMMISSION BILLS
FOR THE 2010 LEGISLATIVE SESSION**

AB 1413 (Fuentes) Student Financial Aid

Summary: Companion to the California Dream Act of 2010. Can only be signed if SB 1460 is signed. Requires the establishment of procedures and forms that enable AB 540 students to apply for, and participate in all state student aid programs, including Cal Grant. Specifies that AB 540 students cannot receive Competitive Cal Grants or Cal Grant C unless funding remains after all eligible non-AB 540 students are awarded.

Commission Position: Support

Status: Vetoed by the Governor. To view the veto message, go to

http://dl5.activatedirect.com/fs/distribution:letterFile/yvcee9xanplikz_files/z65ekjkuq4hvet/0/0?&_c=d|yvcee9xanplikz|z65p1zm6c0d0km&_ce=1285947326.5a1abfb22cafe6f66495797b107a418b.

**CALIFORNIA STUDENT AID COMMISSION
2010-11 PROGRAM (LOCAL ASSISTANCE) BUDGET
(\$ in millions)**

PROGRAM	2009-10 Budget *	2010-11					Budget Act
		CSAC Projections	Subtotal	Governor's Proposed Budget	Subtotal	Legislative Augmentations	
Cal Grants							
Entitlement	\$894.6	\$126.3	\$1,020.9	\$10.0	\$1,030.9	\$0.0	\$1,030.9
Competitive	\$113.5	(\$5.5)	\$108.0	\$0.0	\$108.0	\$0.0	\$108.0
Cal Grant C	\$8.4	(\$0.1)	\$8.3	\$0.0	\$8.3	\$0.0	\$8.3
Cal Grant A (Pre SB 1644)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cal Grant B (Pre SB 1644)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Subtotal Cal Grants	\$1,016.5	\$120.7	\$1,137.2	\$10.0	\$1,147.2	\$0.0	\$1,147.2
Other Programs							
APLE	\$36.4	\$0.0	\$36.4	\$0.0	\$36.4	\$0.0	\$36.4
CAL-SOAP	\$7.3	\$0.0	\$7.3	\$0.0	\$7.3	\$0.0	\$7.3
Chafee Foster Youth	\$12.9	\$0.0	\$12.9	\$0.0	\$12.9	\$0.0	\$12.9
BYRD	\$5.7	\$0.0	\$5.7	\$0.0	\$5.7	\$0.0	\$5.7
Grad APLE	\$0.2	\$0.0	\$0.2	\$0.0	\$0.2	\$0.0	\$0.2
Child Development	\$0.3	\$0.0	\$0.3	\$0.0	\$0.3	\$0.0	\$0.3
Law Enforcement	\$0.1	\$0.0	\$0.1	\$0.0	\$0.1	\$0.0	\$0.1
National Guard APLE	\$0.3	\$0.0	\$0.3	\$0.0	\$0.3	\$0.0	\$0.3
SNAPLE - NF	\$0.3	\$0.0	\$0.3	\$0.0	\$0.3	\$0.0	\$0.3
SNAPLE - NSF	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
CNG EAAP	\$1.5	\$1.5	\$3.0	\$0.0	\$3.0	\$0.0	\$3.0
Cash for College	\$0.2	\$0.0	\$0.2	\$0.0	\$0.2	\$0.0	\$0.2
Subtotal Other Programs	\$65.2	\$1.5	\$66.7	\$0.0	\$66.7	\$0.0	\$66.7
TOTAL LOCAL ASSISTANCE	\$1,081.7	\$122.2	\$1,203.9	\$10.0	\$1,213.9	\$0.0	\$1,213.9

FUNDING SOURCES	2009-10 Budget *	CSAC Projections	Subtotal	Governor's Adjustments	Subtotal	Legislative Adjustments	Total
Cal Grants							
General Fund	\$973.9	\$152.7	\$1,126.6	(\$65.0)	\$1,061.6	(\$25.0)	\$1,036.6
Student Loan Operating Fund	\$32.0	(\$32.0)	\$0.0	\$75.0	\$75.0	\$25.0	\$100.0
Federal Trust Fund	\$10.6	\$0.0	\$10.6	\$0.0	\$10.6	\$0.0	\$10.6
Reimbursement	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Programs							
General Fund	\$37.3	\$0.0	\$37.3	(\$7.2)	\$30.1	\$0.0	\$30.1
Student Loan Operating Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Federal Trust Fund	\$7.5	\$0.0	\$7.5	\$7.2	\$14.7	\$0.0	\$14.7
Reimbursement	\$20.4	\$1.5	\$21.9	\$0.0	\$21.9	\$0.0	\$21.9
All Programs							
General Fund	\$1,011.2	\$152.7	\$1,163.9	(\$72.2)	\$1,091.7	(\$25.0)	\$1,066.7
Student Loan Operating Fund	\$32.0	(\$32.0)	\$0.0	\$75.0	\$75.0	\$25.0	\$100.0
Federal Trust Fund	\$18.1	\$0.0	\$18.1	\$7.2	\$25.3	\$0.0	\$25.3
Reimbursement	\$20.4	\$1.5	\$21.9	\$0.0	\$21.9	\$0.0	\$21.9

* 2009-10 Budget includes the revised projections assumed in the Governor's May Revision to the 2010-11 Budget.

CALIFORNIA STUDENT AID COMMISSION
2010-11 STATE OPERATIONS BUDGET
(\$ in thousands)

	2009-10 Budget*	2010-11			
		Governor's Proposed Budget	Legislative Augmentations	Governor's Veto	Budget Act
Personal Services	\$ 8,059	\$ 10,050	\$ 103	\$ (103)	\$ 10,050
Operating Expenses	\$ 2,946	\$ 3,086	\$ 372	\$ (372)	\$ 3,086
TOTAL	\$ 11,005	\$ 13,136	\$ 475	\$ (475)	\$ 13,136
<u>Funding Sources:</u>					
General Fund	\$ 9,298	\$ 11,233	\$ 475	\$ (475)	\$ 11,233
Student Loan Operating Fund	\$ 461	\$ 514			\$ 514
Federal Trust Fund	\$ 130	\$ 263			\$ 263
Reimbursements	\$ 566	\$ 576			\$ 576
Carry-Over	\$ 550	\$ 550			\$ 550
	\$ 11,005	\$ 13,136	\$ 475	\$ (475)	\$ 13,136

Authorized Positions	2009-10 Budget	2010-11			
		Governor's Proposed Budget	Legislative Augmentations	Governor's Veto	Budget Act
Permanent	120.5	129.5	1.0	-4.0	126.5
Temporary Help	2.2	2.2	0.0	0.0	2.2
TOTAL	122.7	131.7	1.0	-4.0	128.7

The 2010-11 Budget include \$1.2 million and 10 positions for reestablishing the technical and business services currently provided by EdFund.