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# 10.e

## Action/Information Item

### *California Student Aid Commission*

#### Consideration of Guiding Principles for the 2007-08 Budget Discussions

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In order to facilitate the 2007-08 budget discussions, the Guiding Principles for the Cal Grant and Loan Programs are being presented for discussion and approval.

The Guiding Principles for 2006-07 were approved by the Commission at its November 18, 2005 meeting. The enclosed documents are essentially the same as those presented last year with some changes, as noted.

**Recommended Action:** Approval of the Guiding Principles.

**Responsible Staff:** Janet McDuffie  
Chief, Management Services  
and Acting Chief, Federal  
Policy & Programs

Sam Kipp  
EDFUND President

## **Proposed Cal Grant Program Guiding Principles for the 2007-08 Budget Discussions**

California statute (Education Code §66021.2) adopted as part of the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program (SB 1644, Chapter 403, Statutes of 2000) affirms the state's historic commitment to provide educational opportunity to students pursuing a higher education by ensuring both student access and choice for students with financial need and who meet academic criteria.

The California Student Aid Commission (Commission) has a long-standing commitment to increased resources for student financial aid. Therefore, the Commission continues to support the policies adopted by the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act and opposes any changes which would undermine them. Consequently, the following policy principles are the priorities of the Commission, and the Commission urges the Governor and Legislature to support them:

### **❖ PRESERVE THE CAL GRANT ENTITLEMENT PROGRAM**

- **Maintain Current Cal Grant Eligibility Requirements**
  - Maintain statutory GPA requirements
  - Maintain statutory income ceiling
- **Preserve the Value of Award**
  - Continue to cover University of California (UC)/California State University (CSU) system-wide fees – oppose “decoupling”
  - Retain at current levels the award amount for nonpublic postsecondary institutions
  - Support the development of a statutory formula that adjusts the maximum award amount for nonpublic postsecondary institutions and would not be subject to the annual budget process

### **❖ PRESERVE THE COMPETITIVE PROGRAM**

- **Maintain Current Cal Grant Eligibility Requirements**
  - Maintain statutory GPA requirements
  - Maintain statutory income ceiling
- **Preserve the Value of Award**
  - Continue to cover UC/CSU system-wide fees – oppose “decoupling”
  - Retain at current levels the award amount for nonpublic postsecondary institutions
  - Support the development of a statutory formula that adjusts the maximum award amount for nonpublic postsecondary institutions and would not be subject to the annual budget process
- **Maintain, at a minimum, the current number of awards**

## Proposed Loan Program Guiding Principles for the 2007-08 Budget Discussions

Since 1997, the California Student Aid Commission (Commission) has provided operational and administrative services for the Commission's participation in the Federal Family Education Loan (FFEL) program through the Commission's nonprofit auxiliary, EDFUND.

The Student Loan Operating Fund (SLOF) is used to support the administration of the FFEL Program and other student financial aid-related activities. The monies in the SLOF are state funds within the custody and control of the Commission. The revenues deposited in the SLOF are derived solely from the administration of the FFEL Program.

The Commission has a commitment to continue the administration of the FFEL Program and recognizes that prudent fiscal policies must be in place to ensure the continued viability of both the FFEL Program and EDFUND. The Commission acknowledges that the State expects that the Commission/EDFUND will manage the FFEL Program in a manner that will provide sufficient revenue to support the obligations of the FFEL Program, Commission's administrative budget and Cal-SOAP program, and, if funding permits, other Commission programs and services, such as the Cal Grant Program. Additionally, the Commission must ensure that the SLOF retains sufficient reserves to ensure cash flow, protect against any potential liability associated with its participation as a guarantor in the FFEL program, and preserve funds for the long-term costs of administering a multi-decade loan portfolio. The following policy principles are the priorities of the Commission, and the Commission urges the Governor and Legislature to support them:

### ❖ PRESERVE THE COMMISSION AS THE DESIGNATED GUARANTY AGENCY FOR THE FEDERAL FAMILY LOAN PROGRAM

- Maintain the Commission as the designated guaranty agency for the state of California under the FFEL Program.
- Continue to support the statutory authority under which the Commission established EDFUND to provide operational and administrative services related to the Commission's participation as a guaranty agency.

### ❖ PRESERVE THE STUDENT LOAN OPERATING FUND

- Ensure sufficient funding in the SLOF for both regular, annual FFEL Program operating costs, and the long-term obligations of maintaining a loan portfolio that includes loan maturity dates that extend decades into the future.
- Ensure funding for the Commission's general administrative costs, including the cost of supporting the Cal-SOAP program.
- Maintain a prudent cash reserve in the SLOF for the purpose of ensuring sufficient cash flow to pay the regular operating expenses of EDFUND and related FFEL Program expenses, including providing a cash advance bridge for the payment of lender default claims.
- Maintain borrower benefits such as the Zero Guarantee subsidizing the Federal Default Fee, if both financial conditions and federal legal authority permit the continued waiver of the fee permit.
- Complete funding of the Commission's existing three-year outreach program.

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- ~~Return funding for the Commission's grant programs and the Commission's general administrative costs, including the cost of supporting the Cal-SOAP program, to the State General Fund.~~
- Support options for business diversification to provide additional benefits to student and additional sources of revenue, if financial conditions permit.