

Exhibit 6

Information Item

Consideration of Concepts for Budget Change Proposals for the 2014-15 State Budget

The Executive Director and staff have been delegated the responsibility of representing the Commission's operational and policy issues and decisions to the Governor and the Legislature. As the Commission considers how best to address Cal Grant Program efficiency and possible future reforms, the Commission may, at a future meeting, want to discuss how best to have a greater presence in discussions with the Governor and Legislature on policy issues.

One of our responsibilities is to determine if there are critical operational issues that can only be addressed by requesting additional resources through a Budget Change Proposal (BCP). A BCP is an administrative process by which a state agency proposes to the Governor a change to the level of service or funding sources for activities authorized by the Legislature, or new program activities not currently authorized. Approved BCP's are included in the Governor's Proposed Budget in January.

This agenda item provides information regarding our concepts for 2013-14 BCPs for requesting resources to meet critical operational needs.

Background

The Department of Finance (DOF) issues a Budget Letter that sets forth the Governor's policy direction for his proposed budget that agencies should consider when submitting BCPs. The Budget Letter also indicates the date BCPs must be submitted DOF.

Budget Letter 13-14 issued on July 31, 2013 (Exhibit 6.1) provides policy direction for the proposed 2014-15 Budget. This letter indicates that to maintain a structurally balanced budget, departments' ability to submit BCPs for the 2014-15 remain limited. The letter provides guidance on the circumstances for which a BCP should be submitted. The letter further allows for the submission of BCPs in the event there is a critical need that does not meet the specific criteria included in the letter, and the BCP is needed to prevent adverse consequences or to address adverse problems a department is already encountering.

Information contained in BCPs is an integral part of the Governor's deliberation process. Accordingly, every BCP must be treated as privileged and confidential until and unless the BCP is released to the Legislature as part of the Governor's Budget, the April 1 Finance Letter process, or the May Revision. Disapproved, unapproved, and draft BCPs (i.e., BCPs not released to the Legislature) remain confidential indefinitely, and may not be released. Final BCPs are those that contain a Finance supervisor's signature attesting that the BCP has been submitted to the Legislature.

California Student Aid Commission

Because of the confidential nature of the BCPs, historically we've developed BCP concepts based on critical priorities within the Commission. Per the previous Commission Chair's direction, we have not presented BCP concepts to the Commission for approval since September 2010 and were authorized to submit the BCPs we believed to be critical directly to DOF. We have, however, reported them to the Commission.

The current Commission Chairman has directed that the BCP concepts once again be presented to the Commission. Per Budget Letter 13-14, the 2014-15 BCPs are due to DOF by September 13, 2013. The Commission's meeting schedule, however, prevented Commission review before this year's deadline.

2014-15 BCP Concepts

Below is brief summary of the two 2014-15 BCP we will have submitted to DOF on September 13, 2013 that reflect critical operational priorities. Additional information regarding each concept is enclosed.

1. Grant Delivery System (GDS) Upgrade (Exhibit 6.2)

We are in the process of migrating the GDS Oracle database from Oracle 10g to 11g and have hired contractors to assess the performance, structure and application of GDS. This assessment will include recommendations that can be used in creating a new GDS system. Without a new system, we are at risk of the current system crashing and not being able to recover.

We are requesting funds to develop a new GDS system that has the needed security, flexibility and modular design to meet current and future business needs. Current technology is more adaptable to ever changing business rules and processes than the 30 year old technology used by GDS. A new GDS system will reduce if not eliminate the manual processes that are done today so we can provide more timely data to students and schools. It will also provide students with access to their Cal Grant award information through the use of mobile devices.

2. Cal Grant Effectiveness (Exhibit 6.3)

The current staffing and the GDS transactional design do not support our ability to provide complete policy analysis and recommendations to the Commission and other decision makers.

We are requesting funds to develop a DGS Data Warehouse and hire additional research staff to manage, maintain, organize, summarize, and respond to and support the efficacy of the Commission's grant programs and related activities and provide robust policy analysis and recommendations. A data warehouse would contain the needed program/financial reports, dashboard views of data, and analyses tools for the additional research staff.

California Student Aid Commission

While we submitted our 2014-15 BCPs to DOF prior to the Commission's September meeting, there is nothing prohibiting the Commission from making a determination that a submitted 2014-15 BCP should be withdrawn.

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

BUDGET LETTER

	NUMBER: 13-14
SUBJECT: 2014-15 BUDGET POLICY	DATE ISSUED: July 31, 2013
REFERENCES: BL 13-03	SUPERSEDES: 12-15

TO: Agency Secretaries
 Department Directors
 Department Chief Counsels
 Department Budget Officers
 Department Accounting Officers
 Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

This Budget Letter sets forth the Governor's policy direction for his proposed 2014-15 Budget. As a reminder, BL 13-03, issued April 15, 2013, outlines due dates and the technical and procedural requirements for preparation of the 2014-15 Governor's Budget.

Priorities

The Administration's primary budget focus continues to be maintaining a structurally balanced budget that preserves critical state services and promotes the Governor's priorities. While the 2013 Budget Act maintains structural balance into the future based on current projections, departments must continue to control costs, increase efficiency, and refrain from creating new—or expanding existing—programs to ensure the state's fiscal stability.

Budget Change Proposals (BCPs) and Enrollment/Caseload/Population (ECP) Policy

To maintain a structurally balanced budget, departments' ability to submit BCPs or ECP policy changes for the 2014-15 Budget remains limited, regardless of the funding source.

Accordingly, departments (including those not under the Governor's direct authority) should submit BCPs or ECP policy changes for the 2014-15 Budget only in the following circumstances:

- **Statutory Changes Necessary for Departments to Manage Within Their Budgets**
 Departments may submit BCPs to propose changes in current law to reduce or reorganize their statutory responsibilities so they can better manage within their authorized spending level and special fund balances. Departments should continue evaluating their responsibilities and propose reductions or eliminations of the least critical functions.
- **ECPs**
 Departments may submit BCPs to reflect expected changes in programs' enrollment, caseload, or population. No new policy components will be accepted for ECP adjustments.
- **Existing or Ongoing Information Technology (IT) Projects**
 Departments may submit BCPs related to an IT project only if the project is currently underway or has been authorized to proceed.

- **Existing or Ongoing Capital Outlay Projects**

Departments may submit BCPs to fund a future phase of an authorized capital outlay project only if the project is underway or has been authorized to proceed. For new projects, only the most critical (such as fire, life, safety, or court ordered) projects will be considered.

- **Cost-Cutting**

Departments may submit BCPs to cut costs or to authorize efficiencies to offset unavoidable costs such as price increases.

- **Improved Budgeting Practices**

Departments may submit BCPs as a result of any efforts to improve budgeting practices conducted as part of Executive Order B-13-11. In addition, any departments wishing to undertake such efforts, such as zero-base budget plans, should discuss options with their Finance counterparts.

In the event there is a critical need that does not meet the criteria outlined above and the agency secretary believes a new BCP is needed to prevent adverse consequences, or to address adverse problems a department is already encountering, contact your Finance Program Budget Manager before the due date.

Departments should assess whether statutory changes (including budget bill language) are necessary to effectuate any BCP that is submitted. If statutory changes are necessary, the department's BCP must include a copy of the proposed legislation. This requirement is necessary for Finance to comply with its obligations under Government Code §13308 to submit proposed statutory changes to the Legislature, through the Legislative Counsel. BCPs, including requests for Budget Bill language changes, must be submitted to Finance no later than **September 13, 2013**.

In submitting BCPs for the 2014-15 Budget, departments must use the latest BCP form. The BCP form and instructions can be found on the Finance public website: <http://www.dof.ca.gov/Budgeting/Forms>.

BCP Confidentiality

Information contained in BCPs is an integral part of the Governor's deliberation process. Accordingly, every BCP must be treated as privileged and confidential until and unless the BCP is released to the Legislature as part of the Governor's Budget, the April 1 Finance Letter process, or the May Revision. Disapproved, unapproved, and draft BCPs (i.e., BCPs not released to the Legislature) remain confidential indefinitely, and may not be released. Final BCPs are those that contain a Finance supervisor's signature attesting that the BCP has been submitted to the Legislature.

Questions about Public Records Act or litigation discovery requests for budget documents should be directed to department legal staff and, if necessary, by department legal staff to Finance legal staff.

If you have any questions about this Budget Letter, please contact your Finance budget analyst.

/s/ Ana Matosantos

ANA J. MATOSANTOS
Director

2014-15 Budget Change Proposal Concept for Upgrading Grant Delivery System

Background

GDS is designed to use student data through a series of program edits and verification processes to determine a student's eligibility for the various Cal Grant awards. These are complex processes that involve multiple grant programs, business rules for determining need, as well as a notification and correction process, and school change issues for a dynamic student population. Once awarded, the system also provides an institutional roster that allows institutions to perform tasks for award payments, payment reconciliation, database updating, and tracking, and award renewals. GDS also provides the ability to disburse advance funding to schools for students potentially attending those schools. The system also allows data interface uploads to and from diverse school financial processing systems. Each student's data is stored with the SSN and a unique CSAC ID.

Problem Statement

The existing GDS system is based upon business rules and processes that were established in the 1980s and 1990s. Since this time, the Cal Grant program has gone through numerous revisions. Most of which significantly changed the way CSAC administered Cal Grant awards. These ongoing changes revealed the limitations of GDS architecture in terms of scalability, security, availability, integration, performance, flexibility, costs, and business value. With these limitations, many of the needed changes were done as manual processes which increased with workload of our staff. Historically, manual processes are also prone to errors. With ever changing technology the average life span of a software application is 7-10 years. GDS' core system is approximately 30 years old. Also, the security components employed by GDS is outdated and is more likely to be exploited by hackers which ultimately can externally expose confidential data such as Social Security Numbers (SSN), date of birth, et al. We are in the process of migrating the GDS Oracle database from Oracle 10g to 11g and have hired contractors to assess the performance, structure and application of GDS. This assessment will include recommendations that can be used in creating a new GDS system.

Request

We are requesting one-time funding of approximately \$550,000 to hire three contract programmers for one (1) year to develop a new GDS system that has the needed security, flexibility and modular design to meet current and future CSAC business needs. Current technology is more adaptable to ever changing business rules and processes than the 30 year old technology used by GDS. A new GDS system will reduce if not eliminate the manual processes that are done today so we can provide more timely data to students and schools. It will also provide students with access to their Cal Grant award information through the use of mobile devices. Without a new system, we are at risk of the current system crashing and not being able to recover.

**2014-15 Budget Change Proposal Concept for
Cal Grant Effectiveness**

Background

Due to severe budget reductions in past years, we have only two research staff who are fully engaged in providing Cal Grant and Specialized Program funding projections for the Governor's budget, legislative bills, news media and other interested parties. The current Grant Delivery System (GDS) allows for only rudimentary data extraction and can be time consuming or, in some cases, not possible. GDS is designed to use student data through a series of program edits and verification processes to determine a student's eligibility for the various Cal Grant awards. The existing GDS is transactional based and designed to support high volume of student transactions while maintaining data integrity in multi-access environments.

Problem Statement

The current staffing and the GDS transactional design do not support our ability to provide complete policy analysis and recommendations to the Commission and other decision makers. As we continue to assess the efficacy of current or future grants/scholarship improvement efforts and provide comprehensive analysis on the effectiveness of the Cal Grant Program, we are hindered by the lack of data analytics. As we develop methods to improve Cal Grant take rates, and establish the Middle Class Scholarship program, a data warehouse with robust analytical tools would assist us in forecasting the impact of these changes more timely and accurately. Today, to forecast any changes is laborious or, next to impossible to predict any improvements to grant/scholarship programs. A data warehouse would contain the needed program/financial reports, dashboard views of data, and analyses tools the additional research staff could use to better do these predictions.

Request

We are requesting approximately \$500,000 to develop the data warehouse and add new information technology and research staff. Approximately \$170,000 of these funds will be for one-time costs associated with the development of the data warehouse. This amount includes new software and hardware and contracted programmers for 8 months to assist our staff in creating the GDS Data Warehouse, and train our staff on the use of the data warehouse software. There are ongoing costs associated with the data warehouse, including one new information technology staff to work with the programmers in developing the data warehouse and to be responsible for the ongoing technical support. These funds will also support new research staff (a research manager, a research analyst II and an associate governmental program analyst) and contract funds to manage, maintain, organize, summarize, and respond to and support the efficacy of the Commission's grant programs and related activities and provide robust policy analysis and recommendations. The new research staff would be hired in January 2015 as the GDS Data Warehouse is nearing completion to assist with the development of reports and to be trained on using the data warehouse.