

Information Item

California Student Aid Commission

Update on the Commission's 2008-09 and 2009-10 Budgets

2008-09

The Commission cannot disburse \$10 million in 2008-09 Cal Grant funds to 284 institutions until the Department of Finance (DOF) authorizes a final augmentation for the 2008-09 Cal Grant Program.

A summary of the steps taken to obtain the necessary Cal Grant funding is provided below.

In the fall of 2008, Commission staff projected a shortfall of \$62 million in the 2008-09 Cal Grant Program. This shortfall was recognized in the Governor's Proposed 2009-10 Budget. In February 2009, Commission staff notified DOF staff that additional funds could be needed in March or April of 2009, as a result of the shortfall, and requested direction on steps to be taken to obtain the additional funding authorization. DOF staff's response delayed the authorization of additional funds needed to make up the shortfall by requiring further analysis to be presented in the spring of 2009 that demonstrated the additional funds were actually needed. Commission staff worked with DOF staff to develop the spring Cal Grant projections and the potential shortfall in the Cal Grant Program in 2008-09 was confirmed at \$60,550,000.

On May 19, 2009, Commission staff sent a letter to DOF requesting the \$60.5 million. On June 8, 2009, DOF notified the Legislature of the intent to increase in Cal Grant funding in the amount of \$46.5 million. DOF indicated that to the extent that any of the additional \$14 million is required after the close of the fiscal year when final reconciliations have been completed with the higher education segments, DOF will submit additional notification. (The 2008-09 Cal Grant year-end reconciliation process occurs on December 31, 2009.)

On October 23, 2009, Commission staff sent an email to DOF requesting an additional 2008-09 augmentation of \$7.4 million so that existing payments (\$5.8 million) on hold could be released to institutions and have adequate authority to promptly process payments through December 31, 2009. DOF did not authorize any additional funding at that time.

On January 21, 2010, Commission staff sent a letter to DOF requesting a final 2008-09 Cal Grant funding augmentation of \$8.05 million. This amount is based on the 2008-09 year-end outstanding payments of \$10,183,500 due to institutions less available funding authority of

\$2,131,465. On February 2, 2010, DOF asked for additional information that was provided on February 4, 2009. Commission staff and DOF discussed the additional information on February 10, 2009.

As of the date this agenda item was prepared, Commission staff has not been made aware of DOF's decision regarding the final augmentation request.

2009-10

Commission staff anticipates that the 2009-10 Cal Grant Program will need a funding augmentation.

The 2009-10 budget did not include the Commission's funding projection for the CSU 10% system-wide fee increase. In addition, in November 2009 the UC imposed a 15% mid-year system-wide fee increase.

In the fall of 2009, Commission staff projected a shortfall of \$42 million in the 2009-10 Cal Grant Program. This shortfall was recognized in the Governor's Proposed 2010-11 Budget. Based on the prior year process, staff does not expect DOF to consider authorizing an augmentation until later in the year when more payment information is reported by the institutions and the Commission staff updates its projections. Commission staff is monitoring the Cal Grant funding authority and will be updating the projections to determine when the funding augmentation needs to be requested.

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