

Action/Information Item

California Student Aid Commission

**Consideration of Governor's May Revision Proposal to Sell EDFUND, and
the Subsequent Detangling of CSAC from EDFUND**

The Governor, in the May Revision to the 2007-08 Budget, proposed to sell EDFUND in order to generate approximately \$1 billion in one-time revenue to the State. The May Revision included the following statements:

- The student loan guarantee business is not a core mission or competency of State government.
- EDFUND is an inherently valuable asset because the student loan guarantee business is a fundamentally attractive financial venture.
- Selling this non-governmental entity to a private company could produce a significant one-time financial benefit to the state without adversely affecting students.
- Potential buyers of EDFUND will be attracted to the opportunity of acquiring EDFUND's substantial loan guarantee portfolio and brand name.

An oral update will be provided by staff.

Detangling of CSAC From EDFUND

The Governor's May Revision included a proposal to sell the Commission's student loan auxiliary, EDFUND.

This update is intended to provide background related to the level of service currently provided by the Commission with support from its auxiliary EDFUND. While current law does not require the existence of an auxiliary to the Commission, some issues may need to be addressed in the budget trailer bill process to adjust the Commission's programmatic and operational changes that would accompany a sale of the auxiliary.

Commission staff has worked with the Legislature and the Administration to identify how the proposed sale of EDFUND affects the way the Commission administers and distributes Cal Grants to more than 300,000 students annually. While neither the Commissioners nor the EDFUND Board has taken a position on the proposed sale of EDFUND, Commission staff has worked with staff at the Department of Finance and staff to the legislative budget sub committees to identify related to costs of doing business that may not have been considered.

COMMISSION AND EDFUND SYNERGY PROJECTS

Other costs that may not have been considered involve "synergy" projects for which EDFUND has provided significant support, including equipment and services such as the phone system, and the development and distribution of brochures, including the Fund Your Future Workbook and the series and College Cash Box provided to high schools and others each year. In addition, the Commission's \$20.3 million General Fund appropriation would not support the Cal Grant public awareness campaign, the Cash for College Program, and training and other work we coordinate with the Customer Relations Managers at EDFUND.

The Commission also works closely with EDFUND on several Information Technology (IT) and Business Services synergy projects. IT synergies include the hosting of the Grant Delivery System; Interactive Voice Response (IVR); APLE and GPA Imaging; as well as Web Grants for students. Business Service synergies include the EDFUND Mail Center system, which generate letters for the Cal Grant Operations Branch; prints and mails all operations memos and special alerts; provides mail pick-up and delivery; and also warehouses Commission forms and publications.

COMMISSION AND EDFUND STAFF

Additionally, of the more than 600 employees at EDFUND, close to 50 are civil service staff assigned to EDFUND. Consideration of the issues that would arise in this instance must account for the incorporation of the civil services employees into the Cal Grant program and administrative operations at CSAC.

OUTREACH AND PUBLIC AWARENESS

Staff would also like to ensure that any decision on the proposed sale of EDFUND does not impact the Commission's commitment to marketing the grant and specialized programs to the state's students with financial need who may not be aware of the Commission's entitlement and competitive grants and loan relief programs for higher education. The Legislature has, over the years, stressed the need to let low income and first generation college students know about the opportunities available to them to remove the financial barriers to success in postsecondary education.

The Annual Public Awareness Campaign: The Governor's proposal does not account for a \$2 million annual expense for the Cal Grant public awareness campaign. Various reports have verified that the State must do a much better job in our outreach to students and families, especially those from under-represented communities. If the Commission cannot work to promote and encourage free-cash-for-college options for these at-risk populations, they may be further dissuaded from pursuing post-secondary education and skilled careers. The latest survey on the campaign shows that more than 90 percent of those students contacted are made aware of the Cal Grant program through campaign communications effort, which generates an additional \$2 million in pro bono contributions toward student outreach and awareness.

The California Cash for College Program: The Commission also oversees California Cash for College, an annual expenditure of approximately \$500,000 toward partnership efforts of high schools, community colleges, universities, regional and local communities working to assist low-income and first-generation college bound students and families successfully complete the daunting and complex financial aid process. The program, which grew by more than 40 percent this year to support more than 400 workshops statewide, receives in excess of an additional \$435,000 in scholarship and leveraged support to supplement the state's contribution. If the state were to not support this program, we would likely lose this added partnership money.

Commission staff has been working with Assemblywoman Karen Bass on Assembly Bill 1540, which would provide statutory authority and funding for the Commission's Cash for College program. This program has enabled the Commission to coordinate, with the help of numerous legislative and segmental volunteers and regional coordinators, to reach nearly 20,000 students and families and provide one-on-one assistance with financial aid forms and information through more than 400 local Cash for College workshops.

Cal SOAP: While the Governor proposed a reduction in both the funding and scope of the program, the Legislature has restored the \$3.6 million to the statutorily mandated Cal SOAP (Student Access and Opportunity Program). The \$8.6 million annual program's primary objective is to provide early assistance to an estimated 200,000 under-represented students annually who already have been impacted by the achievement gap in K-12 school system. The original reduction would have cut the program by 42 percent and eliminated a major portion of the 29-year-old program's mission to this sensitive and at-risk student population. If the cuts remained, the Commission would be forced to completely retool the program, potentially shut down a half-dozen minimally funded regional efforts, and stand to

lose a similar amount in matching funds provided by local partners. Further, regional directors already have been operating on stretched budgets that have not received cost-of-living adjustments over the last several years. Further cuts would further erode core services, and impact funding for tutors, who provide invaluable field services for local schools.

Many pivotal academic reports over the last year urge the government to prioritize early outreach as a way to begin acclimating students - especially those from under-represented populations - to the importance of going to post-secondary schools, and of the relative ease of getting free cash for college. The Cal-SOAP program is an essential student educational and assistance program, and helps supplement K-12 program's college preparedness efforts, which are lacking especially in under-served areas of the state.

Conclusion

Commission staff has initially identified approximately \$4.4 million in additional funding that would be needed to continue to provide the current level of Cal Grant service, as well as outreach and training that is currently provided via synergy and partnership efforts with EDFUND. Staff is preparing 2007-08 budget change proposals for consideration by the Commission to request the needed resources.