

The 2020-21 Budget: California Student Aid Commission

Summary

Governor Proposes \$2.7 Billion for the California Student Aid Commission (CSAC) in 2020-21. The most notable changes include current- and budget-year adjustments to Cal Grant spending, \$5 million one time for a student loan outreach initiative, and \$7.9 million (\$6.2 million one time and \$1.7 million ongoing) for various state operations proposals.

Cal Grant Adjustments Reflect Updated Caseload Data. The Governor's budget adjusts Cal Grant spending downward in 2019-20 by \$139 million to reflect more recent data on award offers and payments. From this revised current-year level, the budget provides a \$97 million augmentation for 2020-21 to reflect a projected 4 percent increase in recipients. Based on recent caseload trends, the administration's projections are reasonable. We anticipate the administration will provide updated cost estimates at the May Revision.

Student Loan Work Group Is Promising, but Specific Outreach Proposals Are Premature. The Governor's budget provides (1) \$500,000 for CSAC to establish a work group that would research strategies to increase access to beneficial student loan and repayment programs, (2) \$375,000 for CSAC to provide information on student loans through a website and other means, and (3) \$4.1 million for grants to public colleges and universities to notify students about repayment options. With many existing sources of information on student loans and repayment options, it is unclear which information gaps or other barriers are preventing students from accessing beneficial programs. We recommend the Legislature approve \$500,000 for a work group to improve the state's understanding of these barriers and identify targeted strategies to overcome them. We recommend waiting until the work group issues its findings and recommendations in September 2021 before allocating funds for specific outreach activities.

Other State Operations Proposals Have Merit. The Governor's budget includes three sets of state operations proposals. First, it provides \$5.3 million one time for CSAC to continue the replacement of its Grant Delivery System. As this information technology project is generally on track, we recommend the Legislature approve the proposal. Second, the Governor's budget includes \$773,000 ongoing and 15 positions for CSAC to implement three new programs created in the 2019-20 budget package and comply with federal voter registration law. Because this proposal directly responds to recent, notable increases in CSAC's workload, we believe it is reasonable and recommend the Legislature approve it. Finally, the Governor's budget includes \$1.8 million (\$943,000 one time and \$903,000 ongoing) for CSAC to relocate to a larger office space. Though we believe the request for additional space is warranted, we recommend the Legislature withhold action on this proposal until it receives an updated relocation time line, as this will affect the associated costs in 2020-21.

INTRODUCTION

In this brief, we provide an overview of the Governor's proposed budget for the California Student Aid Commission (CSAC). We then (1) assess the Governor's Cal Grant cost estimates,

(2) analyze the Governor's proposal to fund a student loan outreach initiative, and (3) analyze the Governor's state operations proposals for CSAC.

OVERVIEW

Governor Proposes \$2.7 Billion for CSAC in 2020-21. As **Figure 1** shows, the two main fund sources for CSAC are state General Fund and federal Temporary Assistance for Needy Families (TANF). State General Fund comprises about 60 percent of CSAC funding, with federal TANF comprising about 40 percent. The Governor's budget for 2020-21 decreases TANF support for CSAC by \$60 million (6 percent). It redirects those funds to the California Work Opportunity and

Responsibility to Kids (CalWORKs) program and backfills CSAC with General Fund.

Cal Grants Account for Majority of New Ongoing Spending. As **Figure 2** shows, the Governor's budget increases Cal Grant spending by \$97 million over the revised 2019-20 level. Other notable CSAC augmentations include \$5 million one time for a student loan outreach initiative and \$7.9 million (including \$6.2 million one time) for other state operations. These spending increases

Figure 1

California Student Aid Commission Budget (Dollars in Millions)

	2018-19 Actual	2019-20 Revised	2020-21 Proposed	Change From 2019-20	
				Amount	Percent
Spending					
Local assistance					
Cal Grants	\$2,122	\$2,416	\$2,513	\$97	4%
Middle Class Scholarships	104	110	110	—	—
Chafee Foster Youth Program	17	18	18	—	—
Student Opportunity and Access Program	8	18	8	-10	-56
Other ongoing programs ^a	5	4	3	-1	-13
One-time initiatives ^b	3	113	—	-113	-100
Subtotals	\$2,259	\$2,678	\$2,652	-\$26	-1%
State operations	20	27	30	3	11%
Totals	\$2,280	\$2,705	\$2,682	-\$23	-1%
Funding					
General Fund	\$1,189	\$1,619	\$1,656	\$38	2%
Federal TANF	1,066	1,060	1,000	-60	-6
Other federal funds and reimbursements	19	21	21	—	—
College Access Tax Credit Fund	5	6	5	-1	-12

^a Includes Assumption Program of Loans for Education, California Military Department GI Bill Awards, Cash for College, John R. Justice Program, Law Enforcement Personnel Dependents Scholarships, and State Nursing Assumption Program of Loans for Education For Nursing Faculty.

^b Includes Child Savings Account Grant Program, Every Kid Counts, and Golden State Teacher Grant Program.
TANF = Temporary Assistance for Needy Families.

are offset by the removal of \$133 million in one-time 2019-20 funds previously provided for various initiatives, including teacher scholarships and college savings accounts. Under the Governor’s budget, total CSAC spending decreases by \$23 million (0.9 percent) from the revised 2019-20 level.

CAL GRANTS

In this section, we provide background on the Cal Grant program and assess the Governor’s cost estimates for that program.

Background

State Offers Multiple Types of Cal Grant Awards. In the late 1970s, the state consolidated its various student financial aid programs into the Cal Grant program. As **Figure 3** shows, there are three main types of Cal Grant awards—Cal Grant A, B, and C. The award types vary in the amount of tuition and nontuition coverage they provide. Cal Grant A covers full systemwide tuition and fees at the public universities and a fixed amount of tuition at private universities. Cal Grant B provides the same amount of tuition coverage as Cal Grant A, with the exception that it provides no tuition coverage in the first year of college. Cal Grant B also provides aid for nontuition expenses such as food, housing, and transportation. Cal Grant C, which is only available to students enrolled in career technical education programs, provides a lower amount of aid for tuition and nontuition expenses. A student may receive a Cal Grant A or B award for up to the equivalent of four years of full-time study, whereas a Cal Grant C award is available for up to two years.

Entitlement and Competitive Programs Have Certain Eligibility Criteria. In 2000, the Legislature restructured the Cal Grant program into two main programs—a relatively large entitlement program and a smaller competitive program. To qualify for these programs, students must meet certain income and asset criteria, which vary by family size. For example, a student from a family of four must have a household income of under \$102,500 to qualify for Cal Grant A or C and under \$53,900 to

Figure 2

California Student Aid Commission Spending Changes

(In Millions)

2019-20 Revised Spending	\$2,705.3
Local Assistance	
Cal Grants	\$97.2
Other financial aid programs	-0.5
Subtotal	(\$96.7)
State Operations	
Grant Delivery System ^a	\$5.3
Student loan outreach ^a	5.0
New leased space ^b	1.8
New positions ^c	0.8
Subtotal	(\$12.9)
Removal of one-time 2019-20 funds	-\$132.8
Total Changes	-\$23.2
2020-21 Proposed Spending	\$2,682.1

^a One time.

^b Consists of \$903,000 ongoing and \$943,000 one time.

^c Includes six positions for National Voter Registration Act compliance and three positions to administer California Dreamer Service Incentive Grant. Governor’s budget also provides authority for six positions previously funded in 2019-20 Budget Act.

Figure 3

Cal Grant Award Amounts

Maximum Annual Award Amount, 2019-20

Tuition Coverage	Amount
Cal Grant A and B	
UC	\$12,570
Nonprofit schools	9,084
WASC-accredited for-profit schools	8,056
CSU	5,742
Other for-profit schools	4,000
Cal Grant C	
Private schools	\$2,462
Nontuition Coverage ^a	Amount
Cal Grant B	
All segments	\$1,648 ^b
Cal Grant C	
CCC	\$1,094
Private schools	547

^a Award amounts apply to students without dependent children. Students with dependent children qualify for a supplemental award that brings nontuition coverage to a maximum of \$6,000 for Cal Grant A and B recipients and \$4,000 for Cal Grant C recipients.

^b All Cal Grant B recipients also receive a supplemental award (up to \$24) funded by the College Access Tax Credit. Up to 2,500 Cal Grant B recipients who are undocumented may also receive the California Dreamer Service Incentive Grant (up to \$3,000) if they fulfill a community service requirement. WASC = Western Association of Schools and Colleges.

qualify for Cal Grant B. The entitlement program also has age requirements that limit participation to recent high school graduates and transfer students under age 28. The competitive program is designed for those students ineligible for the entitlement program—typically older students who have been out of school for at least a few years. Both programs require students to have a minimum grade point average (GPA), which ranges from 2.0 to 3.0 depending on award type.

In 2019-20, the State Enacted Several Major Cal Grant Expansions. Most notably, the state provided \$97 million ongoing to fund supplemental nontuition awards for student parents at the public segments. When combined with the base nontuition award, student parents receiving Cal Grant A and B awards are now eligible for up to \$6,000 in nontuition coverage, while student parents receiving Cal Grant C awards are eligible for up to \$4,000 in nontuition coverage. (For comparison, the maximum annual nontuition award is \$1,648 for other Cal Grant B recipients and \$1,094 for other Cal Grant C recipients.) State law caps annual spending on these supplemental awards for student parents at \$125 million and requires CSAC to prorate the award amount downward if funding is insufficient. In addition to increasing aid for student parents, the state provided \$42 million to increase the number of new competitive awards authorized annually from 25,750 to 41,000. The state also introduced efforts to more comprehensively reform the state's financial aid system, as the box below describes.

Cal Grant Work Group

Cal Grant Work Group Scheduled to Release Report Soon. In 2019, two bills seeking to reform the state's financial aid system were introduced in the Legislature—AB 1314 (Medina) and SB 291 (Leyva). Both of these bills would significantly expand eligibility for financial aid and increase coverage for nontuition expenses. In September 2019, several legislators requested that the California Student Aid Commission convene a work group to review the two legislative proposals and provide recommendations on key components. For example, the work group is to consider how to address nontuition expenses, how to prioritize among students, and how to phase in program changes. The work group has 22 members, with representatives from CSAC, the Legislature, the administration, the higher education segments, and relevant research organizations. The work group presented its recommendations at a commission meeting in February 2020 and is expected to issue its final report in March 2020.

Cost Estimates

Governor's Budget Adjusts 2019-20 Spending Downward by Net of \$139 Million.

The administration has updated its Cal Grant cost estimates for the current year to account for two notable factors. First, the administration adjusts baseline Cal Grant costs downward by \$161 million due to recent data on award offers and payments. This data suggests that growth in the number of entitlement recipients is slowing, following a period of heightened growth due to previous policy changes (including improvements to the financial aid application process). Second, the administration makes a \$22 million upward adjustment in the cost of supplemental nontuition coverage for student parents. The higher cost stems from an increase in the estimated number of student parents receiving Cal Grants, largely due to the additional competitive awards the state authorized in 2019-20. Despite the net downward adjustment, the revised 2019-20 level of Cal Grant spending is \$294 million (14 percent) higher than the 2018-19 level, partly due to the significant policy changes described above.

Governor's Budget Increases Cal Grant Spending by \$97 Million in 2020-21. This reflects a 4 percent increase over the revised 2019-20 level. Virtually all of the increase in spending is due to projected growth in the number of Cal Grant recipients. For comparison, the 4 percent projected growth in Cal Grant recipients is slightly lower than the average annual growth rate of 4.6 percent

over the past five years. The administration projects a minimal change in the average award amount, which is consistent with its assumptions that (1) tuition will not increase at UC and CSU and (2) the maximum award will not decrease at the private nonprofit sector, as the box below discusses.

Administration's Cal Grant Estimates Are Reasonable. The Cal Grant cost estimates underlying the Governor's budget are somewhat higher than ours (see California's Fiscal Outlook: "Cal Grant Cost Estimates"). The difference in estimated costs stems primarily from the differing methodologies that the administration and our office use for projecting the number of entitlement recipients. The administration bases its estimates on past caseload trends, whereas we base ours on projections of high school graduates. Our methodology is intended to capture future college enrollment levels—a key factor driving future Cal Grant costs. Though we think considering future enrollment is preferable to looking only at historical trends, we believe the administration's Cal Grant cost estimates still are reasonable.

Governor Proposes to Increase Spending Cap on Student Parent Awards. The Governor's budget assumes the total cost of supplemental awards for student parents in 2020-21 will remain at \$118 million, the revised 2019-20 level. Despite the estimated cost remaining below the existing spending cap of \$125 million, the Governor proposes trailer bill language increasing the annual cap to \$150 million. This proposal is intended to reduce the likelihood that spending reaches the cap, which would trigger a pro rata reduction in the award amount. The administration plans to update its cost estimates for these supplemental awards in the May Revision—by which time more recent data will be available on the percentage of competitive award recipients who are student parents. These updated estimates will allow the Legislature to better assess if the existing cap would be exceeded in 2020-21. If the cap looks like it might be exceeded, the Legislature would need to consider whether increasing the cap and spending more for these awards is among its highest budget priorities.

Cal Grants at the Private Nonprofit Sector

Private Nonprofit Sector Has Annual Transfer Target. As part of the 2018-19 budget package, the state enacted a new Cal Grant requirement for the private nonprofit sector. Specifically, this sector is to begin admitting a certain number of students with an associate degree for transfer (ADT) each year. If the sector does not meet or exceed its annual targets, then the maximum award for all Cal Grant recipients at the sector is to be reduced from \$9,084 to \$8,056. The first target was tied to the maximum award amount for 2019-20.

Governor's Budget Assumes No Reduction in Award Amount at Nonprofit Sector. The 2019-20 budget package gave the sector one additional year to meet its first target. Under the new time line, the sector must admit 2,000 students with an ADT in 2019-20 if it is to maintain the maximum Cal Grant award amount in 2020-21. State law requires the association representing the sector to report on its progress in meeting this requirement by April. Accordingly, by the time of the May Revision, the Legislature will likely have better information to assess whether the sector met its target this year.

STUDENT LOAN OUTREACH

In this section, we provide background on student loans, describe the Governor’s proposal to fund a new student loan outreach initiative, assess that proposal, and offer an associated recommendation.

Background

Some Students Take Out Loans to Pay College Costs. Most student loans are issued by the federal government, while a small portion are issued by private lenders (including financial institutions). Nationally, 34 percent of undergraduates took out federal student loans in 2017-18, with an average annual loan amount of \$6,688. At California colleges and universities, a considerably smaller share of students (17 percent) took out loans, but the average loan amount for those students (\$6,781) was slightly higher than the national average. As **Figure 4** shows, borrowing practices vary by segment. Students at the public segments are less likely to take out federal student loans and borrow somewhat smaller amounts than students at private colleges and universities.

Federal Government Offers Several Repayment Options. Traditionally, student loan borrowers have made fixed monthly payments based on the amount of their loan (similar to fixed mortgage payments). In more recent years, the federal government has expanded its repayment offerings to include plans based on a borrower’s ability to pay. There are currently four of these

income-driven repayment plans for federal student loans. Under these plans, a borrower’s monthly payment is capped at a certain percentage (between 10 and 20 percent) of their discretionary income, and any loan balance that remains after a set repayment period (between 20 and 25 years) is forgiven. In addition to these repayment plans, the federal government has a program that forgives loan balances after ten years for borrowers who work for a public or nonprofit employer.

Borrowers Unable to Repay Loans Risk Going Into Default. If a borrower does not make loan payments for a certain time period (typically nine months for federal student loans), the loan goes into default. Borrowers who default on their loans can face various consequences, including collection fees, wage garnishing, reduced credit scores, and loss of access to additional student financial aid. In California, 8.7 percent of borrowers who entered repayment on their federal student loans in federal fiscal year 2015-16 defaulted within three years. This is slightly lower than the national default rate of 10.1 percent. As **Figure 5** shows, the default rate varies by segment.

Students Receive Information on Borrowing and Repayment From Various Sources. The U.S. Department of Education provides mandatory entry and exit counseling to all federal student loan borrowers. These online sessions provide information on student budgets, loan terms, repayment, and default. Colleges and universities

Figure 4

Students at Private Segments Are More Likely to Borrow

Share of California Undergraduates With Federal Student Loans, 2017-18

	Percent of Students Borrowing	Average Annual Loan Amount
Private for-profit	56%	\$7,784
Private nonprofit	46	7,631
UC	35	5,589
CSU	33	6,274
CCC	2	6,022
State Totals	17%	\$6,781

Figure 5

Default Rate Varies by Segment

Three-Year Default Rate for 2016 Cohort^a

	Default Rate
CCC	14.8%
Private for-profit	11.2
CSU	4.1
Private nonprofit	3.7
UC	2.1
State Total	8.7%

^a Estimated percent of borrowers entering repayment on federal loans during federal fiscal year 2015-16 who defaulted by September 30, 2018.

also offer broader financial literacy services that cover student loans, among other topics. For example, as part of CCC's systemwide efforts to lower loan default rates, many community colleges provide students with access to an online financial literacy program and in-person resources. In addition, the state provides funding to the Bureau for Private Postsecondary Education (through the Office of Student Assistance and Relief) to offer outreach on student loans and other topics to prospective, current, and former students of private colleges and universities.

Governor's Proposal

Governor Proposes \$5 Million One-Time General Fund to Improve Information on Student Loans. Of this amount, \$500,000 is for CSAC to establish a work group tasked with researching strategies designed to help students access the most beneficial loan, repayment, and debt forgiveness programs. The work group would have nine members, consisting of a lead, two members of the public, and one representative each from CSAC, the Department of Finance, the Department of Social Services, the Employment Development Department, the Franchise Tax Board, and the Scholarshare Investment Board. The work group would be required to report its findings to the Department of Finance and the Legislature by September 1, 2021. The Governor's proposal also includes \$375,000 for CSAC to provide more information on student loans through several means, including an informational website, materials for financial aid applicants, and materials for high school counselors and financial aid administrators. The remaining \$4.1 million would fund grants to public colleges and universities to notify current and former students of loan repayment options and direct them to the proposed informational website.

Assessment

Barriers to Accessing Beneficial Loan Programs Remain Unclear. The administration has indicated that some students are forgoing loans that could increase college affordability, while other students are enrolling in repayment plans with unfavorable terms. The Governor's response

is primarily to give students more information intended to help them make better borrowing and repayment decisions. However, it is unclear what gaps in information on student loans remain after accounting for mandatory federal loan counseling, college and university initiatives, and other existing resources. Moreover, barriers other than information could be preventing students from accessing beneficial loans and fulfilling their repayment obligations. For example, students may face administrative problems or academic hurdles that result in them not completing their studies (thus placing them at higher risk of default).

Proposed Work Group Could Improve Understanding of Barriers. A research-oriented work group could help identify the barriers to accessing beneficial loan and repayment programs. These findings could in turn allow the work group to design strategies targeted toward overcoming those barriers. For example, if the work group finds that incoming students forgo loans because they are unaware of the option, it might recommend sending information on loans to financial aid applicants. On the other hand, if the work group finds that incoming students forgo loans because they receive misinformation on borrowing terms, it might instead recommend additional training for high school counselors and college financial aid administrators.

Premature to Fund Specified Outreach Activities. Beyond funding the work group's research, the Governor proposes to fund a new website, informational materials, and borrower notification efforts. All these other endeavors would be funded in 2020-21 — at the same time the work group is researching strategies to help students access beneficial loan and repayment programs. We believe funding these other activities is premature. Under the Governor's approach, all the funding dedicated for the initiative would be allocated to specific activities prior to having identified the most helpful activities to provide. We believe waiting to build an expenditure plan until after the work group submits its report in September 2021 is a more effective budgetary approach.

One-Time Grants Are Not Well-Suited for Ongoing Activities. Under the Governor's

proposal, over 80 percent of the funds would go toward grants to colleges to notify current and former borrowers of available repayment options. For these activities to have a sustained impact, colleges would likely need to repeat them annually as a new cohort of students takes out loans and a new cohort of students enters repayment. Because informing successive cohorts of students about their loan options entails ongoing costs (such as staff time and materials), a one-time grant is not a suitable budgetary tool. One-time grants would likely have a short-lived impact while creating pressure for the state to sustain funding in 2021-22.

Proposed Grants Do Not Target Highest-Need Segments. The proposed budget bill language specifies that grants would only be available to public colleges and universities, with priority to those with a high number or percentage of students taking out federal loans. Based on these criteria, UC and CSU campuses would receive priority for these grants. These segments have relatively low default rates (2 percent systemwide at UC and 4 percent systemwide at CSU), suggesting their students already tend to make beneficial borrowing and repayment decisions. The selection criteria would give lower priority to community colleges, where a small number of students borrow but default rates tend to be high. It also would not

address repayment issues at private colleges and universities, which in California account for over half of student loan borrowers who default within three years of entering repayment.

Recommendation

Fund Work Group Only in 2020-21. Given our above assessment, we recommend providing \$500,000 for a student loan work group but rejecting the \$4.5 million proposed for concurrent outreach activities. We encourage the Legislature to consider the work group's membership carefully, with the goal of including entities closely involved with student loans and outreach (such as the higher education segments). After the work group issues its report in September 2021, the Legislature could consider a 2022-23 budget proposal that incorporates the work group's findings on outreach. We believe waiting to fund outreach activities until the work group completes its research is the most prudent course of action—helping to ensure state dollars are spent to address clearly identified barriers. Should the Legislature nonetheless choose to fund outreach activities in 2020-21, we encourage it to modify the Governor's proposal such that one-time funds are spent on one-time activities and the initiative targets those segments with high default rates.

STATE OPERATIONS

In this section, we assess the Governor's proposals for CSAC to (1) continue implementation of its Grant Delivery System Modernization project, (2) add 15 new positions associated with new workload, and (3) relocate to a larger leased space to accommodate the increase in staff.

Grant Delivery System Modernization

Governor Funds Continued Implementation of Information Technology (IT) Project. As described in *The 2019-20 Budget: California Student Aid Commission's Grant Delivery System Modernization Project*, CSAC is in the process of replacing the IT platform it uses to administer

student financial aid programs. The state provided \$5.5 million for the first year of the project in 2018-19 and \$6.2 million for the second year of the project in 2019-20. The Governor's budget for 2020-21 includes \$5.3 million one-time General Fund to (1) complete the project and (2) support the initial costs of the maintenance and operations phase, which will begin upon project completion. This phase includes testing, repairing and upgrading software, and transferring knowledge from project contractors to CSAC staff. CSAC anticipates requesting additional one-time funds to complete this phase in 2021-22, with a

potential future funding request for certain ongoing operational costs.

Project Generally on Track, Recommend Approving. The California Department of Technology (CDT), which provides independent oversight for state IT projects, continues to give the Grant Delivery System Modernization project largely positive ratings. As of CDT’s most recent monthly report, the project remains within its original scope and budget. In December 2019, the project completed its first major release—an interface for students to manage their financial aid applications and awards—following a two-month delay to allow for additional testing. CSAC anticipates completing the rest of the project by November 2020, as originally scheduled. Since this project generally remains on track and on budget, we recommend the Legislature approve the Governor’s proposal.

New Positions

Governor Proposes \$773,000 Ongoing General Fund and 15 Positions for CSAC. As **Figure 6** shows, these positions are associated with federal compliance and new state programs. Specifically, six positions are associated with CSAC’s recent designation as a national voter registration agency. Three positions are associated with the California Dreamer Service Incentive Grant Program—a new ongoing program the state created as part of the 2019-20 budget package. This program provides nontuition awards to undocumented students who complete a community service requirement. The remaining six positions are associated with two one-time initiatives the state also created in 2019-20. For these two initiatives, the state designated funding for administrative activities in the 2019-20 budget, so the Governor is proposing only the associated

Figure 6

Governor Proposes 15 New Positions for California Student Aid Commission (CSAC)

Program	Positions	Funding	Key Responsibilities
National Voter Registration Act compliance	6	\$479,000	<ul style="list-style-type: none"> • Offer voter registration assistance to students contacting CSAC’s call center about financial aid. • Train staff and volunteers to provide voter registration assistance at financial aid outreach events. • Mail, track, and retain voter registration-related forms sent to students.
California Dreamer Service Incentive Grant	3	294,000	<ul style="list-style-type: none"> • Develop program rules and requirements. • Administer approval process for organizations providing service opportunities to students. • Process volunteer service agreements for students. Track and verify students’ service hours. • Provide call center support to students.
Golden State Teacher Grant	4	— ^a	<ul style="list-style-type: none"> • Develop program rules and requirements. • Process award nominations from campuses. • Track recipients as they complete teaching credential and service requirement. Oversee repayment process from students who do not fulfill requirements. • Provide call center support to students.
Child Savings Account Grant	2	— ^b	<ul style="list-style-type: none"> • Develop request for application. Award grants. • Convene statutorily required program council. • Provide required technical assistance, including a toolkit for developing new child savings account programs.
Totals	15	\$773,000	

^a The 2019-20 Budget Act provided \$1.3 million in one-time funds for program administration. The Governor’s proposed trailer bill language would extend the availability of these funds from June 30, 2020 to June 30, 2022.

^b The 2019-20 Budget Act provided \$500,000 in one-time funds for program administration. The funds are available through June 30, 2022.

position authority at this time. One of the new programs—the Golden State Teacher Grant Program—provides scholarships to teacher preparation students who commit to working in specified subject areas and schools upon graduating. The other program—the Child Savings Account Grant Program—provides grants to local entities to support college savings efforts. Next, we discuss the new workload related to the proposed positions.

CSAC Was Recently Designated a Voter Registration Agency. Under the National Voter Registration Act of 1993, state and local agencies that provide public assistance must also provide certain voter registration services. In March 2019, the Superior Court in San Francisco ruled in *Senior and Disability Action et al vs. Alex Padilla* that the California Secretary of State must designate CSAC as a voter registration agency because it provides public assistance through need-based financial aid programs. Under this designation, CSAC is required to provide certain services each time students apply for financial aid, renew their application, or submit an address change. The services include asking whether students wish to register to vote, documenting (or asking students to document) their response on a voter preference form, and distributing voter registration cards to those interested, among other activities. CSAC is incorporating these services into its financial aid application forms, call center support, and student outreach events.

Recently Created State Programs Also Require CSAC to Undertake New Responsibilities. The new workload entails some common CSAC activities, such as developing grant applications, making award decisions, and providing call center support. Some of the new workload, however, involves relatively complex administrative tasks. Most notably, for the California Dreamer Service Incentive Grant Program, CSAC will need to begin tracking students' volunteer hours, and, for the Golden State Teacher Grant Program, CSAC will need to begin collecting repayments of previously issued aid for grant recipients who do not satisfy their work requirements.

Proposed Positions Are Justified, Recommend Approving. Although the Governor is proposing an unusually large increase in CSAC staff, the staffing proposals are directly linked to increases in CSAC's workload over the past year. Given the direct link to new workload, we think the Governor's staffing proposal is reasonable and recommend the Legislature approve it.

New Leased Space

CSAC Is Requesting to Relocate to Larger Leased Space. Since 2013, CSAC has rented approximately 26,000 square feet of office space in Rancho Cordova. Based on standards set by the Department of General Services (DGS), CSAC's existing office space can accommodate up to 128 staff. Under the Governor's budget, CSAC's total authorized positions would increase from 126.5 to 141.5. CSAC has requested to relocate its entire office to a larger space to accommodate new staff. It has indicated a preference for a location closer to downtown Sacramento to make meetings more convenient and reduce travel time. CSAC indicates that it has initiated the site selection process with DGS to find a new office space in West Sacramento.

Governor Proposes to Cover Cost of CSAC's Relocation. The Governor's budget includes a total of \$1.8 million General Fund for CSAC to relocate to a larger space (about 35,000 square feet) in West Sacramento. Of this amount, \$943,000 is one-time funding to cover moving expenses and new equipment, and \$903,000 is ongoing funding to cover higher annual lease costs. Under the Governor's proposal, CSAC's annual lease costs would grow from \$572,000 to \$1,475,000. The new lease cost is an estimate, as site selection is still underway. The notable increase over existing costs likely reflects several factors, including the larger size of the proposed space, the more central location, and changes in rental costs since CSAC entered into its existing lease.

Recommend Withholding Action Pending Updated Information. Given the greater workload and proposed increase in staff, we think CSAC's request for more space is reasonable. The Legislature also might be amenable to CSAC's request for a more central location, despite the

associated lease cost potentially being higher compared to lease costs in Rancho Cordova. Even if the Legislature is supportive of the proposed relocation, CSAC might not need all—or any—of the \$1.8 million in 2020-21. This is because CSAC still needs to navigate the leasing process with DGS, with the timing of the move and actual lease costs depending on space availability and lease negotiations, among other factors. Based on recent conversations with us, CSAC currently anticipates moving to a new office in mid-to-late 2021. Under

this time line, CSAC might not incur costs related to the proposed relocation until the 2021-22 fiscal year. CSAC expects to have more detail in the coming weeks as it continues to work through the leasing process with DGS. We recommend the Legislature request that CSAC provide an update on the relocation time line and anticipated lease costs during a spring hearing. This information would allow the Legislature to determine how much is required to support the relocation in 2020-21.

LAO PUBLICATIONS

This report was prepared by Lisa Qing, and reviewed by Jennifer Kuhn Pacella and Anthony Simbol. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

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