

Item 6

Action Item

Consideration of budget change proposals for fiscal year 2017-18

SUMMARY:

Staff has identified four budget change proposals (BCPs) concepts for consideration by the Commission for the 2017-18 fiscal year. The BCPs include continued funding for the Grant Delivery System Modernization Project (GDSM), new funding to increase the limited number of Competitive Cal Grant awards; supplemental funding to maintain the capabilities of existing Cal-SOAP projects to serve their low-income communities; and new funding for two additional Cal-SOAP projects in unserved, low-income regions.

RECOMMENDATION:

Approve the budget change proposal concepts to prepare the BCPs for submittal to the Department of Finance.

BRIEF HISTORY OF KEY ISSUE(S):

BCP #1: Grant Delivery System Modernization (GDSM) Project (\$2,345,000)

Last year, the Commission submitted several BCP proposal concepts which included the GDSM project. The Commission prioritized the GDSM BCP as it is critical to the continued ability to administer the Cal Grant Program and upgrade the GDS which is at end of life. Funding for the Stage 2 of the project was approved and the Commission was authorized \$1.97 million for security infrastructure and \$396,000 for the continued planning of the GDSM. BCP #1 would fund the GDSM Projects remaining activities in Stage 3 and some activities for Stage 4.

BCP #2: Increase the number of Competitive Cal Grant Awards by 4,250 to increase access and success for low income students (\$10.5 million)

Over the last few years, the Commission has focused its efforts on increasing the paid rate for the Competitive Cal Grant Program. The paid rate has improved significantly and reached over 96% for the 2015-16 academic year. The 2015 Budget included an increase of 3,250 Competitive Cal Grant awards which was the first time the number of awards had been increased. The increase brought the annual number of authorized awards to 25,750. BCP #2 would increase the number of Competitive Cal Grant awards by 4,250, from the currently authorized level of 25,750 for a total of 30,000 awards.

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BCP #3 and #4: Maintain the capabilities of the current Cal-SOAP projects and establish two new Cal-SOAP projects to assist unserved students (\$1,472,100)

The Cal-SOAP projects are designed to reduce barriers to access and success for underserved students. Cal-SOAP currently operates through 14 inter-segmental consortiums with a total General Fund allocation of \$7.7 million. The Cal-SOAP program received \$8.6 million from the General Fund (2003-04 through 2006-17). As the Federal Challenge Grant was coming to an end, the Commission submitted a BCP for Fiscal Year 2015-16 to continue funding the Cal-SOAP program using General Fund resources. In addition to the change in the funding source, the Commission requested \$1.8 million to fund three additional consortia locations at the average consortia funding at \$614,000 each.

The Commission was successful in securing the General Fund appropriation for the current level of funding for fiscal year 2015-16, but the request for additional consortium funding did not get approved in the budget process. BCP #3 would increase funding for the fourteen existing Cal-SOAP projects by a total of \$772,100 or 10% of the current level of funding. In addition to increasing the funding for the existing Cal-SOAP projects, BCP #4 would establish two new projects to assist students in California's Inland Empire region and in the Orange County region.

ANALYSIS:

Attached is the 2017-18 Budget Narrative and Budget Change Proposals.

RESPONSIBLE PERSON(S):

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ATTACHMENT(S):

Attachment 6.1 2017-18 Budget Narrative and Budget Change Proposals



California Student Aid Commission

2017-18 Budget Narrative and Budget Change Proposals

Introduction

The Cal Grant Program has consistently grown through economic contraction and expansion because the State committed to providing the opportunity for higher education for low-income students. Cal Grants quadrupled in General Fund expenditures, from \$485 million in 2001-02 to a projected \$2 billion in 2016-17, and grew from 149,000 recipients in 2001-02 to a projected 362,000 recipients in 2016-17. This period included the economic contraction following the bursting of the tech bubble in 2001 and the Great Recession following the global financial system collapse in 2007, as well as the ensuing economic expansions.

Higher education funding has improved for the past three years as a result, in part, of the temporary increases in General Fund revenues from Proposition 30. The percentage of total General Fund spending applied to higher education has remained fairly consistent at 11%-13% of General Fund revenue since 2011-12.

Summary

Staff has identified four budget change proposals (BCPs) for consideration by the Commission for the 2017-18 fiscal year. The BCPs include continued funding for the Grant Delivery System Modernization Project, without which CSAC's ability to award and deliver financial aid to students would be compromised; new funding to increase the limited number of Competitive Cal Grant awards; supplemental funding to maintain the capabilities of existing Cal-SOAP projects to serve their low-income communities; and new funding for two additional Cal-SOAP projects in unserved, low-income regions. In suggested priority order, the BCPs are:

BCP #1: Grant Delivery System Modernization (GDSM) Project (\$2,345,000)

As indicated in Item 8, having received approval from the Department of Technology and completed Stage 1 of the State's Stage Gate Process for IT projects, CSAC is starting Stage 2, Alternatives Analysis, with funding provided in the 2016 Budget Act. The target for completion of Stage 2 is March-June 2017. CSAC is also anticipating starting some of the activities for Stage 3, Solution Development, in the current fiscal year.

This BCP would fund GDSM Project remaining activities in Stage 3, Solution Development and some activities for Stage 4, Solution Analysis (Project Readiness/Approval) in FY 2017/2018, and provide the resources needed to ensure CSAC's organizational readiness to start the GDSM Project development.

Under this time schedule, and with the Commission's approval, the actual project would be projected to start in 2018-19, one year earlier than originally proposed. CSAC will request funding for remaining activities for the project, itself, in BCPs for future years.

For 2017-18, the BCP for the Grant Delivery System Modernization Project would include the components described below. All are necessary for a successful project.

a. Project Manager

The Department of Technology requires a certified Project Manager (PMP®) for State IT projects. Using funds provided in the 2016 State Budget Act, CSAC amended the contract (initiated in

2015) for a certified Project Manager (PMP®) to lead the GDSM Project Team in the completion of planning activities and to provide oversight of the selected System Integrator/Solution Provider vendor throughout the project. This is a multi-year contract, but it is subject to the requirement that State Budget Acts appropriate the funding for each year. The estimated cost for FY2017/18 is \$296,000.

b. Stage 4 Solution Solicitation Consultant

The Department of Technology requires State department IT projects to develop solution requirements and solution solicitation, such as a request for proposal (RFP) in CSAC's case, as part of the project approval process. Staff has identified that it will need a contractor(s) to provide the necessary expertise and workforce to draft the RFP, which is a highly technical task and includes, among other things, RFP bidding requirements and conditions; outlining of proposed system and processes; a method of cost presentation and evaluation; and an explanation of how evaluation of the RFP bids will take place. The estimated cost for FY2017/18 is \$350,000.

c. GDSM System Integrator/Solution Provider – Initial Start-up

The GDSM System Integrator/Solution Provider will build the new system. The first 7 months of the GDSM Project, anticipated for January 2018 – July 2018, will require funding the GDSM System Integrator/Solution Provider from this FY2017/2018 BCP cycle. The estimated GDSM System Integrator/Solution Provider services cost for FY2017/18 is \$840,000.

CSAC will have a full estimate of GDSM Project timeline and costs at the completion of Stage 2, Alternatives Analysis (targeting March 30, 2017). CSAC anticipates having completed Stage 4, Solution Analysis (Project Readiness/Approval) by January 2018 and commencing the GDSM Project at that time.

d. Information Technology Project Oversight and Consulting Division of the Department of Technology (ITPOC)

The Department of Technology requires that state departments use its ITPOC for independent project oversight (IPO) services on information technology (IT) projects. An independent project oversight consultant reviews and provides feedback on project approval requests and project planning documents; provides project status reports; escalates project risks and issues; and assists customers in developing appropriate risk and issue mitigation strategies. The consultant also provides written reports at each project steering committee meeting to ensure that all parties responsible for management and oversight of the project are sufficiently informed concerning project status and progress. The estimated cost of this mandated cost for FY2017/18 is \$113,000.

e. Independent Verification and Validation (IV&V)

The Department of Technology requires independent verification and validation (IV&V) of the project. IV&V is performed by a third-party organization not involved in the development of the new system. This service provider ensures that a product, service, or system meets requirements and specifications and that it fulfills its intended purpose. The estimated cost for FY2017/18 is \$46,000.

f. Server, software and tools

The GDSM Project will require certain hardware, software and IT tools to be completed successfully. Examples include hardware such as network switches, application servers, database servers and software licensing for databases, web servers, operating systems, application framework for development, testing, acceptance and production environments. The estimated cost for FY 2017/18 is \$518,000.

g. Related operational costs

The FY 2017/18 estimated costs of additional office space and equipment necessitated by the contractors and staff identified in the components of the Grant Delivery System Modernization Project are \$182,000, including additional rent and equipment.

The total cost of BCP #1 is \$2,345,000.

BCP #2: Increase the number of Competitive Cal Grant Awards by 4,250 to reduce barriers to access and success. (\$10.5 million)

This BCP would increase the number of Competitive awards by 4,250, from the currently authorized level of 25,750 awards, a total of 30,000 awards for the 2017-18 academic year. The estimated FY 2017/18 cost is \$10.5 million.

The 2015 Budget included an increase of 3,250 Competitive Cal Grant awards, bringing the annual number of authorized awards to 25,750. This was the first time the number of awards had been increased since the enactment of the current Cal Grant Program in 2000.

However, on average, nearly 340,000 low-income students cannot get a Competitive Cal Grant award despite being financially eligible for the award. Only one in twelve eligible Competitive students receives a Cal Grant. For the 2015-16 academic year alone, CSAC was unable to offer awards to 90% of approximately 324,000 students eligible for competitive awards.

The estimated cost of this BCP for FY 2018/19 is \$19 million; in FY 2019-20, \$26.9 million; and in FY 2020-21, \$32.1 million.

BCP #3: Maintain the capabilities of the current Cal-SOAP projects (\$772,100)

This BCP would increase funding for the fourteen existing Cal-SOAP projects (see list of projects in Item 4) by a total of \$772,100, or 10% of the current level of funding. The capabilities of the projects to provide and maintain their services to their low-income communities have been severely stressed by the lack of adequate funding. State funding for Cal-SOAP projects was reduced by up to 25% about ten years ago as a result of State budget crisis, and has not been restored.

According to the 2015 Cal-SOAP external evaluation, state funding does not appear adequate to fully fund Cal-SOAP.¹ The evaluation notes:

¹ Sjoberg Evashenk Consulting, Inc. *California Student Opportunity and Access Program (Cal-SOAP) Evaluation*, pp. 1, 5.

Exhibit 6.1

Regarding the adequacy of the state grant to fund Cal-SOAP, state funding does not appear adequate to fully fund Cal-SOAP. For instance, while program staff and student tutors comprise Cal-SOAP's human capital and represent the majority of Cal-SOAP funded expenses, state funding alone is not sufficient to cover staffing costs.²

In addition other fiscal issues have risen over the years that challenge Cal-SOAP projects' capabilities.

- *State Minimum Wage Increase:* Salary increases for student staff in light of state mandatory increases in pay to meet the minimum wage requirements. As student staff wages increase, projects will not be able to hire enough students to maintain existing services. Cal-SOAP Project Directors indicate that comparable outreach programs pay their student staff more money per hour, making the labor market more competitive.
- *Increasing Business Costs:* Resources have not kept pace with the costs associated with administering this program. No adjustments have been made to address increasing expenses such as the cost to print/duplicate, purchase office supplies, or to host programs and events that increase each year (food and transportation costs).
- *Outdated Technology:* Many projects continue to use computers, servers, and phone systems that were purchased decades ago. Additionally, Cal-SOAP has been unable to purchase modern technology such as iPads and/or tablets to collect data while working at school sites.

BCP #4: Establish two new Cal-SOAP projects to assist unserved students (\$700,000)

This BCP requests \$700,000 in FY 2017/18 for start-up costs to establish two new California Student Opportunity and Access Program (Cal-SOAP) projects to serve students in California's Inland Empire region and in the Orange County region. Cal-SOAP services should be expanded to areas where underrepresented student populations currently go unserved. On-going annual state and local costs would be approximately \$1,240,000 or \$620,000 for each added consortium, which is the average funding level for current consortia.

Cal-SOAP provides greater access to postsecondary education for students from low-income families, students who would be the first in their family to attend college, and students from schools or geographic regions with documented low-eligibility and/or low college-going rates. Cal-SOAP provides services specifically designed to serve the needs of local elementary and secondary school students, parents, high school administrators, and community college students, including, but not limited to academic tutoring, peer mentoring, college and career advising, college access and admissions assistance, SAT/ACT test preparation, college tours, and financial aid workshops. Cal-SOAP serves students in more than 300 elementary, middle, and high school campuses in 25 California counties. In an average year, Cal-SOAP assists more than 120,000 students and 30,000 parents.

Fourteen Cal-SOAP projects operate through local consortia of educational institutions and community organizations (see the list of current Cal-SOAP projects in Item 4). Consortia member organizations form the governing boards of the projects, and provide administrative and organizational leadership as well as matching resources. The consortia must match their state allocations at a minimum 1:1 ratio. This structure supports the collaborative nature of each project

² *Id.* at 5.

Exhibit 6.1

and elicits a commitment of regional support and cooperation. In turn, Cal-SOAP is able to further leverage state funds.

CSAC research shows that two areas of the state show especially high need for Cal-SOAP services. Cal-SOAP is designed to serve students who are from areas with low income and low college-going rates. Specifically:

- According to the Department of Education, the Inland Empire region including San Bernardino County (70 percent free and reduced lunches), Riverside County (64 percent free and reduced lunches), and parts of Los Angeles County (68 percent free and reduced lunch) is home to many low-income families. In addition to the high percentage of students eligible for free and reduced lunch programs, the Inland Empire's percentage of high school graduates is low with 13 percent of Riverside County's students failing to graduate and 20 percent of San Bernardino students not graduating. Less than 40 percent of graduating seniors in Riverside County and 34 percent of high school graduates in San Bernardino County complete courses required for entrance into the University of California (UC) or the California State University (CSU).
- The Campaign for College Opportunity indicated in its July 2014 study (2012 data), that only 42 percent of Inland Empire high school graduates immediately enroll in college after graduation. This is 10 percent lower than the state-wide average and the third-lowest in California. Additionally, one-third of the area's 9th graders enroll in college within four years (also the third-lowest rate in California) and only 38 percent of 18-24 year olds are enrolled in college.
- Orange County is a smaller geographical area with a more concentrated population that has a high need for Cal-SOAP services. Nearly half of Orange County's students are eligible for free and reduced lunch programs. In 2014-15, at least 60 percent of the students in 10 of the 29 school districts were eligible for free and reduced lunch, and 26 percent of its students are English language learners. Only 50 percent of Orange Counties' high school graduates have completed UC and or CSU required courses. Additionally, many high school seniors attending Orange County high schools are not receiving Cal Grants. For example, in Santa Ana:
 - 1,634 of the 3,703 2014-15 high school seniors (44%) were offered Cal Grant awards and 914 were paid.
 - 1,611 of the 3,587 2015-16 high school seniors (45%) were offered Cal Grant awards and 928 were paid.

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2017-18 BUDGET REQUEST SUMMARY

Grant Delivery Modernization Project	\$2,345,000
Increase Competitive Cal Grants	\$10,500,000
Maintain the capabilities of Cal-SOAP projects	\$772,100
Establish two new Cal-SOAP projects	\$700,000
Total funding request	\$14,317,100