

CALIFORNIA STUDENT AID COMMISSION

Update on the 2020-21 State Budget

SUMMARY

The Governor's proposed 2020-21 State Budget released in January, included:

1. **Establishment of a working group on student loan debt**, to provide outreach and assistance to students on types of loans and existing repayment and forgiveness programs.
2. **Maintaining the maximum Cal Grant tuition award (\$9,084) for students attending private nonprofit institutions**, provided this sector meets the annual statutory target for enrolling students via the Associate Degree for Transfer (ADT) pathway.
3. **Full funding (\$5.3 million) of the Grand Delivery System Modernization (GDSM) project** for the third (and projected final) year of project costs.
4. **Approval of 15 new positions at CSAC**, including positions to bring the agency into compliance with its recent designation as a Voter Registration Agency, and to fully implement the new financial aid and outreach programs established in the 2019-20 Budget Act.
5. **Adjustments to Entitlement Cal Grants and Cal Grant for Students with Dependent Children funding**, consistent with revised caseload estimates provided by the Commission.

These and other budget proposals are now uncertain given the devastating impacts of the COVID-19 health crisis. California is now facing serious budget challenges likely leading to difficult choices in the months and years ahead.

In a recent [publication](#), the Legislative Analyst's Office (LAO) noted three main cost drivers of the State's fiscal condition: (1) higher costs to respond directly to the public health emergency; (2) higher indirect costs associated with economic circumstances resulting from COVID-19, such as increasing demand for unemployment and food assistance; and (3) revenue losses as a result of economic disruption.

The LAO stated in another recent [publication](#) that the State has an estimated \$17.5 billion in reserve accounts, as of February 2020, not including the Proposition 98 School Reserve. The LAO notes that the state will enter this period of economic uncertainty with significant reserves; but that shortfalls in revenues tied to a significant recession could significantly exceed reserves. Similarly, the [Public Policy Institute of California \(PPIC\)](#) agrees that a severe recession will pose significant budgetary challenges despite healthy budget reserves. Thus, cautious spending of these reserves is warranted given that the economic impacts of COVID-19 will span multiple years.

New Legislative Process for the 2020-21 Budget

With the crisis at hand, the Legislature is waiting for a *new budget proposal* via the Governor's May Revise which will be the *new starting point* for budget deliberations. Most anticipate the final state budget will provide minimal and baseline funding for most programs not directly related to COVID-19. The Commission, like all other state agencies, received a budget letter

(see Department of Finance – Budget Letter to State Agencies) from Keely Bosler, Director of the Department of Finance, requesting a review of all agency budget priorities and indicating that all budget requests will be analyzed by the Administration in the context of the COVID-19 health crisis. Staff are working closely with the Governor’s Office and the DOF to reevaluate and prioritize agency budget requests; but more importantly to make sure that students get the support they need during these challenging times and can continue their education. The Legislature is expected to consider this new budget between mid-May and the June 15th constitutional deadline for passing a State Budget.

Given that tax filing deadlines have been extended to July, the State will likely not have an accurate picture of revenues until late July or early August. Thus, once the State has received information on actual revenues, the Legislature is expected to revisit the 2020-21 State Budget and adjust accordingly via budget trailer bills. Many expect that this second round of budget negotiations or “August Revise” will lead to difficult budget cuts for many state agencies, colleges and universities, and potentially even student aid programs.

Federal Support

The federal government has provided significant support to California via the Coronavirus Preparedness and Response Act; the Families First Coronavirus Response Act (FFCRA); and the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The attached document entitled “Summary of Federal CARES Act” provides an overview of the CARES Act, which includes significant higher education relief funding. The LAO noted in a recent [publication](#) that these federal actions will mitigate some of the adverse budgetary effects of the COVID-19 pandemic; but this funding does not address the major sources of budgetary strain – lower revenues.

Staff have engaged in initial discussions with the Administration regarding how the Commission might get involved in making sure students get the support and resources they need for basic needs like housing, food, technology, etc.

UPDATE ON CSAC BUDGET CHANGE PROPOSALS

In September 2019, the Commission submitted several Budget Change Proposals (BCPs), requesting state operations funding:

- **Grant Delivery System Modernization (GDSM)** – third and final year of project costs;
- **National Voter Registration Act (NVRA)** – compliance with state and federal NVRA requirements; CSAC was recently designated as a Voter Registration Agency by the Secretary of State’s (SOS) office;
- **Office space acquisition** to accommodate growing staff levels;
- **New positions**, typically referred to as Personnel Years (PYs), and funding to implement new financial aid programs that were funded in the 2019-20 budget.

The Governor’s Budget Proposal for 2020-21 approved additional funding and positions for these BCP requests, summarized in Table 1 below. However, given that the DOF has indicated that these BCP approvals will be re-considered in the context of the current health crisis and economic uncertainties for the May Revise, the Commission submitted a prioritization of BCP

requests with some revised requests. Table 1 below compares the BCPs that were approved in the *Proposed 20-21 Budget* with the Revised Request. All BCP request were modified with the exception of the GDSM BCP.

Table 1: Updates to CSAC BCPs

BCP	Proposed 20-21 Budget	Revised Request (Minimum Required)
Grant Delivery System Modernization	\$5,300,000	\$5,300,000
National Voter Registration Agency (NVRA) Compliance	\$479,000 ongoing (6.0 PYs)	\$334,375 (4.0 PYs) \$400,000 one-time to develop website interface between CSAC and SOS
Office Space Acquisition	FY 20-21: \$1,846,000 FY 21-22: \$930,000 (ongoing)	FY 20-21: \$380,000 FY 21-22: \$941,000 (ongoing)
Dreamer Service Incentive Grant (DSIG) Program	\$294,000 ongoing (3.0 PYs)	\$294,000 (3.0 PYs)
Child Savings Account (CSA) Grant Program	No additional funding (2.0 PYs)	1.0 PY No additional funding
Golden State Teacher Grant (GSTG) Program	No additional funding (4.0 PYs)	2.0 PYs No additional funding

UPDATE ON CSAC SPRING FINANCE LETTERS

In February 2020, the Commission submitted to the Department of Finance five Spring Finance Letter (SFL) requests:

- **Auxiliary Authority** to allow the Commission to accept philanthropic funds to advance its mission of enhancing college affordability without further encroaching on state General Fund resources.
- **Regulations & Rulemaking Authority** to implement programs more effectively and efficiently given that several specialized programs (i.e. GSTG, Chafee Grant for Foster Youth Program, and the CSA Grant Program) contain statutory ambiguities.
- **Adjustments to Cal-SOAP augmentation in the 2019-20 Budget** to allow the Commission to utilize these funds more effectively.
- **Research Division personnel** to enhance research capacity of the agency.

However, given that the DOF has indicated that these SFLs will be considered in the context of the current health crisis and economic uncertainties for the May Revise, the Commission submitted a prioritization of SFL requests with some revised requests. Table 2 below compares the SFLs that the Commission originally submitted in February with the revised requests.

Table 2: Updates to SFL Requests

Spring Finance Letter	Amount/Positions Requested	Revised Request
Auxiliary Authority	No fiscal impact	
Regulations & Rulemaking Authority	General regulatory authority \$137,208 ongoing (1.0 PY)	General regulatory authority only; no fiscal impact
Cal-SOAP - request to convert \$1.5 M in local assistance to state operations for Cal-SOAP data collection	No fiscal impact: this funding was already previously allocated in the 2019-20 Budget Act	
Cal-SOAP – request to carryover \$3.5M in Cal-SOAP local assistance to FY 2020-21	No fiscal impact: this funding was already previously allocated in the 2019-20 Budget Act	
Research Division – upgrading and adding PYs	\$279,000 ongoing (upgrade 4 PYs; 1.0 new PY)	Request withdrawn