

**Action Item**

***Programs, Planning and Budget Committee***

Consideration of actions addressing the Commission's 2009-10 budget appropriation.

---

Staff will provide an update at the Committee meeting.

For information, Tab 1.a provides talking points developed by staff and Commissioner Hernandez, describing the effects of the Governor's veto reducing the Commission's support budget by half.

***Responsible Person(s):*** Janet McDuffie  
Chief  
Administration and External Affairs Division

Catalina Mistler  
Chief  
Program Administration

John Bays  
Chief  
Information Technology Services Division

Lori Nezhura  
Legislative Liaison

## *Governor Dismantles State's Financial Aid Delivery System*

On July 28<sup>th</sup>, Governor Schwarzenegger vetoed half of the California Student Aid Commission (Commission) budget to administer the Cal Grant and other financial aid programs—reduced from \$13 million to \$6.7 million. The veto eliminates the programs and services the Commission provides to students, parents, teachers, high school counselors and college financial aid offices.

The Commission awards almost \$1 billion in Cal Grant and other financial aid to more than **330,000 students** enrolled in 423 public, private and for-profit colleges, universities and career technical schools statewide. The Commission is also the designated federal student loan guarantee agency for the State of California responsible for administering and overseeing over \$8 billion in loan guarantee volume annually.

In addition to administering the Cal Grant program, the largest need-based grant program in the nation, it also manages ten specialized federal and state scholarship, grant and loan forgiveness programs to foster youth, teachers, nurses and other populations.

The Commission partners with private organizations like College Access Foundation of California and the Los Angeles Area Chamber of Commerce, community-based organizations, high schools, and campuses. Through these partnerships the Commission provides financial aid awareness programs, conducts student financial aid workshops and offer private scholarships to first generation, low and middle-income high school students seeking college or career technical training.

Without additional appropriation, the Commission must legally reduce its operations from 104 positions down to 14 positions by January 2010 (8 of these positions must be auditors according to the Budget Act).

The governor's veto of the Commission leaves only 14 positions to serve more than **330,000 students** and parents while trying to distribute millions of dollars of financial aid. The governor's veto of the Commission budget will put the following programs and services for students and parents at risk.

### ***Commission Services to Students at Risk:***

- Delayed 2009-10 payments to over **330,000 students**
- Interactive Call Center and School Service Center closed to the tens of thousands of calls from students and family members requesting information about Cal Grant and other forms of aid
- Centralized Cal Grant Web-based internet system that provides real-time, 24/7 hour access to financial aid eligibility information will be dismantled. The State has invested \$17 million over the last decade for upgrades to real-time processing. Last year, this system identified and contacted 123,000 students who had submitted their FAFSA but had not submitted their GPA to be considered for a Cal Grant
- Unable to assist students in making school changes to allow them to receive their Cal Grant payments at their schools of enrollment. Last year, more than 20,000 school changes were handled efficiently through the statewide data system; because of enrollment caps and closed admissions at public universities for 2009-10, this service is even more taxed this year
- Over 500 statewide Cash for College workshops organized in partnership with local chambers of commerce, businesses and education and elected leaders from January to March 2010 will be affected. Last year over **26,000 students** were assisted in filing their FAFSAs and GPAs through these workshops
- Various financial aid awareness and assistance publications on available federal, state, institutional and private aid utilized by over one half million students, parents, counselors, teachers and outreach staff throughout California will not be disseminated

***Financial Aid and Outreach Programs at Risk:***

- Chafee Foster Youth Grant program (Commission administers on behalf of Department of Social Services)
- Robert C. Byrd Merit Scholarship (on behalf of California Department of Education)
- Three loan forgiveness programs for teachers and nurses
- Cash for College Scholarship program
- Child Development Supervisor Grant
- Cal-SOAP (16 regional projects that provide tutorial services to K-12 by college students)
- California Cash for College

***Processes at Risk Beginning January 2010:***

- Unable to invoice institutions for outstanding 2008-09 funds
- Unable to initiate 2009-10 Spring advances and Chafee Grant and loan assumption payments or other reconciled Cal Grant payments to students
- Unable to administer invoicing reimbursement process for loan auxiliary in a timely manner
- Unable to process nearly 3 million 2010-11 Cal Grant applications, Chafee Grant applications and teacher and nurse loan assumption agreements
- State of California will be unable to distribute over \$430 million in grant aid and loan assumptions for the remainder of the 2009-10 fiscal year. The Commission is the only state agency authorized to administer these funds

***Exacerbating the Problem:***

The Governor has proposed to immediately dismantle the Cal Grant delivery system by transferring the administration of these programs to colleges and universities severely challenged by state budget reductions. Dismantling California's centralized student financial aid system will:

- Permanently reduce student access to information about financial aid, resulting in fewer students attending college or receiving career technical education
- Eliminate early notification of Cal Grant award estimates to nearly **100,000 students** annually who would otherwise not know the Cal Grant significantly helps them afford college or career training
- Cause confusion and increased work for students and high school counselors by requiring that the student contact multiple institutions about the status of their award. The Commission operates as a 'one-stop' location for Cal Grant and other financial aid information
- Undermine the portability (award follows student, regardless of institution) of the Cal Grant by allowing it to become a campus-specific program
- Disable the administration of the Commission's ten specialized grant and loan forgiveness programs

***Study in Progress at Risk:***

- MDRC, a leading national research firm, College Access Foundation of California, and the Bill and Melinda Gates Foundation are partnering with the Commission's California Cash for College program in a five-year study to research college persistence for scholarship recipients versus non-recipients