

**Information/Action Item**

***California Student Aid Commission***

Update on the 2011-12 Budget and the Governor's proposed 2012-13  
Budget

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Governor Jerry Brown released his 2012-13 Proposed Budget on January 5, 2012. Specific information on how the proposed budget affects the Commission's financial aid programs and operations budget is provided in the attachments. The major changes affecting the Commission's financial aid programs are noted below.

The Governor proposes to close a \$9.2 billion deficit with approximately equal shares of cuts and revenues. The proposals include significant government reorganization, including the elimination or consolidation of 48 boards, departments, programs, and commissions. Roughly \$2 billion of the spending reductions are proposed for Health and Human Services, and \$446 million from Child Care.

The Administration proposes stable and increasing state funding to higher education and provides fiscal incentives to improve management of all costs. The Governor has proposed slight increases for the public higher education institutions, predicated on his plan on:

- **Affordability** – The plan will curtail tuition and fee increases and will lessen the pressure for students to take out burdensome loans.
- **Student Success** – The plan will make annual General Fund augmentations contingent upon each institution achieving the Administration's priorities, including improvements in specific accountability metrics, such as graduation rates, time to completion, transfer, faculty teaching workload, and, for community colleges, successful credit and basic skills course completion.
- **Stable Funding Source** – The State will increase its General Fund contribution to each segment by a minimum of 4% annually from 2013-14 through 2015-16, contingent upon the Governor's tax initiative.
- **Fiscal Incentives** – Shifting appropriations for retirement program contributions and general obligation and lease revenue bond debt service—with a few exceptions for the community colleges—into the segments' budgets rather than budget for them separately.

The budget assumes the passage of the Governor's proposed tax initiative at the November election. This measure would temporarily increase the personal income tax on the state's wealthiest taxpayers and temporarily increase the sales

tax by one-half percent. The Budget proposes a backup plan if the ballot measure is not approved. The backup plan specifies \$5.4 billion in cuts affecting education and public safety — the areas protected by the Governor's initiative. These ballot trigger cuts would go into effect on January 1, 2013. The University of California and the California State University would each be reduced by \$200 million.

The Governor has proposed significant changes to the Cal Grant Program, phasing out of the Loan Assumption Programs, reversing the policy decision the Commission made at its November 2011 meeting regarding the California Community College Transfer Entitlement Program and holding the institutional eligibility requirement regarding cohort default rates at the 2011-12 level.

### **Cal Grant Program**

#### Grade Point Averages (GPA)

The Governor proposes raising the minimum GPA for new applicants as noted below, affecting 26,000 students and generating \$131.2 million in General Fund savings.

Cal Grant A from 3.0 to 3.25  
Cal Grant B from 2.0 to 2.75  
Transfer Entitlement from 2.4 to 2.75

The Governor states that raising the minimum GPA requirements for new applicants will focus limited financial aid resources on those students who are most likely to complete their degrees.

- These proposals would overwhelmingly affect the most disadvantaged Cal Grant B eligible students (20,500).
- Approximately 81 percent of the affected students would be expected to attend a community college (47%) or a California State University (34%).
- The University of California (UC) would be the least affected (5%) as the minimum GPA for new students is around 3.0 and the average GPA for admitted new freshman is considerably higher. Some students with lower GPAs may be accepted as UC does give additional consideration to students who are first generation college students and come from low-income households.

#### Maximum Award

The Governor proposes decreasing the maximum award for new and renewal students as noted below:

- from \$9,708 to \$5,472 for Independent, Non-Profit Colleges and Universities affecting 30,800 new and renewal students and generating \$111.5 million in savings; and

- from \$9,708 to \$4,000 for Private, For-Profit Colleges and Universities affecting 14,900 new and renewal students and generating a savings of \$59.1 million.

Since the establishment of the Cal Grant Entitlement Program in 2001-02, the maximum award at non-public institutions has only been reduced new applicants in 2004-05 and 2005-06 from \$9,708 to \$8,322. This proposal would, for the first time, reduce the maximum award for both new and renewal recipients.

### Fund Shift

The Governor proposes to shift \$766.4 million in Cal Grant funding from the General Fund to \$736.4 million from Federal Temporary Assistance for Needy Families (TANF) reimbursements through an interagency agreement with the Department of Social Services and \$30 million in Student Loan Operating Funds from Educational Credit Management Corporation (ECMC).

Under the TANF program, TANF funds could be used for Cal Grant recipients who are age 25 or younger and have an annual parental/student income at or below \$50,000. We are still analyzing the amount of TANF funds given the Governor's proposed reductions in the Cal Grant Program.

The funding to be provided by ECMC will not be known until later this spring.

### **Loan Assumption Programs**

The Governor proposes to phase out the Commission's Loan Assumption Programs for Teachers and Nurses affecting approximately 2,600 teachers and 70 nurses and generating savings of \$7.6 million.

Assumption Program of Loans for Education (APLE)  
Graduate Assumption Program of Loans for Education (Grad APLE)  
State Nursing Assumption Program of Loans for Education for Nursing Faculty (SN APLE)

The Governor's proposal not only eliminates the ability to offer new awards in these programs, it would also eliminate loan assumption payments to any recipient who has not already received their first year of benefits.

In each of these programs, recipients sign an agreement that requires them to provide specific services before we will issue payments towards their outstanding student loan debt. We are reviewing these agreements to determine if payments can be stopped as the Governor is proposing.

### **California Community College Transfer Entitlement Program**

The Governor's proposal will be discussed in Tab 3.

### **SB 70 Eligibility Requirements**

Senate Bill 70 (SB 70), enacted in 2011-12, changed Cal Grant eligibility requirements for institutions and students as noted below.

Institutional Cohort Default Rate (CDR) Requirements:

Cal Grant participating institutions with more than 40 percent of their undergraduate enrollment borrowing federal student loans to have a three-year Trial CDR of less than 24.6 percent in 2011-12, or 30.0 percent in 2012-13 and every academic year thereafter, to be eligible for new and renewal Cal Grant awards in the 2011-12 academic year.

An otherwise qualifying institution that becomes ineligible due to the SB 70 CDR requirement may regain its eligibility following an academic year in which it satisfies the new CDR threshold.

- In 2011-12: 76 institutions had a CDR above 24.6.
- In 2012-13: 42 institutions had a CDR above 30.0; 34 institutions had a CDR above 24.6 and at or below 30.0. Under current law, if the CDR rates for these 34 institutions stay above 30.0 for another year, they would become eligible for the Cal Grant awards in 2013-14.

Initial and renewal Cal Grant recipients are not able to use their Cal Grant awards at institutions that fail to meet new institutional CDR requirements. A limited exception allows renewal Cal Grant A and B recipients to continue to use their Cal Grant awards at an ineligible institution if they had been enrolled at the institution in the academic year before the institution became ineligible due to CDR requirements, but their Cal Grant maximum award amounts shall be reduced by 20 percent.

Over 3,500 new and 1,700 renewal recipients had indicated they would be attending an ineligible institution in 2011-12. We are still monitoring the affect of the new CDR requirements on Cal Grant recipients, but as of October 1, 2011:

- 468 new and 84 renewal recipients transferred to an eligible institution.
- 45 new recipients took a leave of absence.
- 459 renewal recipients remained at the ineligible institution and had their award reduced.

The Governor proposes to maintain the institutional CDR requirement at the 2011-12 level.

Renewal Student Financial Eligibility Requirements:

To renew their Cal Grant awards each academic year, Cal Grant recipients need to meet maximum income and asset ceilings and a minimum financial need requirement, all of which previously applied only to initial Cal Grant recipients. Staff will provide an oral update on the implementation of these SB 70 renewal requirements at the meeting.

**Responsible Person(s):**

Janet McDuffie, Chief  
Administration & External Affairs Division

**CALIFORNIA STUDENT AID COMMISSION  
2012-13 PROGRAM (LOCAL ASSISTANCE) BUDGET  
Per Governor's Proposed Budget  
(\$ in millions)**

Tab 2.a

PROGRAM	2011-12 Budget	2012-13			
		CSAC Projections	Subtotal	Governor's Proposed Adjustments	Total
<b>Cal Grants</b>					
Entitlement	\$1,369.1	\$100.1	\$1,469.2	(\$301.7)	\$1,167.5
Competitive	\$127.9	(\$3.2)	\$124.7	\$0.0	\$124.7
Cal Grant C	\$9.0	\$0.7	\$9.7	\$0.0	\$9.7
<b>Subtotal Cal Grants</b>	<b>\$1,506.0</b>	<b>\$97.6</b>	<b>\$1,603.6</b>	<b>(\$301.7)</b>	<b>\$1,301.9</b>
<b>Other Programs</b>					
APLE	\$34.6	(\$0.1)	\$34.5	(\$6.3)	\$28.2
CAL-SOAP	\$7.3	\$0.0	\$7.3	\$0.0	\$7.3
Chafee Foster Youth	\$11.1	\$0.0	\$11.1	\$0.0	\$11.1
Grad APLE	\$0.1	(\$0.1)	\$0.0	\$0.0	\$0.0
Child Development	\$0.3	\$0.0	\$0.3	\$0.0	\$0.3
Law Enforcement	\$0.1	\$0.0	\$0.1	\$0.0	\$0.1
SNAPLE - NF	\$0.4	\$0.3	\$0.7	(\$0.3)	\$0.4
CNG EAAP	\$2.5	\$0.0	\$2.5	\$0.0	\$2.5
Cash for College	\$0.2	\$0.0	\$0.2	\$0.0	\$0.2
John R. Justice Grant	\$0.8	\$0.0	\$0.8	\$0.0	\$0.8
<b>Subtotal Other Programs</b>	<b>\$57.4</b>	<b>\$0.1</b>	<b>\$57.5</b>	<b>(\$6.6)</b>	<b>\$50.9</b>
<b>TOTAL LOCAL ASSISTANCE</b>	<b>\$1,563.4</b>	<b>\$97.7</b>	<b>\$1,661.1</b>	<b>(\$308.3)</b>	<b>\$1,352.8</b>

FUNDING SOURCES	2011-12 Budget *	CSAC Projections	Subtotal	Governor's Proposed Adjustments	Total
<b>Cal Grants</b>					
General Fund	\$1,443.7	\$159.9	\$1,603.6	(\$1,068.0)	\$535.6
Student Loan Operating Fund	\$62.3	(\$62.3)	\$0.0	\$30.0	\$30.0
Federal Trust Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Reimbursement	\$0.0	\$0.0	\$0.0	\$736.3	\$736.3
<b>Other Programs</b>					
General Fund	\$28.0	\$0.1	\$28.1	(\$6.6)	\$21.5
Student Loan Operating Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Federal Trust Fund	\$14.7	\$0.0	\$14.7	\$0.0	\$14.7
Reimbursement	\$14.7	\$0.0	\$14.7	\$0.0	\$14.7
<b>All Programs</b>					
General Fund	\$1,471.7	\$160.0	\$1,631.7	(\$1,074.6)	\$557.1
Student Loan Operating Fund	\$62.3	(\$62.3)	\$0.0	\$30.0	\$30.0
Federal Trust Fund	\$14.7	\$0.0	\$14.7	\$0.0	\$14.7
Reimbursement	\$14.7	\$0.0	\$14.7	\$736.3	\$751.0

The 2011-12 Budget includes the current year projections assumed in the Governor's Proposed 2012-13 Budget. The 2012-13 Budget does not include funding for the California State University tuition/fee increase in 2012-13.

**CALIFORNIA STUDENT AID COMMISSION  
2011-12 and 2012-13 STATE OPERATIONS BUDGET  
Governor's Proposed Budget  
(\$ in thousands)**

	2011-12				2012-13			
	Baseline	Miscellaneous Adjustments <sup>1/</sup>	Revised Budget		Budget Change Proposals		Miscellaneous Adjustments <sup>1/</sup>	Proposed Budget
					AB 131 Dream Act	SB 451 Cal Grant C		
<b>Operations Budget</b>								
Personal Services	\$ 8,903	\$ 15	\$ 8,918		\$ 296	\$ 38	\$ 238	\$ 9,490
Operating Expenses	\$ 2,230	\$ (482)	\$ 1,748		\$ 450	\$ 8	\$ (94)	\$ 2,112
<b>TOTAL</b>	<b>\$ 11,133</b>	<b>\$ (467)</b>	<b>\$ 10,666</b>		<b>\$ 746</b>	<b>\$ 46</b>	<b>\$ 144</b>	<b>\$ 11,602</b>
<b>Funding Sources:</b>								
General Fund	\$ 10,242	\$ (307)	\$ 9,935		\$ 746	\$ 46	\$ 143	\$ 10,870
Federal Trust Fund	\$ 263	\$ (5)	\$ 258		\$ -	\$ -	\$ 1	\$ 259
Reimbursements	\$ 628	\$ (155)	\$ 473		\$ -	\$ -	\$ -	\$ 473
<b>TOTAL</b>	<b>\$ 11,133</b>	<b>\$ (467)</b>	<b>\$ 10,666</b>		<b>\$ 746</b>	<b>\$ 46</b>	<b>\$ 144</b>	<b>\$ 11,602</b>

	2011-12				2012-13			
	Baseline	Adjustments	Revised Budget		Budget Change Proposals		Adjustments	Proposed Budget
					AB 131 Dream Act	SB 451 Cal Grant C		
<b>Postion Authority</b>								
Permanent	108.5	0.0	108.5		4.0	0.5	0.0	113.0
Temporary Help	2.2	0.0	2.2		0.0	0.0	0.0	2.2
<b>TOTAL</b>	<b>110.7</b>	<b>0.0</b>	<b>110.7</b>		<b>4.0</b>	<b>0.5</b>	<b>0.0</b>	<b>115.2</b>

<sup>1/</sup> Miscellaneous Adjustments

	2011-12	2012-13
Personal Services		
Furloughs/Personal Leave Plan	\$ (128)	\$ 239
Retirement	\$ 127	\$ -
Health	\$ 21	\$ 15
Other	\$ (5)	\$ (16)
	\$ 15	\$ 238

	2011-12	2012-13
Operations		
Operational Efficiency Plan	\$ (313)	\$ -
Cell Phone Reduction	\$ (19)	\$ -
Interagency Agreement - reimbursement alignment	\$ (155)	\$ -
Other	\$ 5	\$ (94)
	\$ (482)	\$ (94)