



**FOR IMMEDIATE RELEASE**  
**June 2, 2009**

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## **SAVING CAL GRANTS**

(Sacramento) -- In an effort to stop Governor Schwarzenegger's proposal to eliminate California's system of financial aid for low-income students, the California Student Aid Commission (Commission) asked the legislature to consider alternatives to save the Cal Grant program.

Commission Chair Barry Keene stated: "Eliminating one of the most successful programs in the history of California would require the future design and consideration of a new program. We should not lose the half-century of experience with Cal Grants. A generation of young people of working age without adequate knowledge and skills would be intolerable."

Commission Executive Director Diana Fuentes-Michel told the Budget Conference Committee, "We believe it is possible to keep our promise to California's students even during such a catastrophic budget crisis by considering alternative approaches that might include reconsideration of eligibility requirements, if absolutely necessary, and tapping revenue from the Student Loan Operating Fund to pay for the Cal Grant program."

The proposed elimination of Cal Grants would have an immediate and devastating impact to more than 200,000 of California's low income students. During its 55-year history of delivering financial aid to California's students, research has proven that Cal Grant recipients succeed in higher education and life. As an example, Cal Grant A recipients re-enroll in a second year of college at a rate of 96.5 percent, while Cal Grant B students, from the poorest families with the most limited resources, re-enrolled at a rate of 93 percent.

Attached is the prepared testimony of Executive Director Fuentes-Michel and a letter to the Committee from Chair Keene.

***California Student Aid Commission Chair, Barry Keene, and Executive Director Diana Fuentes Michel are available for press interviews.***

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ATTACHMENTS

# CALIFORNIA STUDENT AID COMMISSION

## OFFICE OF THE CHAIR

May 29, 2009



Assembly Member Noreen Evans, Chair  
Senator Denise Ducheny, Vice Chair  
Senator Mark Leno  
Senator Alan Lowenthal  
Senator Bob Dutton  
Senator Mimi Walters  
Assembly Member Kevin De Leon  
Assembly Member Bob Blumenfeld  
Assembly Member Roger Niello  
Assembly Member Jim Nielsen

Dear Members of the Joint Legislative Budget Conference Committee,

On behalf of the California Student Aid Commission, we write to ask you to reject the Governor's proposal to eliminate the Cal Grant Program, and, instead, carefully impose only such reductions as are absolutely necessary. The distinction is of the utmost importance. Eliminating one of the most successful programs in the history of California, as opposed to funding it at even a substantially reduced level, would require the future design and consideration of a new program. We should not lose the half-century of experience with Cal Grants. We should not need to re-educate policymakers about the need for, and economic and social value of, college access for the academically eligible but economically disadvantaged student. We should not impose a hurdle of new startup costs. A generation of young people of working age without adequate knowledge and skills would be intolerable.

Second, we ask you to reject the Governor's proposal to eliminate the Commission and turn the future of student aid over to the Governor's appointees, the very same ones proposing to eliminate the Cal Grant Program, whose decisions would be made behind closed doors, thus eliminating the transparency, which the Commission now provides.

We are acutely aware that the state must cut its budget severely. The painful effects will ripple through every sector of the state's population. However, the proposal to totally eliminate Cal Grants creates the utmost danger to the state's economic future. And the damage cannot be undone.

At a time when California's economy demands higher skills, reducing college-going rates in California by eliminating Cal Grants will lead to higher unemployment, greater pressure on the state budget and the erosion of California's quality of life.

It is serious enough that more than 118,000 new students who have already been offered Cal Grants for Fall 2009 will be affected immediately, but the long-term adverse effects to the State's economy will be much more severe because the short-fall in higher education students will compound with each passing year.

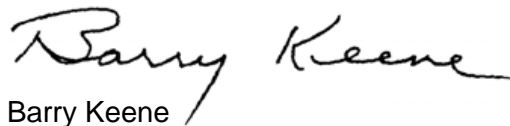
Against the backdrop of the proposal to eliminate the Cal Grant Program, the Administration's pretext of saving money to justify eliminating the Commission, through its cryptic version of decentralization, regresses from intellectual laziness to cynicism. It has never made the case for actual savings. This is understandable because the Commission's staffing and budgeting is one of the most efficient in government. Instead, it offers theatrics and catch phrases, like "one-stop shop" for students. Since it proposes eliminating Cal Grants, how can we trust that it has dealt with the complexities in its purported streamlining of a program it seeks to eliminate? Moreover, if it is successful in eliminating Cal Grants, just what is there to decentralize?

Under the guise of decentralization, the Administration is proposing to eliminate the Commission, the last bulwark against total elimination of Cal Grants. Because it is independent, the Commission can advocate for students in the budget process and can consider students' needs when developing policies for administering the Cal Grant Program. Decisions by a state department within the line of authority of an Administration will be directed by that Administration's budget needs, rather than the needs of students. The proposal to eliminate the Cal Grant Program is a salient example of this Administration's approach to solving its budget needs at the expense of student needs. The contrast between the Administration's approach and the Commission's approach of exploring options to achieve similar Cal Grant savings while maintaining much of the long-term benefits for the state's economic future, could not be more starkly illustrated.

The Commission must make policy decisions in meetings open to the public. The Administration makes decisions behind closed doors. Further, the Legislature's ability to affect Cal Grant policy through its appointees to the Commission provides a check and balance that would not be possible if the Cal Grant Program were decentralized and placed in a state agency directly within the Administration's line of authority.

This Administration has clearly established its intent for the Cal Grant Program: *elimination*. Decentralization would enable the Administration to achieve that major policy shift bureaucratically under cover of darkness.

Sincerely,



Barry Keene  
Chair  
California Student Aid Commission

CC: Senate Pro Tempore Darrell Steinberg  
Senate Majority Leader Dean Florez  
Senate Minority Leader Dennis Hollingsworth  
Assembly Speaker Karen Bass  
Assembly Majority Floor Leader Alberto Torrico  
Assembly Minority Floor Leader Michael Villines  
Paul Navarro, Deputy Legislative Secretary, Office of the Governor

Steve Boilard, Higher Education Director, Legislative Analyst's Office  
Judy Heiman, Principal Fiscal and Policy Analyst, Legislative Analyst's Office  
Jeannie Oropeza, Program Budget Manager, Department of Finance  
Commissioners of the California Student Aid Commission  
Diana Fuentes-Michel, Executive Director, California Student Aid Commission

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**Testimony of Diana Fuentes-Michel**  
**Executive Director, California Student Aid Commission**  
**Conference Committee on the Budget**  
**June 1, 2009**

Thank you, members, for this opportunity to address the proposed elimination of Cal Grants and our entire system of awarding student financial aid. The Commission believes this proposal poses a real threat to our state's future economy – any savings that might accrue in the short run will be far outweighed by the heavy costs our state will pay in the long run.

Instead of the wholesale elimination of a successful 50-year old program that now more than ever plays a critical role in California's competitiveness, we ask you to carefully consider alternative approaches. These might include a review of eligibility requirements, if absolutely necessary, and tapping revenue from the Student Loan Operating Fund to pay for the Cal Grant program. The immediate effect of eliminating Cal Grants would be to foreclose on the futures of 200,000 students -- 118,000 graduating seniors who have already been offered awards to attend higher education institutions this fall, and 83,000 current Cal Grant students whose grants will not cover fee increases at CSU and UC. Many of these awardees have paid non-refundable housing fees and applied for maximum student loan limits, giving them few choices in the 11<sup>th</sup> hour to change their college plans.

As you are aware, if these students cannot afford to attend college this fall, they face the worst job market in decades.

At a time when the job market demands higher skills, reducing college-going rates by eliminating Cal Grants is short-sighted and will lead to higher unemployment, greater pressure on the state budget and an erosion of our quality of life.

Even without destroying our state's financial aid system, California faces a shortage of nearly 1 million college graduates to meet workforce needs.

Research shows that Californians, particularly those from communities whose students have not historically attended college, already believe higher education is unaffordable and therefore inaccessible. Both financial aid and consistent, sustainable outreach programs -- like those developed by the commission statewide -- are needed to make college education accessible.

The Commission is keenly aware of the painful choices you must make in this historic budget crisis, and would like to work with you to keep the promise made to California's students: that if they work hard and gained admission to our institutions of higher education, our state would not let financial need close the door to their dreams. We ask that at this time of high unemployment and restructuring of the workforce, you also retain support for reentry students who seek college or career training so that they too may become successful wage earners.

Members of the Committee, these potential solutions underscore the need for, and the advantage of, retaining California's *independent* Commission for student financial aid. We ask you to reject the Governor's proposal to eliminate the Commission and pledge to work with the legislature to ensure the future of student aid.

The Governor's plan would eliminate the state's only independent, centralized program for reaching California's diverse student population with financial aid information. Eliminating the California Student Aid Commission will lead to less transparency and accountability in financial aid administration, without *any* demonstrated cost savings!

For the first time since 1955, California's most vulnerable students would not have an independent public body to advocate for their interests.

Our economy depends upon a well-educated workforce. We know that the current system of outreach and of qualifying students for Cal Grants before they apply to college has worked to increase college-going rates over the last seven years. If that system is destroyed, when the economy improves, it will take years to rebuild this successful system for providing higher education access and opportunity to California's students.

Clearly, eliminating Cal Grants would be taking a major step backward – we'd be declaring that California is a state where only the wealthy need apply to higher education. It's a plan that would cost too much when our state can afford it least.

On the Commission's behalf, I urge you to continue the commitment to California's landmark Cal Grant guarantee, and to allow the Commission to continue to fulfill the promise of that guarantee. Thank you.

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