

# CALIFORNIA STUDENT AID COMMISSION

## Update on the 2020-21 State Budget

### UPDATE ON THE 2020-21 BUDGET PROCESS

California started the year with a healthy fiscal outlook for the 2020-21 budget. The Governor's proposed January budget assumed historic levels of reserves and a healthy surplus for new investments. Unfortunately, the COVID-19 pandemic has had devastating impacts on the State's fiscal condition. The State is now experiencing a deep recession and anticipating a \$54 billion deficit. Reserves and federal aid will help offset or postpone painful budget cuts; but there are still many challenging budget negotiations that will take place in the coming years and all areas of the Budget, including higher education and financial aid, will be impacted.

Given that the State's fiscal outlook drastically changed following the pandemic the Governor's May Revise became the new starting point for budget negotiations. Furthermore, tax filing deadlines were extended to July 15, delaying when the State would have an accurate estimate of revenues until late July or early August. While the Legislature adopted a "two-party" budget before the June 15 to meet the constitutional deadline, negotiations with the Governor continued beyond that date. On June 22, the Governor and legislative leadership announced they had reached an agreement on the 2020-21 budget, which adopted the Governor's preferred approach of implementing funding reductions and utilizing "triggering-off" provisions to restore programs or allocations should additional federal funding assistance be received by the State before October 15, 2020. The potential for federal assistance, as well as additional data on tax receipts collected before July 15, make it likely the Administration and Legislature will consider additional adjustments to the 2020-21 budget before the close of the legislative session.

Below is a timeline of the 2020-21 budget process:

- **January 10<sup>th</sup>**: [Governor's 2020-21 Proposed Budget](#) released
- **March 19<sup>th</sup>**: Governor declares [State of Emergency](#) and State Public Health Officer issues [public health order](#) to stay at home
- **March 20<sup>th</sup> – May 4<sup>th</sup>**: Joint legislative recess; all budget hearings cancelled
- **May 4<sup>th</sup>**: Legislature reconvenes; budget hearings resume
- **May 14<sup>th</sup>**: [Governor's May Revise](#) released
- **June 15<sup>th</sup>**: Legislature passes [SB 74 \(Mitchell\)](#) Budget Act of 2020
- **June 22<sup>nd</sup>**: Governor Newsom and legislative leadership [announce](#) budget agreement
- **June 26<sup>th</sup>**: Legislature passes budget trailer bills, including [AB 94 \(Committee on Budget\)](#) the higher education trailer bill, to reflect changes in the budget agreement
- **June 29**: Governor Newsom [announces](#) that he has signed the revised 2020-21 Budget into enactment

## SUMMARY OF KEY BUDGET OUTCOMES

The 2020-21 budget agreement includes several key provisions related to the Commission's programs and operations:

- **Grant Delivery System Modernization** – The agreement approves nearly \$5.3 million in one-time funding to support the third year of project costs.
- **Cal Grants for student attending private, nonprofit institutions** – The agreement rejects the May Revise proposal to reduce the Cal Grant award to \$8,056 for students attending private, nonprofit institutions. The maximum Cal Grant award for students attending these institutions will remain at \$9,084 for the 2020-21 academic year.
- **Middle Class Scholarship** – makes adjustments to reflect changes in caseload estimates and specifies that starting with the 2019-20 fiscal year, the new cap for the program is set at \$117 million.
- **Dreamer Service Incentive Grant (DSIG) program** – The agreement redirects \$15 million in program funding allocated for both the 2019-20 and 2020-21 budget years to instead provide disaster relief emergency aid for undocumented students at the California Community Colleges, California State University, and the University of California. The DSIG program will relaunch in 2021-22.
- **Golden State Teacher Grant (GSTG) Program** - The agreement approves \$15 million in federal Individuals with Disabilities Education Act (IDEA) funding to provide GSTG program grants to students in professional development programs training to become special education teachers. The agreement cuts the \$88 million in program funding that was allocated in the 2019-20 Budget Act; but funding would be restored if additional federal assistance is received before October 15, 2020. The budget trailer bill also includes technical adjustments that were needed to implement the program.
- **Child Savings Account (CSA) Grant Program** – The agreement approves the May Revise proposal to reduce the program funding allocated in the 2019-20 budget from \$25 million to \$10 million.
- **Student Loan and Debt Service Review Workgroup** – The agreement allocates \$250,000 to support the formation of the Work Group (rather than the \$500,000 proposed by the Governor). Executive Director Garcia will have authority to designate a lead for the Workgroup, as well as three members of the public that will serve alongside representatives from the Commission, the Department of Finance, and the Scholarshare Investment Board. The Work Group is expected to submit a report on its findings by September 1, 2021.

## BUDGET CHANGE PROPOSALS

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

- **Grant Delivery System Modernization (GDSM)** – third and final year of project implementation costs.

- **National Voter Registration Act (NVRA)** – compliance with state/federal NVRA requirements.
- **Office space acquisition** to accommodate growing staff levels.
- **New positions**, typically referred to as Personnel Years (PYs), and state operations funding to implement new financial aid programs that were approved in the 2019-20 budget, including the Dreamer Service Grant (DSIG) Program, Child Savings Account (CSA) Grant Program, and Golden State Teacher Grant (GSTG) Program.

The table below outlines key actions taken on these budget requests.

BCP	January Proposed	May Revise	Adopted Budget
<b>GDSM</b>	\$5,282,000	No change	\$5,282,000
<b>NVRA Compliance</b>	\$479,000 ongoing (6.0 PYs)	\$334,375 ongoing (4.0 PYs)	\$334,375 ongoing (4.0 PYs)
<b>Office Space Acquisition</b>	FY 20-21: \$1,846,000  FY 21-22: \$930,000 (ongoing)	Withdrawn	n/a
<b>DSIG Program</b>	\$294,000 ongoing (3.0 PYs)	No change	\$294,000 ongoing (3.0 PYs)
<b>CSA Grant Program</b>	No additional funding (2.0 PYs)	No change	Withdrawn
<b>GSTG Program</b>	No additional funding (4.0 PYs)	Withdrawn	No additional funding (4.0 PYs)

Table 1: Update on Commission Budget Change Proposals (BCPs)

## SPRING FINANCE LETTERS

In February 2020, the Commission submitted several 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.

Given the economic impacts of the COVID-19 pandemic, the Department of Finance did not have the capacity to review and approve new SFL requests. Thus, none of these requests were included in the 2020-21 budget agreement.