

Exhibit 1

Information/Action Item

Update on the 2015-16 State Budget issues, including May Revisions and items relating to the Commission's programs and operations

Local Assistance

The Commission's local assistance budget appropriation funds Cal Grant awards, Middle Class Scholarship awards, Assumption Program of Loans for Education (APLE), Chaffee Grant Program awards for foster youth, contract payments to Cal-SOAP consortia, and awards or payments for other specialized financial aid programs administered by the Commission. Exhibit 1.1 displays the local assistance funding proposals in the Governor's 2015-16 Budget and the Governor's May Revision.

The May Revision incorporates changes in the current year, 2014-15, and the budget year, 2015-16. Significant changes in the 2014-15 current year include:

- 1) Revise Cal Grant Program Caseload. Expenditures decreased by \$54,266,000 to reflect revised estimates of participation in the Cal Grant program. Proposed amount for paid Cal Grant awards is \$1.85 billion for 2014-15.
- 2) Revise Funding for Middle Class Scholarship Program. Expenditures decreased by \$18 million to reflect revised estimates of participation in the Middle Class Scholarship Program. Proposed amount for paid awards is \$62 million for 2014-15.
- 3) Revise Loan Assumption Programs Caseload. Expenditures decreased by \$1,216,000 to reflect estimates of costs for the Assumption Program of Loans for Education and the State Nursing Assumption Program of Loans for Education. Proposed amount for loan payments is \$18.5 million for 2014-15.

For budget year, 2015-16, the May Revision proposes the following significant changes from the Governor's 2015-16 Budget released in January:

- 1) Revised Cal Grant Program Caseload. Proposed expenditures decreased by \$42,228,000 to reflect revised estimates of participation in the Cal Grant program. Proposed amount for paid Cal Grant awards is \$1.99 billion for 2015-16.
- 2) Adjust Offset of the General Fund for Cal Grant Program Costs with Temporary Assistance for Needy Families (TANF) Reimbursements. Proposed expenditures decreased by \$247,326,000 from the General Fund, and increased from TANF by \$247,326,000, reflecting a total reimbursement of \$533,646,000 from TANF budgeted to support costs of the Cal Grant program. This proposal increases the amount of federal TANF money to be substituted for General Fund money, allowing the General Fund money to be redirected to other purposes.

California Student Aid Commission

- 3) Fund Supplement to Cal Grant B Access Awards. Proposes an appropriation in the amount of \$1,918,000 from the College Access Tax Credit Fund to make a supplement award of \$8 to each student who receives a Cal Grant B Access Award for 2015-16, pursuant to Chapter 363, Statutes of 2014 (SB 174).
- 4) Adjust Loan Assumption Program Costs. Expenditures decreased by \$399,000 to reflect revised estimates of costs for the Assumption of Program of Loans for Education program. Proposed amount for loan payments is \$18.1 million for 2015-16.

The May Revision does not propose any change in the current law – Education Code § 69432(c)(1)(B) – which reduces the maximum award at private nonprofit postsecondary institutions for new recipients from \$9,084 to \$8,056.

State Operations

The Commission's state operations budget appropriation funds employee salaries and operating expenses. Exhibit 1.2 presents the 2014-15 current-year and the proposed 2015-16 state operations budget for the Commission.

The May Revision proposed no changes in the Commission's 2014-15 current-year state operations budget appropriation of \$12.8 million.

The May Revision also did not change the Commission's proposed state operations appropriation in the Governor's 2015-16 Budget issued in January. That proposal totaled \$13.7 million, reflecting the Governor's proposal to fund the Commission's budget change proposals for the Grant Delivery System Modernization Project, for state funding of the Cash for College administrative costs, and funding for one staff position and administrative costs to implement changes to the Cal Grant C program.

The changes in Cal Grant C require the Commission, among other things, to consult with the Employment Development Department, the Economic and Workforce Development Division of the Office of the Chancellor of the California Community Colleges, and the California Workforce Investment Board, and to establish priorities for Cal Grant C awards to students pursuing occupational or technical training in areas that meet two of the following criteria pertaining to job quality: high employer need or demand for the specific skills offered in the program; high employment growth in the occupational field or industry cluster for which the student is being trained; high employment salary and wage projections for workers employed in the occupations for which they are being trained; the occupation or training program is part of a well-articulated career pathway to a job providing economic security.

Proposed Legislative Changes

Staff will provide oral updates on actions by the Legislature on Commission budget items described in Exhibit 1.3.

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**CALIFORNIA STUDENT AID COMMISSION
2015-16 PROGRAM (LOCAL ASSISTANCE) BUDGET
Per Governor's Proposed Budget
(\$ in millions)**

PROGRAM	2014-15			2015-16		Total
	2014-15 Budget*	Governor's May Revise Adjustments ^{1/}	2014-15 Revised Budget	Governor's Budget January	Governor's May Revise Adjustments ^{1/}	
Cal Grants						
Entitlement	\$1,758.2	-\$46.5	\$1,711.6	\$1,864.0	-\$41.2	\$1,822.7
Competitive	\$133.3	-\$4.4	\$128.8	\$149.5	\$2.3	\$151.7
Cal Grant B	\$0.0	\$0.0	\$0.0	\$0.0	\$1.9	\$1.9
Cal Grant C	\$13.1	-\$3.3	\$9.8	\$20.4	-\$3.2	\$17.1
Subtotal Cal Grants	\$1,904.5	-\$54.3	\$1,850.2	\$2,033.8	-\$40.3	\$1,993.5
Other Programs						
Middle Class Scholarship	\$80.0	-\$18.0	\$62.0	\$152.0	\$0.0	\$152.0
APLE	\$19.9	-\$1.4	\$18.5	\$18.5	-\$0.4	\$18.1
Chafee Foster Youth	\$11.6	\$0.0	\$11.6	\$11.6	\$0.0	\$11.6
CAL-SOAP	\$7.7	\$0.0	\$7.7	\$7.7	\$0.0	\$7.7
CNG EAAP	\$2.5	\$0.0	\$2.5	\$2.5	\$0.0	\$2.5
SNAPLE - NF	\$0.7	-\$0.1	\$0.6	\$0.7	\$0.0	\$0.7
Cash for College	\$0.3	\$0.0	\$0.3	\$0.3	\$0.0	\$0.3
Grad APLE	\$0.1	\$0.0	\$0.1	\$0.1	\$0.0	\$0.1
Child Development	\$0.1	\$0.0	\$0.1	\$0.1	\$0.0	\$0.1
Law Enforcement	\$0.1	\$0.0	\$0.1	\$0.1	\$0.0	\$0.1
John R. Justice Grant	\$0.1	\$0.0	\$0.1	\$0.1	\$0.0	\$0.1
Subtotal Other Programs	\$123.3	-\$19.6	\$103.7	\$193.9	-\$0.4	\$193.5
TOTAL LOCAL ASSISTANCE	\$2,027.7	-\$73.8	\$1,953.9	\$2,227.6	-\$40.7	\$2,187.0

FUNDING SOURCES	2014-15			2015-16		Total
	2014-15 Budget*	Governor's May Revise Adjustments ^{1/}	2014-15 Revised Budget	Governor's Budget January	Governor's May Revise Adjustments ^{1/}	
Cal Grants						
General Fund	\$1,527.1	-\$54.3	\$1,472.8	\$1,747.5	-\$289.5	\$1,458.0
Student Loan Authority Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
College Access Tax Credit Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$1.9	\$1.9
Federal Trust Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Reimbursement	\$377.4	\$0.0	\$377.4	\$286.3	\$247.3	\$533.6
Other Programs						
General Fund	\$87.9	-\$19.6	\$68.4	\$179.4	-\$0.4	\$179.1
Student Loan Authority Fund	\$6.0	\$0.0	\$6.0	\$0.0	\$0.0	\$0.0
Federal Trust Fund	\$14.9	\$0.0	\$14.9	\$0.0	\$0.0	\$0.0
Reimbursement	\$14.4	\$0.0	\$14.4	\$14.4	\$0.0	\$14.4
All Programs						
General Fund	\$1,615.0	-\$73.8	\$1,541.2	\$1,926.9	-\$289.9	\$1,637.1
Student Loan Authority Fund	\$6.0	\$0.0	\$6.0	\$0.0	\$0.0	\$0.0
College Access Tax Credit Fund	\$0.0	\$0.0	\$0.0	\$0.0	\$1.9	\$1.9
Federal Trust Fund	\$14.9	\$0.0	\$14.9	\$0.0	\$0.0	\$0.0
Reimbursement	\$391.8	\$0.0	\$391.8	\$300.7	\$247.3	\$548.0

Major Adjustments 2015-16 Budget*

Cal Grant B Access Award Supplement - An increase of \$1.9 million

CALIFORNIA STUDENT AID COMMISSION
2014-15 and 2015-16 STATE OPERATIONS BUDGET
Governor's Proposed Budget
 (\$ in thousands)

	2014-15	2015-16		
	Budget	Governor's Proposed Budget ^{1/}	Governor's May Revise ^{2/}	Budget
Operations Budget				
Personal Services	\$ 10,898	\$ 11,689		\$ 11,689
Operating Expenses	\$ 1,916	\$ 2,074	\$ -	\$ 2,074
TOTAL	\$ 12,814	\$ 13,763	\$ -	\$ 13,763
Funding Sources:				
General Fund	\$ 12,003	\$ 13,210	\$ -	\$ 13,210
Federal Trust Fund	\$ 258	\$ -	\$ -	\$ -
Reimbursements	\$ 553	\$ 553	\$ -	\$ 553
TOTAL	\$ 12,814	\$ 13,763	\$ -	\$ 13,763

	2014-15	2015-16		
	Budget	Governor's Proposed Budget	May Revise	Budget
Position Authority				
Permanent	114.5	118.5	0.0	118.5
Temporary Help	2.2	2.2	0.0	2.2
TOTAL	116.7	120.7	0.0	120.7

^{2/} Governor's May Revise Major Adjustments	Description

^{1/} **Major Adjustments**

Adjustments include changes to salaries and staff benefits, and the following:
 \$840,000 Grant Delivery System (GDS) modernization project
 \$258,000 Cash for College
 \$95,000 Expansion of Cal Grant C Program

California Student Aid Commission
2015 Budget Issues: Update May 2015

The following table provides a summary of the positions taken on key budget items, which have a significant effect on CSAC and program operations for the 2015-16 budget year.

Issue	Senate Sub 1 Vote	Assembly Sub 2 Vote
<p><u>Grant Delivery System Update</u> Governor's January budget proposal included \$840K to fund 4 permanent positions, and 3 contractors to support the planning phase of the GDS upgrade <i>No Change in May Revision</i></p>	<p>Both Senate Sub 1 and Assembly Sub 2 voted to adopt the Governor's plan for this item.</p>	
<p><u>Middle Class Scholarship</u> The Governor's May Revision included reducing funding for MCS by \$18M to bring funding in line with actual award amounts in the initial year.</p>	<p>The Senate did not vote to adopt the Governor's proposal. Instead, Senate Budget Sub 2 proposed a different budget plan which cuts \$104M from the MCS allocation and repurposes the funds to support UC and CSU plans to increase enrollment and student services. The plan calls for no new MCS awards, but current recipients would continue to receive their awards until graduation.</p>	<p>Assembly Budget Sub 2 did not adopt the Governor's budget proposal, and instead voted to adopt trailer bill language accelerating the scheduled increase in MCS payment amounts by one year, and implementing an asset ceiling and a time limit for award eligibility. Details of this language have not been developed yet.</p>
<p><u>Cal Grant Award for Non-Profits and WASC Accredited For-Profits</u> The Governor's January budget proposal calls for reducing the Cal Grant Award amount for students at Non-Profit institutions from \$9,084 to \$8,056. <i>No change in May Revision.</i></p>	<p>Both Senate Sub 1 and Assembly Sub 2 voted to hold the award at the current level, \$9,084.</p>	
<p><u>APLE</u> The Governor's May Revision includes a \$399K reduction in funding due to a decline in projected workload.</p>	<p>Senate Sub 1 voted to adopt the Governor's May Revision proposal.</p>	<p>Assembly Sub 1 voted to approve the Governor's 2015-16 reduction, but further voted to authorize 1,000 new APLE warrants, effectively reviving the program, albeit at a lower level than before new warrants were suspended. They anticipate costs being accrued in future years.</p>

Issue	Senate Sub 1 Vote	Assembly Sub 2 Vote
<p><u>Cal-SOAP / Outreach</u> The Governor's January budget proposal included \$15M to maintain outreach programs in lieu of federal funding, which was lost this year. <i>No Change In May Revision</i></p>	<p>Both Senate Sub 1 and Assembly Sub 2 voted to adopt the Governor's plan for this item.</p>	
<p><u>Increase number of Competitive Cal Grant Awards</u> This issue is not raised in the Governor's budget.</p>	<p>The Senate has not directly addressed this in the budget, but SB 15 would increase the number of Competitive awards from 22,500 to 30,000.</p>	<p>Assembly Sub 2 voted to increase the number of awards to 50K at a projected cost of \$68M.</p>
<p><u>Additional Position for SB 1028 Implementation</u> The Governor's January Budget included funding for one position to cover workload associated with implementing programmatic changes to Cal Grant C <i>No Change in May Revision</i></p>	<p>Both Senate Sub 1 and Assembly Sub 2 voted to adopt the Governor's plan for this item.</p>	