California Student Aid Commission

Item 8

(Action Item)

Consideration of Budget Change Proposals (BCPs) for Fiscal Year 2023-24

SUMMARY:
The purpose of this section is for the California Student Aid Commission's (Commission) consideration of Budget Change Proposals (BCPs) for inclusion of the Governor's Budget deliberation process.

RECOMMENDATION:
The Commission is committed to ensuring its programs run reliably and efficiently and is proposing the two following BCPs be approved as outlined below.

BACKGROUND:
A BCP is a proposal to change the level of service (increases, decreases, or shifts) or funding sources (new funds or utilizing different fund sources for the same purpose) for activities authorized by the Legislature, or to propose new program activities not currently authorized. Many factors determine whether a BCP ultimately will be approved for inclusion in the Governor's Budget, recommended by the Legislative Analyst and legislative staff, or included in the budget that the Legislature enacts.

DESCRIPTION OF PROPOSED FISCAL YEAR (FY) 2023-24 BCPs:
The order in which these are presented are not reflective of the Commission's order of importance to which these proposals move forward.

1) <u>Permanent Workload Resources and Infrastructure Support to Administer the Statutory Changes and Expansion of Financial Aid programs.</u>

The Budget Act of 2021-22 included significant statutory changes to the Cal Grant program including the Community College Entitlement Program, Cal Grant Access award availability for the Foster Youth and alterations to the existing Competitive Award Program. The Budget Act additionally expanded the Golden State Teachers Grant Program by 10 times from its pilot year of 2020-21 and redesigned the Middle Class Scholarship Program with new program eligibility requirements to increase the pool of eligible recipients at the University of California and California State University system. Lastly, that Budget Act added two brand new programs all the while commencing implementation of the financial aid completion requirement for all high school students

California Student Aid Commission

to the 2022-23 academic year. Without any immediate approved permanent position changes and the budget change proposal process timeline scheduled for the next fiscal year, the Commission recruited and hired 15 limited-term positions between July 2021 through the present to assist in the implementation of these changes.

The Budget Act of 2022-23 defined the Middle Class Scholarship appropriation for the 2.0 version of the program, provided more access to Cal Grants for students attending the private non-profit institutions and the Dream Act Service Incentive Grant eligibility. Additionally, the Golden State Teacher Grant Program experienced significant program changes to refine eligibility requirements and increase enrollment in the program. Lastly, the 2022-23 State Budget also includes a commitment to prioritize the Cal Grant Reform. This most current Budget adopts the Cal Grant Reform Act (as outlined in AB 1746) beginning with the 2024-25 academic year, unless a determination is made in the spring of 2024 that General Fund over the multiyear forecast is not available to support the necessary ongoing funding augmentation. The Cal Grant Reform Act makes significant changes to the state's largest financial aid program, replacing the existing Cal Grant program with a new version of the program that provides a Cal Grant 2 for eligible California Community College students with financial need, and provides a Cal Grant 4 for eligible four-year university students with financial need. The last two enacted budgets reflect the Governor's continued investment in financial aid through the creation of new programs, expanding existing programs and resetting the largest state financial aid program in the country to provide a simpler and more equitable framework for all students seeking higher education.

In addition, the Commission is preparing for the Free Application for Federal Student Aid (FAFSA) simplification scheduled for October 1, 2023. The prominent changes from the FAFSA simplification include reducing the questions from over 100 to approximately 40 and replacing the EFC with the SAI. While the simplification efforts will benefit students tremendously, the Commission will need to perform extensive programming changes from the receipt of the FAFSA data from the USDE, all state financial aid processing programs including the Cal Grant program and updating the CADAA to mirror the simplified FAFSA.

The 15 limited-term positions hired over the last year were critical for the successful implementation of the budget changes, fulfilling operational needs and providing customer service to our external stakeholders. Four of the limited-term positions oversaw the roll out of the new Learning-Aligned Employment Program and the Golden State Education and Training Grant Program. The other limited-term positions supported existing Commission staff in various responsibilities including program administration, customer phone support, training, personnel and the Policy and Public Affairs Division. While limited-term positions help to fulfill the urgent needs, it's not a sustainable model for staff resourcing and meeting the needs of our customers. The Golden State Teachers Grant Program is set to end on June 30, 2026, while the Learning-Aligned Employment Program has an expiration date of June 30, 2031. The Financial Aid Completion requirement, FAFSA simplification and the Cal Grant equity framework are initiatives and projects commencing in the 2022-23 and 2023-24 fiscal

California Student Aid Commission

years which will require the need for existing staff levels, including the limited-term positions and the addition of new staff beyond the 2022-23 fiscal year. The Commission is requesting 12 of 15 limited-term positions for conversion into full-time permanent positions and five new full-time permanent positions.

This proposal requests 17.0 full-time permanent positions equaling $2,105,000 in General Fund support to not only implement all these changes in the specified timeframes but build a strong staffing infrastructure to sustain the programs into the future and remain nimble to respond to other financial aid initiatives.

Total funding request in FY 2023-24 is $2,105,000 with permanent ongoing funding starting in FY 2024-25 of $2,088,000.

2) <u>Workload Resources to Implement a Project Management Office, Enterprise Architecture, and IT Governance Plan</u>

The financial aid landscape in California will be undergoing dramatic changes over the next several years initiated by the Budget Act of 2021, the financial aid completion requirement and the FAFSA Simplification Act. While the simplification efforts will benefit students tremendously, the Commission will need to perform extensive business process and information technology system changes from the receipt of the FAFSA data from USDE, all state financial aid processing programs including the Cal Grant program and updating the CADAA to mirror the simplified FAFSA.

Over the last few years, the Commission has seen significant enhancements to its core information technology systems, both to support technology debt as well as legislative changes and mandates needed to support expanded programs and offerings. Current staffing levels and capabilities are insufficient to maintain highly skilled staffing and keep pace with modern development and cloud infrastructure technologies. Furthermore, without strong governance and project portfolio best practices, the Commission will struggle to address prioritization and project delivery necessary to meet its obligations.

The Commission is requesting the 5.0 full-time permanent positions equaling $960,625 in General Fund support to not only implement all of these system changes in the specified timeframes but build a strong information technology staffing infrastructure to initiate formal project management practices, enterprise architecture and IT governance programs; acquire information technology technical staff to address workload increases driven by the above mentioned business changes; and to sustain the information technology systems into the future. The Commission is currently experiencing IT deficiencies to manage the growing number of projects and technological advances in the following areas:

- Increased workload for current information technology staff to modify existing systems such as the Grant Delivery System as well as developing new systems or functions to accommodate the new federal and state grant processing program requirements.

California Student Aid Commission

- Existing information technology consulting staff contracts are ending, and system/technology knowledge has not been fully assimilated by the Commission's permanent IT staff. Reliance on consultants to address cloud-based applications and back-end infrastructure have left Commission's permanent IT staff without adequate knowledge and experience of the cloud environment. Consulting staff contracts have also shown to be very expensive and significantly decrease the Commission's operation expenses and equipment budget.

- The Commission IT systems and required modernizations have out-grown current IT staff capabilities and capacity.

- The Commission does not have a formal project management process or a Project Management Office to establish industry standard project management processes, formalize the intake, prioritization, initiation of projects, and uphold compliance with Statewide IT project management processes included in the California Department of Technology (CDT) Project Approval Lifecycle (PAL) guidelines. This problem was referenced in the recent Grant Delivery System Modernization project CDT Independent Project Oversight Report for Project # 6980-069.

- The Commission does not have formal information technology governance processes in place that would identify the priority of IT projects and approve project initiation based on Commission priorities and IT resource capabilities and capacity.

- There is no enterprise architecture process in place that would identify/define current systems technology structures, define target (preferred) architectures, and ensure that new IT system requests are examined for architecture fit to the preferred Commission model.

- Need to prepare IT staff for future growth of systems (new functionality and new systems) and changes to current grant management related systems.

- Need to establish IT processes to maintain system health – upgrade software and infrastructure on a routine basis.

This proposal requests 5.0 full-time permanent positions equaling $960,625 in General Fund support to implement system changes in the specified timeframes and build a strong information technology staffing infrastructure to initiate formal project management practices, enterprise architecture and IT governance programs.

Total funding in FY 2023-24 is $960,625, with permanent ongoing funding starting in FY 2024-25 of $955,625.

3) Initiate a Cyber Security and Data Privacy Program

The California Student Aid Commission (Commission) has been serving students since 1955 by providing financial aid and support services to high school and postsecondary students, parents, and families. As the agency responsible for the administration of state-funded financial aid programs, the Commission's mission is to make education

California Student Aid Commission

beyond high school financially accessible to all Californians. The Commission administers a number of student aid related programs under guidelines and policies of the United States Department of Education (USDE) including the Cal Grant program, Community College Entitlement Program, Cal Grant Access for Foster Youth, the California Dream Act Application, the Chafee Grant Program for Foster Youth, the California Military Department GI Bill Award Program, the Law Enforcement Personnel Dependents Scholarship Program, as well as the newly created Golden State Teacher Grant Program, Learning-Aligned Grant Program, and Golden State Education and Training Grant Program.

Over the last 4 years, the Commission has been adopting and aligning with the state's "cloud" strategies and modernizing its information systems. Additionally, in response to the COVID-19 pandemic and the Governor's Executive Order, the Commission adopted nearly a 100% teleworking workforce that has intensified the struggle with securing and identifying cybersecurity risk given the wider and more expansive attack surface. The Commission maintains significant privacy data related to the millions of California residents, students and parents that have applied for or are seeking financial aid to attend higher education. A cybersecurity event that compromised the Cal Grant student aid system would have a catastrophic impact to all aspects of higher education in California including the livelihood of our students that depend on this aid.

The Commission currently has one (1) IT Specialist I permanent staff to address IT Security matters. The current staffing levels are not adequate to support the Commission's existing enterprise IT solutions and protect the state's information assets from rapid and ongoing cybersecurity risk. Updates to the state security policy and standards, expansion of the Commission's programs, migrations of systems to public cloud infrastructure, expanded support for virtual telework and collaboration tools all expand and widen the gap to effective cybersecurity threat awareness, assessment, and organization maturity.

The Commission is requesting the 2.0 full-time permanent positions and funding for consulting resources, software, and training to address gaps in the Commission's cybersecurity program mandated by State, Federal and industry best practices. The Commission is currently experiencing deficiencies in the following cybersecurity areas:

- Complying with State, State Administrative Manual (SAM) section 5300, State Information Management Manual (SIMM), Federal National Institute of Standards and Technology (NIST) SP 800-53.

- Applying the California Department of Technology – Office of Information Security's (CDT-OIS) Cal-Secure – five-year roadmap, compliance with implementation targets and reporting requirements – based on three principles of People, Process, and Technology to the Commission's operations.

- Absence of any formal cybersecurity threat assessment and operational capabilities to detect and mobilize defenses against a major cybersecurity attack.

- Updates to state security policies and standards, expansion of Commission programs, staffing pressures, migration of systems and data to cloud,

expanded telework and virtual meetings due to the COVID-19, along with the escalation and increasing complexity of attack vectors have outpaced the bandwidth and capabilities of current security and network staff.

- Lacking adequate resources to address workload activities to address audit findings, remediation work, and conduct ongoing risk, threat mitigation, and address operational incidents and events that may impair and threaten the Commission's critical technology and data assets.

- Inadequate resources to respond to a major cybersecurity event or zero-day vulnerability.

- Inability to adequately protect the State's data assets and equipment.

This proposal requests 2.0 full-time permanent positions equaling $361,000 to establish a Chief Information Security Officer (CISO) position and additional staff for the policy and operational security domains. In addition, this proposal seeks $20,000 one-time and $10,000 on-going funding for training, $300,000 one-time and $100,000 on-going funding for software products and $750,000 one-time funding for contract consulting services to address a privacy program and develop the Commission's Information Security Roadmap.

Total funding in FY 2023-24 is $1,431,000, with permanent ongoing funding starting in FY 2024-25 of $469,000.

4) Initiate an Annual Student Expenses and Resources Survey (SEARS)

The Commission requests ongoing funding of $250,000 from the General Fund to support administering an annual series of surveys to gather required and important data on student's total cost of attendance, resources available, basic needs, and other socioeconomic factors affecting financial aid programs. This funding will be used to assist in the ongoing survey administration of the Student Expenses and Resources Survey (SEARS)annually, along with other ancillary surveys deemed necessary, and allow the Commission to procure contracting services related to the implementation, processing, and analysis of these survey instruments. It also includes funding for software necessary to administer surveys in-house.

The Commission's current state operations budget is unable to absorb the cost to restart the SEARS survey; it was funded in its current format using philanthropic funds, which provided the Commission with a blueprint for not only how to gather this information, but also how much it costs annually to do so. This funding request is timely in order to begin collecting this data for immediate MCS needs, and in advance of future changes to Cal Grant, along with integration into other support programs.

Since SEARS was performed on its regularly scheduled triennial in 21-22, and was funded by philanthropic funds, we did not need state funding for this cycle. Given the changes in MCS and the desire to perform SEARS annually, we request funding to begin this as an annual process in FY 2023-24.

California Student Aid Commission

With the uncertain economic climate and fluctuating student needs, the Commission will be better positioned to refresh its data on students on a continuous and ongoing basis (vs once every three years). The Commission has had recent successes in administering surveys to students that have filed a FAFSA/CADAA with its prior two SEARS surveys and its 2020-21 surveys on the COVID-19 effects on students, all of which got much improved response rates and numbers than previous paper-based survey methodologies. CSAC has demonstrated effectiveness in designing surveys and electronically contacting financial aid seekers to acquire survey data that has greatly informed policy, the budget, and financial reform efforts. The Commission aims to implement a survey protocol that samples all FAFSA/CADAA filers annually at the point of submission to keep information current. The Commission also seeks to separate its surveys so that each instrument is shorter to improve response rates.

Funding will be used to administer effective surveys and implementation strategies and schedules, support the ongoing collection of data, and support the complex tasks involved in survey design and results weighing. This $250,000 request will institutionalize an annual (vs. every three years) survey strategy that includes SEARS, student debt, and other basic needs questions across multiple survey instruments and eliminates the need to navigate hundreds of data sharing MOU's by keeping survey domains within that of students who submit FAFSA/CADAA applications.

Total ongoing funding starting in FY 2023-24 is $250,000.

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ATTACHMENT(S):

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