
4.a

Information/Action Item

California Student Aid Commission

Discussion of Service Level Agreements with EdFund

The following information was discussed during the February 9, 2010 Governance and Monitoring Committee teleconference meeting.

The Governor proposed in the May revision to the 2007-08 Budget to sell the California Student Aid Commission's (Commission) student loan guarantee assets, including the Commission's auxiliary, EdFund. The sale has not yet occurred. The Administration has included approximately \$450 million in one-time revenue for the State for the 2010-11 budget year from the sale.

However, the sale of EdFund will require increased funding for additional equipment, resources and staff to replace services currently provided by EdFund in support of the Commission's administration of, and timely delivery of award payments for, Cal Grant (Cal Grants A, B, C, and T) and Specialized Programs (California Chafee Foster Youth Grant, Assumption Program of Loans for Education [APLE], State Nursing APLE, National Guard APLE, Robert C. Byrd Honors Scholarships, Child Development Grants, Law Enforcement Personnel Dependent Grants, and Gear-Up Scholarship).

The amount of additional resources will be significant. For example, in anticipation of a sale during the 2008-09 budget year, the Commission submitted a Budget Change Proposal (BCP) requesting \$2.7 million for new staff, equipment and other necessary resources to replace the services provided by EdFund.

Since the Commission created EdFund, the Commission has used EdFund to provide certain necessary support functions for both entities. Per the Operating Agreement, EdFund has provided services at cost, which, due to the efficiencies generated by serving both entities, are lower than the cost the Commission could obtain on its own. The sale of EdFund requires that those services be provided solely by the Commission with the State's General Fund bearing the entire cost.

One of the most important and expensive Commission functions provided by EdFund is Business Services; mailroom, warehousing, printing & imaging. The Commission has utilized EdFund's mailroom and warehouse services to support the administration of the Cal Grant and Specialized Programs. EdFund staff has been responsible for all receipt and delivery of mail, large parcels and packages for the Commission. EdFund also provides courier services for the Commission to the downtown area since the Commission is located in Rancho Cordova.

Each year, EdFund processes approximately 1.3 million pieces of mail, and prints or copies about 4.3 million documents for the Commission. More than 500,000 of the

Commission's financial aid workbooks, brochures, fact sheets, guides, manuals, posters and videos are stored and distributed each year to high schools and colleges across the state through the EdFund warehouse/shipping center.

EdFund processes imaging and records with an electronic imaging system. This system handles approximately 3 million forms annually. By sharing the staff and equipment, the Commission has had access to state-of-the-art equipment and technological expertise housed in EdFund's Imaging and Record Management Branch at a minimal expense.

EdFund currently possesses the equipment the Commission will require for this unit. However, if this equipment is sold along with EdFund, the Commission will need additional funds to purchase new equipment. Also, the Commission will require additional staffing.

Since the Commission's current facility is not equipped for a mailroom or space for the imaging system, additional funding will be needed to allow the Commission to move to a new facility. Although, the Commission did receive funding in 2008-09 to move to a new facility, the Department of Finance did not approve a move due to the delay in the sale of EdFund.

The Commission's Information Technology (IT) Division also leverages EdFund staff and resources for the delivery of various IT services, including the support of the Commission's Grant Delivery System (GDS), Tier 1 Help Desk and Telephony. The Commission will need additional staff to manage these functions upon the sale of EdFund. EdFund currently possesses the equipment the Commission will require for this unit. However, if this equipment is sold along with EdFund, the Commission will require additional funds to purchase new equipment. The Commission will also need to purchase software and licenses.

The 2009-10 Budget Act re-appropriated approximately \$500,000 of 2007-08 General Fund savings to be used upon the sale of EdFund, with Department of Finance approval. However, this amount would not cover the costs of reestablishing the necessary services. For example, as noted above, the Commission submitted a BCP in 2008-09 requesting \$2.7 million for new staff, equipment and other resources necessary for the continued administration of the Cal Grant and Specialized Programs.

Commission staff is preparing a new BCP for submission to the Department of Finance that will outline the specific services & current costs that must be absorbed by the General Fund should the sale occur in 2010-11.

The materials considered by the Governance and Monitoring Committee follow, as Tab 4.a.1.

Responsible Person(s): Ed Emerson, Chief
Federal Policy & Programs

Janet McDuffie, Chief
Administration and External Affairs

**CALIFORNIA STUDENT AID COMMISSION
SERVICES PROVIDED BY EDFUND**

Tab 4.a.1

Service	EdFund Currently Providing	Resources after Sale
Technology Services		
GDS		
Back-up/Storage Services	Limited	Need off site storage and additional staff
Contracting and procurement services	Yes	Use existing CSAC staff
Database Administration	Limited	Requires contract funding and staffing support.
Imaging Recognition Software	Yes	Equipment, software and staff to support imaging of GDS and Specialized documents for access by staff
Interactive Voice Response	Limited	Need staff to maintain IVR
Network Support	Limited	Need staffing support
Operating Systems Support	Limited	Need staffing to maintain storage area network and upgrade/patch servers
Specialized Software Programming	Limited	Need staffing support
Tier 1 Helpdesk for external and Internal customers	Yes	Need 2 staff
Help Desk Ticket Tracking System	Limited	Need additional staff hours annually to manage and administer software and equipment
Listserve	Yes	Requires hardware, software, maintenance and staffing support to provide listserve to external customers
Web-Ex	Limited	Need contract funding.
Phone System		
Phone System	Limited	Need staffing support

**CALIFORNIA STUDENT AID COMMISSION
SERVICES PROVIDED BY EDFUND**

Tab 4.a.1

Service	EdFund Currently Providing	Resources after Sale
Business Services		
Mail Room/Warehouse		
Receipt and delivery of mail	Yes	Need funding for staff, equipments and storage. CSAC will need to move to a new facility to accommodate mail room operation
Courier service	Yes	
Mail out publications	Yes	
Supplies Ordering/Delivery	Yes	
Storage	Yes	
Imaging	No	Need staff and equipment
Security and Management		
Building and ID badge access system	No	CSAC retains badge system utilizing existing staff resources
Miscellaneous/Security Services	No	
Security Guard Services (24/7)	No	Need funding for guards and security cameras.
Printing		
Printing (Awards Letters)	Yes	Due to reduced funding CSAC communicates to student through e-mail and web grants
Report Distribution	Yes	
Records Retention/Inventory		
Record retention	Limited Assistance	Need staff and equipment
Property inventory	Limited Assistance	

**CALIFORNIA STUDENT AID COMMISSION
SERVICES PROVIDED BY EDFUND**

Tab 4.a.1

Service	EdFund Currently Providing	Resources after Sale
Communication/Training/Outreach Serv		
High School, & Postsecondary workshops	Unknown	CASFAA has requested to partner with CSAC in providing training
Publications (Fund Your Future)	Yes	Need additional funding to continue to produce and distribute
Publications Inventory	Yes	
Video Production (FAFSA Training Video)	Yes	
Other		
Board Room	No	Furnishings currently in storage
Annual Research Projects	No	Need staff to conduct research

4.b

Information/Action Item

California Student Aid Commission Meeting

Discussion of the status of EdFund contracts and invoices not being reimbursed by the Commission

The following information was discussed during the February 9, 2010 Governance and Monitoring Committee teleconference meeting.

The California Student Aid Commission is the federally designated student loan guarantee agency for California. The Commission's auxiliary organization, EdFund, administers the Federal Family Loan Program (FFEL Program) on behalf of the Commission and is reimbursed for loan program expenditures based on the approved annual budget. Each month, the Commission staff processes invoices received from EdFund totaling approximately \$8 million. These invoices are for the preceding calendar month for reimbursement to EdFund for money already spent which is consistent with the requirements of federal law.

Pursuant to Article VI, Section 6.2 of the Operating Agreement, "payment for any disputed expense may be withheld by the Commission and shall be identified in writing to EdFund within thirty (30) days including the reason for withholding payment. EdFund shall have the right to appeal pursuant to Section 9.15. In no event shall the amount reimbursed to EdFund for guarantee services during the term of this Agreement exceed the total amount budgeted for such services in the operating budget approved pursuant to Section 4.6, unless prior approval for such expenditures was granted by the Commission."

The Federal Policy and Programs Division (FPPD), with its limited staff resources, performs a high-level reasonableness test of the total expense reimbursement request. If no transaction amounts are questioned, the invoice is approved. If any transaction amounts are questioned, the balance of the invoice is paid minus the outstanding amounts in question. The FPPD staff works with the Administration Division of the Commission to ensure the process is consistent with general audit procedures and standards. A memo is sent to EdFund itemizing the transaction amounts in question and allowing EdFund time to provide specific detail of the goods or services received by EdFund and reviewed by FPPD staff at a later date.

Since May 2008, the Commission has denied approximately \$300,000 in actual expenses. This is after the FPPD staff has notified EdFund within thirty days of receipt of the invoices and requested additional supporting documentation on the items in question.

Invoices must adhere to Federal, State and Commission rules and regulations in order to be reimbursed. Below is a list of criteria referenced in each memo to EdFund in which the FPPD staff requested additional supporting documentation on transaction items in question.

FEDERAL

1. Allowable Expense by Federal Regulations. 34 CFR 682.423 provides a list of permitted uses of the Operating Fund. The guaranty agency related activities include:
 - Application processing;
 - Loan disbursement;
 - Enrollment and repayment status management;
 - Default aversion activities;
 - Default collection activities;
 - School and lender training;
 - Financial aid awareness and related outreach activities; and
 - Compliance monitoring; and
 - Other student financial aid-related activities for the benefit of students, as selected by the guaranty agency.

STATE

2. Description of Invoice. A clear description of the product or service provided must be provided for any specific items requested.
3. Cannot be a gift of State Funds. The California State Constitution, Article XVI, Section 6, prohibits gifts of State Funds.

“The Legislature shall have no power to give or to lend, or to authorize the giving or lending, of the credit of the State, or of any county, city and county, city, township or other political corporation or subdivision of the State now existing, or that may be hereafter established, in aid of or to any person, association, or corporation, whether municipal or otherwise, or to pledge the credit thereof, in any manner whatever, for the payment of the liabilities of any individual, association, municipal or other corporation whatever; nor shall it have power to make any gift or authorize the making of any gift, of any public money or thing of value to any individual, municipal or other corporation whatever....”

4. Cannot be a Waste of Public Funds. In a memorandum from the Governor's Office dated October 10, 2008 from David Botehlo, Chief of the Office of State Audits and Evaluations provided guidance as to what constitutes a waste of public funds. For example, recent invoices submitted by EdFund for the coffee services for employees, rebranding contract and other expenditures such as pizzas and gift certificates has been identified as gifts of public funds and have not been reimbursed.

Reimbursement must be consistent with Commission position and policies, Operating Agreement, Section V, Performance Expectations, Sections G.1 and G.2, which reads:

- Any public position or actions taken by EdFund under the services of the Operating Agreement shall be consistent with and supportive of the Commission and the Commission's position and/or policies.
- The EdFund Board and its staff will not take a position or engage in activities on critical public policy matters upon which the Commission has not yet adopted a written policy or position.

The Commission continues to receive and deny invoices for items which have been identified as improper use of state funds such as the lunches for employee of the month, the party, gift cards and food supplies for staff recognition events, for contracts for federal and state lobbying services which do not comply with the invoice criteria and which EdFund has been directed to terminate, and for business expenses, including meals, for the President of EdFund and EdFund staff related to activities that are not consistent with Commission policies. FPPD staff has made monthly requests of EdFund to comply with the invoice criteria. Unfortunately, EdFund has ignored compliance with those criteria and continues to use state funds on these types of improper expenditures.

The Department of Finance's decisions to overturn the actions taken by the Commission have prevented the Commission's ability to provide proper oversight as described by the Commission in its response in the recent report by the California State Auditor (Tab 2.a). The U.S. Department of Education (USED) began monitoring Guarantee Agencies last year and now requires monthly reports from the Commission. EdFund had submitted some of these reports directly to the USED without providing the Commission an opportunity to review and verify the accuracy of the monthly reports prior to their submission to USED, as requested by Commission staff. However, Commission staff and EdFund staff have now developed a process to enable Commission staff to review the reports before they are submitted to USED.

Commission staff advises that the Commission request EdFund management to provide it with information on the status of these issues.

The materials considered by the Governance and Monitoring Committee follow, as Tab 4.b.1.

Responsible Person(s):	Ed Emerson, Chief Federal Policy and Programs
	Patti Landaker, Analyst Federal Policy and Programs
	Janet McDuffie, Chief Administration and External Affairs
	Leanna Sinibaldi, Manager Fiscal Services

CALIFORNIA STATE AUDITOR
Bureau of State Audits

**Recommendations Not Fully
Implemented After One Year**

The Omnibus Audit Accountability Act of 2006



January 2010 Report 2009-041

SPECIAL REPORT

Elaine M. Howle
State Auditor
Doug Cordiner
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January 14, 2010

2009-041

Dear Governor and Legislative Leaders:

Consistent with the Omnibus Audit Accountability Act of 2006 (California Government Code, sections 8548.7 and 8548.9), the Bureau of State Audits (bureau) presents its special report to the Joint Legislative Audit Committee, Joint Legislative Budget Committee, and Department of Finance. This report lists 131 recommendations, made to 29 state agencies in audit reports issued from January 2005 through October 2008, that had been outstanding for at least one year and not fully implemented. Ninety of the 131 recommendations remain not fully implemented. In addition to identifying which recommendations have and have not been fully implemented, this report contains written responses from each state agency explaining the status of each recommendation. For recommendations that have not been fully implemented, this report also provides agency responses regarding when these recommendations will be fully implemented.

Our audit efforts bring the greatest returns when agencies act upon our findings and recommendations. For example, in April 2008 the bureau reported that its comparison of Department of Social Services' (Social Services) and Department of Justice's (Justice) databases found 49 instances in which the registered addresses in Justice's database for sex offenders were the same as the official addresses of facilities licensed by Social Services to serve children, such as family day care homes. In response to the bureau's recommendation, Social Services and Justice negotiated an interagency agreement that allows data sharing and investigations to take place.

If you would like more information or assistance regarding any of the recommendations or background provided in this report, please contact Margarita Fernández, Chief of Public Affairs, at 445-0255.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

HIGHER EDUCATION

CALIFORNIA STUDENT AID COMMISSION

(Report Number 2005-120, April 2006)

Changes in the Federal Family Education Loan Program, Questionable Decisions, and Inadequate Oversight Raise Doubts About the Financial Stability of the Student Loan Program

The Joint Legislative Audit Committee (audit committee) requested that the Bureau of State Audits (bureau) review California Student Aid Commission’s (Student Aid) governance and oversight of its auxiliary organization, known as EDFUND, including EDFUND’s financial management and business practices. The audit committee was interested in ensuring the proper use of state assets in maximizing support for financial aid purposes.

The following table summarizes the auditee’s progress in implementing the eight recommendations the bureau made in the above referenced report. As shown in the table, as of its one-year response, the auditee had not fully implemented six of those recommendations. Based on the auditee’s most recent response, two recommendations remain outstanding.

TOTAL RECOMMENDATIONS	NOT IMPLEMENTED AFTER ONE YEAR	NOT IMPLEMENTED AS OF 2008-041 RESPONSE	NOT IMPLEMENTED AS OF MOST RECENT RESPONSE
8	6	2	2

In September 2007 the bureau issued a follow-up report titled *California Student Aid Commission Follow-Up: Although Changes to the Commission’s Business Model Have Produced Positive Results, Proposed Federal Changes Could Affect Federal Family Education Loan Program Revenues* (Report No. 2007-505). In this report the bureau performed additional audit work pertaining to the status of recommendations it issued in 2006.

Below are the recommendations that we determined were not fully implemented, followed by the auditee’s most recent response for each.

Recommendation #1:

- a. Student Aid should ensure that critical tasks, including the renegotiation of its Voluntary Flexible Agreement with the Department of Education and the development of a diversification plan are completed.
- b. Student Aid should ensure that the roles and responsibilities it delineates for itself and EDFUND do not inappropriately cede its statutory responsibilities to EDFUND.

Bureau’s assessment of status: **Not fully implemented**

Auditee's Response to Recommendation (a):

With respect to the Voluntary Flexible Agreement (VFA), this Recommendation has been implemented and the status of any possible future VFA with the U.S. Department of Education (USDE) is uncertain because USED has suspended VFA negotiations as a result of President Obama's proposal to eliminate the Federal Family Education Loan (FFEL) Program as of July 1, 2010. At the time the Bureau of State Audits issued Report Number 2005-120 in April 2006, the VFA that went into effect in 2001 had not been renegotiated. As has been noted previously, the USDE did not renegotiate VFAs with any of the guaranty agencies as a result of the College Cost Reduction and Access Act of 2007 (P.L. 110-84) which significantly reduced standard payments from the USDE to guaranty agencies. After reviewing the impact of these changes on the VFA, the USDE determined the VFA was no longer cost-neutral as required under 5428A of the Higher Education Act of 1965, as amended (HEA) and terminated the agreements effective January 1, 2008. The Commission did receive revenue under the VFA through the date of termination.

In March 2008, the Commission/EdFund submitted a new proposal for a VFA. This proposal was found to be cost-neutral and in July 2008, the Department of Education provided to the Commission a draft of the terms for the new VFA. Certain provisions of the draft were unacceptable, as presented to the Commission, and the Chair of the Commission asked the Commission's General Counsel to work with legal staff from USDE to develop mutually agreeable language. Before the language of the VFA could be finalized, certain other issues arose which prompted the USDE to delay the execution of the final VFA. It is unlikely the USDE will be moving forward to complete the negotiation of a new VFA with the FFELP guaranty agencies until the future of the FFEL Program is resolved. President Obama has proposed eliminating the FFEL Program and utilizing the savings from that program to, among other things, increase direct spending for the Federal Pell Grant Program. The legislation that would enact these changes, H.R. 3221, the Student Aid and Fiscal Responsibility Act of 2009, is currently pending.

With respect to the development of a business diversification plan, this Recommendation has not been implemented and will not be implemented within the next 90 days. As noted in the previous three responses to the status of the audit findings, the funds in the Student Loan Operating Fund (SLOF) are insufficient to support any significant proposals for diversification. With the proposed elimination of the FFEL Program, future income to the SLOF may be reduced significantly, and any diversification activity that was considered at the time of the issuance of the April 2006 report, would need to be revisited under new federal student aid system. The future role, if any, that FFEL Program guaranty agencies may play in the future remains undetermined.

In addition, in August 2007, Senate Bill 89 (Chapter 182, Statutes of 2007) ("SB 89"), was enacted to sell the State's student loan guaranty program assets. SB 89 granted the Department of Finance authority to approve Commission actions and to take necessary action to preserve the value of state student loan guaranty assets until the consummation of their sale or any other transaction, to maximize the value of the FFEL Program to the State. SB 89 not only authorized the Department of Finance, in consultation with the State Treasurer, to sell state student loan guaranty program assets, or to enter into an alternative arrangement, but also granted additional authority to the Department. Specifically, SB 89 provided:

The Director of Finance is authorized to take all actions that he or she deems to be necessary or convenient to accomplish any of the following:

(1) To preserve the state student loan guarantee program assets, pending consummation of their sale or the consummation of any other transaction, to maximize the value of the state student loan guarantee program to the state. (See Education Code §69521.5(a)(1).)

Further:

SB 89 effectively made Department of Finance (DOF) responsible for the State's loan program. Until the consummation of the sale or other transaction to maximize the value of the state student loan guarantee program to the state, all actions, approvals, and directions of the State Aid Commission affecting the state student loan guarantee program shall be effective only upon the approval of the Director of Finance. (See Education Code §69521.5(c)(3).)

In addition to economic factors limiting business diversification, authority for such activity rests with the Director of Finance.

Estimated date of completion: Unknown

Auditee's Response to Recommendation (b):

While major advances have been made in implementing this recommendation; it has not been fully implemented. The Commission has developed Governance and Monitoring Policies and has continued to amend those policies as circumstances dictate. The Operating Agreement has also been amended as indicated in the April 23, 2007, response to the status of the audit findings.

Certain other action taken by the Commission to strengthen its statutory obligation to provide oversight to EdFund have been impacted by Senate Bill 89 (SB 89), which gave the Director of Finance the authority to sell the loan program assets. The Director of Finance has utilized his authority under SB 89 to overturn the following actions taken by the Commission at its September 4-5, 2008 meeting:

- The Commission acted to amend its own policy on EdFund Executive Compensation to protect the expenditure of state funds on severance, retention or other increased compensation packages for EdFund executives.
- The Commission acted to lessen the impact on the Student Loan Operating Fund of the Lease for EdFund's "Building B". EdFund originally leased two buildings with the intent that CSAC would occupy a portion of Building B. CSAC was later informed by the Department of Finance that it would not be occupying Building B, but would instead need to find alternate office space. No new tenant for Building B has been identified and the building remains vacant, with the attendant cost being charged to the Student Loan Operating Fund.

- The Commission acted to remove the EdFund Board of Directors and replace those individuals with the entire membership of the Commission. This action was taken so as to streamline governance efforts and resolve the communications breakdown between the Commission, the EdFund Board of Directors and the actions of the EdFund Executive Management Team. The need for this action was evidenced by several items on the September 2008 agenda that demonstrated EdFund had undertaken activity of significant importance to the loan program, and which obligated state funds, without informing either its Board or the Commission.

Additionally, the Director of Finance overturned the following actions taken by the Commission at its September 3, 2009 meeting:

- Due to the economic crisis and consistent with the Governor's direction and veto to reduce the expenditure of State funds, and more importantly to protect the safety net of financial aid to students, the California Student Aid Commission approved a three-month reduced budget for EdFund for the period of October 1, 2009 through December 31, 2009. It reduced the EdFund expenses without reducing revenue consistent with the Governor's direction. As a result, the state would have realized an annualized savings of \$10 million that could be allocated to prevent disruption in the administration of Cal Grants and other financial aid programs to students. The \$10 million annualized reduction in EdFund expenses included but was not limited to:
 - Savings equal to 3-day furloughs per employee consistent with State practice.
 - The elimination of incentive compensation as identified in the Commission action of July 1, 2009.
 - Reduction in non-critical expenditures in the areas of procurement and undefined contingency expenditures.

The Director of Finance insists that the Commission consult with the EdFund Board and receive concurrence with the Board and submit written notification signed by the Commission and the Board that agreement was reached on amendments to the Operating Agreement, changes to EdFund compensation policy, any potential furloughs of EdFund employees, and any reduction of EdFund expenses. This is directly contrary to the BSA recommendation that the Commission strengthen its statutory obligation to provide oversight to EdFund.

Under the current statutory scheme, the Commission will not be able to implement this recommendation within 90 days.

Estimated date of completion: Unknown

Recommendation #2:

Student Aid should also require staff to independently verify the accuracy of the reports submitted by EDFUND.

Bureau's assessment of status: **Not fully implemented**

Auditee's Response:

The recommendation has not been fully implemented, and cannot be implemented within 90 days because the California Student Aid Commission's division Federal Policy and Programs Division responsible for EdFund oversight no longer has the resources to independently verify the accuracy of the reports submitted by EdFund. As part of the 09/10 Budget, the Governor reduced the FPPD budget from \$1,000,000 to \$500,000 indicating, "I am reducing \$500,000 from the Federal Policy and Program Division (FPPD) to align funding with the FPPD's responsibilities and to preserve resources. The current funding level exceeds what is necessary to support the staff of the FPPD. Furthermore, any savings that can be achieved in the Student Loan Operating Fund will result in the program being more valuable and thus result in additional General Fund revenue upon the sale, or other transaction, involving EdFund that is authorized by Chapter 182 of the Statutes of 2007." The current funding does not allow resources to fund approved staffing levels to perform the duties independently verifying the accuracy of the reports submitted by EdFund. Chapter 182, Statutes of 2007 (SB 89) enacted in August 2007 effectively made Department of Finance (DOF) responsible for the State's loan program. All of the actions, approvals, and directions of the Commission affecting the state student loan guarantee program shall be effective only upon the approval of the Director of Finance.

Estimated date of completion: Unknown

4.c

Information/Action Item

California Student Aid Commission

Legislation update and consideration of bills affecting the Commission and Commission programs

On February 9, 2010, the Governance and Monitoring Committee of the California Student Aid Commission met to receive an update on current federal and state legislative issues from staff and to consider position recommendations on four bills and one legislative proposal.

The chair of the Governance and Monitoring Committee will provide an oral report on the recommendations of the committee.

The materials considered by the Governance and Monitoring Committee follow, as Tabs 4.c.1 – 4.c.5.

- 4.c.1 Legislative Update
- 4.c.2 Staff Analysis and Recommendations for Bills
- 4.c.3 Commission Legislative Proposal
- 4.c.4 Commission's 2009-10 Legislative and Budget Guiding Principles
- 4.c.5 2010 Legislative Calendar

Recommended Action: Accept the recommendations of the Governance and Monitoring Committee and adopt official positions on proposed legislation.

Responsible Person(s): Lorena Hernandez, Chair
Governance and Monitoring
Committee

Lori Nezhura, Legislative Liaison
Executive Division

LEGISLATIVE UPDATE

Federal Issues

The year 2009 was marked by national recession, economic stimulus, health care reform debate and student aid reform. The House has passed, and President Obama has called on the Senate to do the same, the Student Aid and Fiscal Responsibility Act (SAFRA, H.R. 3221). SAFRA follows through with many of the President's goals for discontinuing federal subsidies to private lenders for making student loans and redirecting the savings to the federal Pell grant program as well as simplifying the financial aid application process for low-income students. See detailed summary on next page.

The Senate Health, Education, Labor and Pensions (HELP) Committee delayed discussion of student aid reform pending the passage of health care reform legislation. This was done to retain the single use of the Reconciliation process for health care reform, if needed, and if not needed, Reconciliation would be preserved for the student aid reform bill.

Reconciliation is a Congressional legislative technique intended to allow consideration of a contentious budget bill without the threat of filibuster. Introduced in 1974, reconciliation limits debate and amendment, and therefore favors the majority party. Until 1996, reconciliation was limited to deficit reduction, but in 1996 the Senate's Republican majority adopted a precedent to apply reconciliation to any legislation affecting the budget, even legislation that would increase the deficit.

At this time, it is still not clear if the Senate will be able to pass health care reform legislation without the Reconciliation process. If the one-time process is used for health care, it could have significant implications for the viability of passing student aid reform in the current session.

State Issues

On January 8, 2010, the California State Legislature was called into the 8th Special Session to address the fiscal emergency declared by the Governor. During this Special Session, they will attempt to eliminate a combined current-year and budget-year deficit of \$20 million through spending cuts, revenues, or a combination of both. The 2009-10 mid-year deficit is largely due to unrealized budget solutions passed in 2009.

For the second year in a row, the mid-year Special Session on budget is taking the focus away from many other non-budget legislative proposals. Also, the State's fiscal situation is making the passage of bills through the fiscal committees difficult. Nevertheless, Commission staff is still watching bills affecting the Commission and our programs. These are presented on the following pages for Committee consideration.

STAFF ANALYSIS AND RECOMMENDATIONS FOR BILLS

3221

AUTHOR: Miller, George (D)**TITLE:** Student Aid and Fiscal Responsibility Act**INTRODUCED:** 07/15/2009**LAST AMEND:** 09/16/2009**LOCATION:** Senate Health, Education, Labor and Pensions Committee

Summary: Creates the Student Aid and Fiscal Responsibility Act of 2009, proposes changes to the federal student loan program, federal Pell grant, student aid methodology, veterans educational grants and loan forgiveness, funding for college access and completion, cooperative education, civil legal assistance attorneys loan repayment, grants for public school facilities renovation and repair, charter schools, green schools, the early learning challenge fund, and a graduation funding initiative for the community colleges. (Major provisions of the bill bulleted below.)

Student Loan Program

- **Ends the Federal Family Education Loan Program on June 30, 2010**, unless continuation is expressly authorized by Congress through additional legislation.
- Provides the Department of Education with \$50 million in FY 2010 to provide schools with resources and assistance in transitioning into the Direct Loan program. That assistance includes "technical support, training for personnel, customized assistance to individual institutions of higher education, development of informational materials, and other services the Secretary determines to be appropriate."
- Requires the Secretary of Education to conduct outreach activities to educate students and their families about the transition to Federal Direct Lending.
- Makes interest rates on subsidized Stafford loans disbursed after July 1, 2012, equal to the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to such June 1, plus 2.5 percent for the next year, not to exceed 6.8 percent.
- Allows Schools located outside of the U.S. to receive federal student loans through the Direct Loan program.

Pell Grant

- Continues the trend set by the College Cost Reduction and Access Act (CCRAA) dividing the Pell Grant into mandatory and appropriated funding. **Beginning in the 2011-12 award year, the mandatory portion of the Pell Grant would be indexed to the Consumer Price Index plus 1 percent.**
- **The mandatory portion of the Pell Grant is \$490 of the \$5350 maximum award for 2009-10. For 2010-11, that mandatory portion is scheduled to increase to \$690, raising the maximum award to \$5550. Barring any further changes, it is this \$690 portion that would be increased by CPI + 1 percent.**
- Clarify that part-time students can also receive year-round Pell Grants

STAFF ANALYSIS AND RECOMMENDATIONS FOR BILLS

HR 3221 Continued

FAFSA Simplification

- **Eliminates asset data from the FAFSA and the needs analysis formula, effective July 1, 2011.**
- **Imposes an asset cap of \$150,000 beginning on July 1, 2011, that would prohibit receipt of a Pell Grant or a subsidized Stafford Loan.** For each award year after 2011-12, the Secretary would be required to publish a revised net asset cap that would be determined by increasing the dollar amounts by a percentage equal to the estimated percentage change in the Consumer Price Index.

The House bill does not specify how asset cap information would be captured on the FAFSA.

Veterans Educational Benefits

- **Allows veterans who attend private colleges in states with a zero or very low basic tuition benefit to shift the unused portion of the maximum fee benefit to help cover costs of the veteran's actual tuition.** This provision seeks to fix an issue with the Post-9/11 GI Benefits where veterans were being denied funds because they attended schools in states that had no, or very low, tuition charges but higher student fees (California).
- Forgives any federal student loans for members of the military who borrowed for the term in which they later were called to active duty.

College Access and Completion Innovation Fund

- **Proposes \$3 billion over 5 years (2010-2014) or \$600,000,000 annually.** Within this fund are three grants:
 - ✓ **College Access Challenge Grant** (which currently funds the Commission's local Cal-SOAP programs and its statewide Cash for College Workshops, but is due to sunset this year leaving our programs unfunded);
 - ✓ State Innovation Completion Grants for increasing student persistence and completion of higher education, decreasing enrollment gaps, persistence and completion for underrepresented groups, and measurement; and
 - ✓ Innovation in College Access and Completion National Activities Grants which provides one-time funding for innovative programs increasing the number of individuals holding postsecondary certificates and degrees.

Status: 09/22/2009 - Senate Committee on Health, Education, Labor and Pensions

Position: In April 2009 the Commission took a position of **Support in Concept** on President Obama's 2010 Budget proposal to originate all new federal student loans through the Direct Loan Program and to use the savings to create a stronger and more reliable Pell Grant program.

STAFF ANALYSIS AND RECOMMENDATIONS FOR BILLS

HR 3221 Continued

Staff recommends a position of **Support if Amended** on this bill. Many states and institutions rely on the asset data for determination of aid. Gathering that information through alternate means will put cost pressure on California's General Fund; conforming Cal Grant law to federal law with regards to assets will create significant cost pressure for the General Fund. Staff recommends that the bill be amended to specify how the asset data would be captured and the cap would be determined.

Staff recommends that the Commission convey its position and concerns in a letter to the leadership of the House, Senate, and their respective education committees, members of the California Congressional Delegation, and the U.S. Department of Education (Department) and that staff be directed to work with the Department to create a method whereby asset data may be gathered for California students, perhaps by providing a state link to the online FAFSA.

Guiding Principles: Foster Educational Access and Affordability; Ensure the Availability of Information on Educational Opportunities; Preserve the Flow of Financial Aid

STAFF ANALYSIS AND RECOMMENDATIONS FOR BILLS

AB 1436

AUTHOR: Portantino (D)**TITLE:** Postsecondary Educational Institutions: Meetings**INTRODUCED:** 02/27/2009**LAST AMEND:** 01/04/2010**LOCATION:** Senate

Summary: Requires the Board of Governors of the California Community Colleges, the Trustees of the California State University, the California Postsecondary Education Commission, and the Student Aid Commission, including any auxiliary organization, to make available on the Internet a live audio broadcast of each of its meetings that is open to the public.

Status: 01/25/2010 - To Senate

Commentary: The Student Aid Commission does not currently possess a permanent meeting site with live audio broadcast capabilities. Due to the current Administration's proposal to sell the auxiliary, EdFund, the Commission was not allowed to move into planned permanent facilities that would have included a boardroom. Since 2008, Commission meetings have been held at various local and downtown sites. In reserving these locations, Commission staff has taken the utmost care to keep costs minimal, even adjusting meeting dates and times in order to secure rent-free State facilities. Facility resources, including audio-visual systems, extra microphones, and internet connectivity are sometimes available at these locations at an additional cost to the Commission or sometimes are not available at all.

The Commission believes in open, accessible meetings and discussions. However, since 2009-10 the Commission operating budget has been reduced by approximately 30% making the absorption of new expenses impossible.

Position: Staff recommends a position of **Support if Amended**. The bill currently contains no appropriations for one-time or on-going costs to implement live audio broadcasts though staff has made these requests known to the author and committee staff. Therefore, staff recommends the bill be amended with the provision that the California Student Aid Commission is not required to comply with this bill until it secures a permanent meeting location and an amount of \$5,000 is appropriated for material costs.

Guiding Principle: Ensure Adequate Support and Flexibility for Commission Operations

STAFF ANALYSIS AND RECOMMENDATIONS FOR BILLS

AB 1703

AUTHOR: Knight (R)**TITLE:** Nursing Assumption Program of Loans for Education**INTRODUCED:** 02/01/2010**LOCATION:** Assembly

Summary: Expands the progressive assumptions of qualifying loans under the State Nursing Assumption Program of Loans for Education (SNAPLE) program for a participant that completes at least five years of qualifying clinical registered nursing service at a state-sponsored veterans home. Provides for an additional loan assumption per year of additional qualifying service, with a maximum loan assumption amount equal to the participant's total outstanding liability under the qualifying loans.

Status: To be assigned to policy committee(s) by Assembly Rules Committee.

Commentary: The current SNAPLE – Nursing in State Facilities program provides for loan assumptions for up to four years of qualifying service “as a clinical registered nurse in a state-operated 24-hour facility that employs registered nurses and that has a clinical registered nurse vacancy rate of greater than 10 percent.” [California Education Code § 70120(b)(5)]. According to law (CEC § 70121), the Department of Personnel Administration determines and provides the Commission with a list of qualifying facilities.

Position: Staff recommends a position of **Support if Amended** on this bill. The bill proposes to extend SNAPLE assumption benefits for specified participants for an undetermined length of time—perhaps up to or beyond ten years—which will create workload pressures and potential administration costs. Staff recommends the bill be amended to identify resources for Commission administration and include, “The total loan assumption for a program participant under this subdivision shall be equal to the participant’s total outstanding liability under one or more of the designated loan programs **or \$50,000, whichever is less.**”

Guiding Principles: Foster Educational Access and Affordability; Ensure Adequate Support and Flexibility for Commission Operations

STAFF ANALYSIS AND RECOMMENDATIONS FOR BILLS

AB 1761

AUTHOR: Fong (D)

TITLE: Cal Grant B Awards: Award Amount

INTRODUCED: 02/08/2010

LOCATION: Assembly

Summary: Amends current law to provide step increases in the number of Cal Grant B students receiving tuition and/or fees in their first academic year over the next four years from 2% in 2010-11 to 25% in 2011-12, to 50% in 2012-13, to 75% in 2013-14, and finally increasing to 100% in the 2014-15 academic year and beyond.

Status: To be assigned to policy committee(s) by Assembly Rules Committee.

Commentary: Last session, Assembly Member Hector de la Torre introduced Assembly Bill (AB) 2365, which the Commission supported, to increase the number of Cal Grant B Entitlement recipients receiving tuition and/or fees in their first year. Assembly Member Fong’s bill is identical in wording to AB 2365.

The Cal Grant B Entitlement program provides an access grant (for books/supplies/living expenses) of \$1,551 to low-income students who are in their first year of college, then tuition and/or fees along with the access grant for the following three years. Also under the Cal Grant B Entitlement program, the top two percent of students scored on GPA, financial need, and disadvantaged factors receive access, tuition and/or fee assistance in the first year of attendance at a four-year college and universities. To be eligible for a Cal Grant B Entitlement award, a student must have a grade point average of at least 2.0, demonstrate financial need, and meet all other general eligibility requirements (U.S. citizen, CA residents, not incarcerated, etc.).

The Cal Grant A Entitlement program is for low- to middle-income students who have a grade point average of at least 3.0, demonstrate financial need (income levels not as low as for Cal B), and meet all other general eligibility requirements.

Problems: (1) Cal Grant B awards go to the financially neediest students, yet they only provide \$1,551 for the first year of attendance at a four-year college or university.

(2) The Cal Grant A award pays more over a four year period to a student attending a private institution or the University of California than the Cal Grant B recipient attending the same institutions. Cal Grant B awards at the California State University and community colleges still pay more over four years than Cal Grant A.

	CAL GRANT A	CAL GRANT B
University of California	Up to \$41,208	Up to \$37,110
Private Institution	Up to \$38,832	Up to \$35,328

Position: Staff recommends the Commission reaffirm its support of this measure by taking a position of **Co-sponsor** with the California State Student Association.

Guiding Principle: Foster Educational Access and Affordability

COMMISSION LEGISLATIVE PROPOSAL

Unbacked Bill

TOPIC: Veterans' Educational Benefits

Background: Federal educational assistance programs for veterans have been authorized by federal law since 1944. Over time, there have been numerous changes to the veterans' education benefit (VEB) programs, including the addition of the Montgomery GI Bill (MGIB) in 1985. The newest VEB program, the Post-9/11 GI Bill or New GI Bill, took effect on August 1, 2009. The New GI Bill provides generous educational benefits including tuition and fee payments up to the level of the most expensive public institution in the state (in California it is calculated a little differently since California does not technically charge in-state students tuition), housing allowance, books and supplies stipend, and more.

In general, VEB are made available to veterans alongside a broad array of other federal student financial aid programs which are authorized by the Higher Education Act (HEA) of 1965, as amended. These programs include, but are not limited to: the Pell Grant program, the Academic Competitiveness Grant and National Science and Mathematics Access to Retain Talent Grant programs, the Federal Supplemental Educational Opportunity Grant program, the Federal Work-Study program, the Federal Perkins Loan program; and the Federal Family Education Loan (FFEL) and William D. Ford Federal Direct Loan (DL) programs. The FFEL and DL programs both make available subsidized Stafford Loans, unsubsidized Stafford Loans, and PLUS Loans.

The types and amounts of aid that students, including veterans, may be eligible to receive are determined by programmatic requirements and the federal need analysis provisions. The federal need analysis provisions establish that "financial need" is calculated by subtracting the expected family contribution (EFC) from the student's cost of attendance (COA).

Federal Need Analysis

COA
-EFC
Need

State law mandates the same formula for the calculation of student need to award Cal Grants [Education Code section 69432.9(b)].

For veterans, the monies received as VEB are not treated as income, and therefore are not used in the calculation of the expected EFC.

When creating a student's financial aid package, the financial aid office of an institution begins with the student's need as calculated by the federal processor from information submitted on the Free Application for Federal Student Aid (FAFSA). The institution then subtracts Pell (always considered first in a student's aid package) and any other EFA like those federal grant programs listed above, state aid, institutional aid, private scholarships and grants, veterans' educational benefits (no longer included in the list as of July 1, 2009), work study and (last) loans for which a student might be eligible. When the need is reduced to zero, no more EFA can be applied. In some cases, even after all EFA has been applied, the student still has need.

COMMISSION LEGISLATIVE PROPOSAL

Example:

COA
-EFC
Need
-Pell
-SEOG
-Cal Grant
-Chapter 30 Veterans Educational Benefits
-federal work study
-subsidized loan
0

Prior to July 1, 2009, with some very limited exceptions, VEB was treated as a resource, or estimated financial assistance (EFA), which was used to reduce a student's need. As shown above, the receipt of VEB decreased the amount of need-based aid a veteran student could receive in his or her financial aid package.

After July 1, 2009, the Higher Education Opportunity Act of 2008 (HEOA) made certain changes to federal law which impact how VEB is treated for purposes of the federal need analysis and the calculation of resources that are available to meet the veteran's EFA. Beginning with the 2009-10 academic year, VEB is not treated as EFA and will, accordingly, **not** decrease the amount of need-based aid a veteran student can receive.

Problem: Since the 1990s the California Student Aid Commission (Commission) has reduced a Cal Grant applicant's need by the amount of VEB in order to determine need for a NEW Cal Grant award. (Calculation of need for renewing Cal Grant awards in subsequent years does not take VEB into account.)

Cal Grant Need Analysis

COA
-EFC
Need
-VEB

Cal Grant Need (for NEW awards only)

(1) A provision in state law requires using VEB to reduce need even though the federal government has changed its methodology to ignore VEB. California Education Code § 69432.9 (b) states:

Financial need shall be determined using the federal financial need methodology pursuant to subdivision (a) of Section 69506 and applicable regulations adopted by the commission, and as established by Title IV of the Federal Higher Education Act of 1965 (20 U.S.C. Secs. 1070 et seq., as amended). **The calculation of financial need shall be consistent with the commission's methodology of financial need for the 2000-01 academic year.** [Emphasis added to highlight aforementioned provision.]

COMMISSION LEGISLATIVE PROPOSAL

(2) A second issue that has developed as a consequence of the federal change is the removal of VEB information from the Free Application for Federal Student Aid (FAFSA). The 2009-10 FAFSA removed the question, "What is the amount of the Veterans' Educational Benefits that you expect to receive" and replaced it with the question, "What type of Veterans' Education Benefits do you expect to receive?" With this change, the Commission was no longer able to include VEB when calculating need for NEW Cal Grant awards. The Commission created a school-by-school report of any individuals who identified any type of VEB on the 2009-10 FAFSA. Staff then sent a memo informing institutions that they would need to collect VEB information from all those on their school list who were, in fact, using VEB (even though institutions were no longer collecting VEB information for any other reason). The school then had to recalculate each of those students' NEW Cal Grant need. If any students became ineligible due to the inclusion of the VEB, the institution notified the Commission who then notified the student of his or her disqualification.

The 2010-11 FAFSA has removed all questions relating to VEB. The Commission and schools now have no way of identifying these students/Cal Grant recipients. If state law is not changed and brought into conformity with federal law, the Commission will have to collect this information from applicants in a supplemental fashion.

CSAC	CAMPUSES
2009-10 Reduced VEB data on FAFSA. Created lists of affected students to be verified by institutions.	2009-10 Collected VEB data and recalculated NEW Cal Grant need for those on list. Informed Commission if VEB consideration made student ineligible for Cal Grant. Did not collect VEB data from any other financial aid recipients.
2010-11 VEB data completely eliminated on FAFSA.	2010-11 Awaiting Commission direction about how to identify affected students.

Summary of bill: Removes the requirement in law that the Student Aid Commission calculate financial need consistent with the method used by the Commission in the 2000-01 academic year.

Position: In 2009, Commission staff, along with representatives from the California Association of Student Financial Aid Administrators (CASFAA) and the California Community Colleges Student Financial Aid Administrators Association (CCCSFAAA), brought the issue of the changing federal law for the 2009-10 academic year and FAFSA data elimination for the 2010-11 academic year to the Commission's attention. At that time, the Commission directed staff to pursue a bill to bring state law into conformity with federal law in regards to VEB.

With this change to state law, a small number of veterans formerly ineligible for Cal Grant will become eligible. Using 2008-09 data, the fiscal effect has been determined to be less than \$300,000. Staff is in the process of identifying costs involved with VEB data collection absent FAFSA data: supplemental application, online self-reporting, CSAC workload, campus workload, etc. It is possible that the fiscal effect of doing nothing may be equivalent to the costs of new awards.

Based on the intent behind the Commission's previous directive, staff recommends a position of **Sponsor** if an author can be found to introduce this bill.

COMMISSION'S 2009-10 LEGISLATIVE AND BUDGET GUIDING PRINCIPLES

The Commission adopted the following Guiding Principles for the 2009-10 Legislative Session at their November 21, 2008 meeting.

It is essential that the Commission collaborate with the Legislature and the Administration to ensure that the Cal Grant program and other specialized aid programs are successful. The continued commitment from the State to improve the availability and amount of financial aid is crucial to secure educational access for all California students. This commitment strengthens the state's economic well-being by educating California's future workforce.

California statute (Education Code §66021.2) adopted as part of the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program (SB 1644, Chapter 403, Statutes of 2000) affirms the state's historic commitment to provide educational opportunity to students pursuing a higher education by ensuring both student access and choice for students with financial need and who meet academic criteria.

The California Student Aid Commission (Commission) has a long-standing commitment to pursue increased resources for student financial aid. Therefore, the Commission continues to support the policies adopted by the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act and opposes any changes that would undermine them. Consequently, the following policy principles are the priorities of the Commission, and the Commission urges the Governor and Legislature to support them.

MISSION: To make education beyond high school financially accessible to *all* Californians.

GOAL: To ensure all California students learn about and apply for benefits provided through the Cal Grant program and other specialized aid programs the Commission administers and to serve the public interest by providing quality financial aid services, including student loans at a reasonable cost to those students who need financial assistance to attend a college or university.

PRINCIPLES: Recognizing the critical need to maintain Legislative and Executive support for postsecondary educational opportunities, the Commission seeks to

- 1. Foster Educational Access and Affordability;***
- 2. Ensure the Availability of Information on Educational Opportunities;***
- 3. Preserve the Flow of Financial Aid; and***
- 4. Ensure Adequate Support and Flexibility for Commission Operations and Its Programs.***

*Numbering principles in no way indicates priorities; all principles are equally considered.

The guiding principles and objectives should be reviewed at the beginning of each legislative session to ensure they continue to be applicable, valid, and supportive of the Commission's mission.

Each of these principles is discussed in further detail below.

COMMISSION'S 2009-10 LEGISLATIVE AND BUDGET GUIDING PRINCIPLES

PRINCIPLE #1: Foster Educational Access and Affordability

The Commission and the State should advocate for increased higher education opportunities by providing all California students financial access to the postsecondary education of their choice.

OBJECTIVES:

- Encourage the expansion of financial aid to the growing number of California college students who demonstrate financial need as the cost of completing a postsecondary education continues to rise;
- Cultivate legislative and budget actions that protect, strengthen, and increase the state's General Fund commitment to student financial aid;
- Encourage continued bipartisan support for funding of statutory growth in the Cal Grant programs and for continued access to lower interest federal student loans administered through EDFUND;
- Promote expanded educational and transfer opportunities for students transferring from community colleges to four-year colleges;
- Seek the greater utilization and enhancement of all Commission-administered specialized programs; and
- Enhance the benefits to those participating in state or federal tuition savings plans that encourage saving while offering tax relief incentives, such as the ScholarShare Program.

**PRINCIPLE #1: Foster Educational Access and Affordability
FUNDING OBJECTIVES FOR THE CAL GRANT PROGRAM**

- ❖ **Preserve and Expand the Cal Grant Entitlement and Competitive Programs**
 - **Eligibility Requirements**
 - Maintain statutory GPA requirements
 - Maintain statutory income ceiling
 - Support eligibility requirements that provide greater student access to the program
 - **Award Value**
 - Cover full-fee funding for University of California and California State University students
 - Retain the current maximum award amount for nonpublic postsecondary institutions and support the development of a statutory formula that adjusts the maximum award amount for nonpublic postsecondary institutions and would not be subject to the annual budget process
 - Recommend and fully support increases to the Cal Grant B access award and first year tuition for Cal Grant B recipients
 - **Competitive Awards**
 - Advocating for funds that increase the number of Competitive Cal Grant awards for qualified non-recipient students
- ❖ **Preserve and Expand the Cal Grant C Program**
 - **Eligibility Requirements**
 - Maintain statutory income ceiling
 - Support eligibility requirements that provide greater student access to the program
 - **Award Value**
 - Support, at a minimum, the current maximum grant amount for institutional tuition and fees at applicable postsecondary institutions
 - Support increases to the book and supplies allowance
 - **Number of Awards**
 - Recommend and fully support increases in the number of awards in the Cal Grant C program
 - Support expanded financial aid opportunities for career technical education students

COMMISSION'S 2009-10 LEGISLATIVE AND BUDGET GUIDING PRINCIPLES

PRINCIPLE #2: Ensure the Availability of Information on Educational Opportunities

The Commission should work to expand and strengthen its early, statewide outreach efforts to middle and high school students as well as to non-traditional, re-entry and older students.

OBJECTIVES:

- Continue to advocate for adequate funding for outreach, academic preparation, and public awareness activities;
- Promote the availability of information on college educational opportunities for all California students and families;
- Provide information and guidance to students and their families on alternative methods for financing a college education;
- Provide the resources needed to maximize the effectiveness of the California Student Opportunity and Access Program (Cal-SOAP) and the Cash for College program;
- Encourage the expansion of public and private partnerships in the Cash for College program;
- Strengthen the Commission's partnership with the Superintendent of Public Instruction and local school districts; and
- Recognize that the Commission's outreach programs are designed to supplement and not supplant the activities that should be provided by secondary schools and districts.

PRINCIPLE #3: Preserve the Flow of Financial Aid

The Commission should promote the uninterrupted flow of student financial aid to enable students to achieve their educational goals. The process of applying for and receiving student aid should be as simple as possible for students and their families, educational institutions, and other program participants.

OBJECTIVES:

- Advocate for federal and state actions that result in a streamlined application process for California students;
- Advocate for continued enhancements and improvements to the Grant Delivery System to promote transparency and ease of use in the system while maintaining speed and accuracy;
- Advocate for policies that promote the cost-effective and timely administration of student financial aid programs;
- Strengthen the Commission's communication and partnerships with financial aid administrators through written communication and other training opportunities related to program changes and informational updates; and
- Encourage the expansion of public and private partnerships in the Cash for College program.

COMMISSION'S 2009-10 LEGISLATIVE AND BUDGET GUIDING PRINCIPLES

PRINCIPLE #4: Ensure Adequate Support and Flexibility for Commission Operations

The Commission should ensure that it can administratively fulfill its essential mission and responsibilities.

OBJECTIVES:

- Work with the Legislature and the Administration to ensure the Commission continues to maintain the resources, including funding, equipment, and skilled personnel, necessary for an uninterrupted flow of financial aid and services to California students;
- Work to ensure that any new specialized programs have appropriate resources;
- Advocate for additional resources for new, advanced technology for delivery and customer services; and
- Continue evaluating the opportunities offered through, and the potential impact to the Commission and EdFund model in light of the potential sale of EdFund.

COMMISSION'S 2009-10 LEGISLATIVE AND BUDGET GUIDING PRINCIPLES

PARTICIPATION IN THE LEGISLATIVE PROCESS

POSITIONS ON BILLS

Staff will draft an objective analysis of all legislative bills that affect the Commission. All positions will be in a "pending" status until the Commission has the opportunity to review the legislation and analysis and take an official position. During the legislative session, the Commission should support these legislative principles by taking the following actions for proposed legislation at Commission meetings as appropriate.

No Position

- A bill that the Commission has not yet discussed or is not relevant to the Commission's mission or Legislative Principles.

Neutral

- A bill that is not within the scope of the Commission's responsibility or would not affect the Commission's operations or procedures.

Support

- Supports the Commission's mission and principles.

Neutral if Amended, Support if Amended, or Oppose unless Amended

- The Commission's position would change if recommended amendments are made to resolve implementation or policy concerns. This position should indicate which concerns must be resolved before the Commission would change its position.

Oppose

- A bill that is in conflict with the Commission's mission and principles; it cannot be administered; it is too costly and burdensome to the Commission, the students, and schools.

Sponsor

- A bill proposal that the Commission identifies as beneficial to preserve or enhance service to California students and families and central to the Commission's administration of its programs, its mission and its legislative principles.

OPPORTUNITIES FOR DIRECT INVOLVEMENT

Staff will request the Commission's involvement during the legislative session as opportunities arise. Commission staff will develop and provide Commissioners with an advocacy binder to aid the Commissioners in communicating Commission policy and messaging.

- Discussions related to the January Governor's Budget, 2nd-year bills and new proposals beginning in January;
 - Participation in the Commission-sponsored annual Legislative Briefing Day and annual Cash for College Kick-off;
 - Work with Commission staff to arrange visits with member offices to promote the Mission and advocate for the passage of Commission-supported legislation;
 - Work with legislative budget committee staff to preserve the Cal Grant program and maintain adequate funding for Commission operations; and
- Work in coordination and cooperation with our partners in the financial aid community including secondary schools, all segments of higher education, and state and national financial aid associations by attending board and annual meetings and Webinars.

2010 LEGISLATIVE CALENDAR

DEADLINES

- Jan. 1 Statutes take effect (Art. IV, Sec. 8(c)).
- Jan. 4 Legislature reconvenes (J.R. 51(a)(4)).
- Jan. 10 Budget must be submitted by Governor (Art. IV, Sec. 12 (a)).
- Jan. 15 Last day for **policy committees** to hear and report bills introduced in 2009 for referral to **fiscal committees** (J.R. 61(b)(1)).
- Jan. 18 Martin Luther King, Jr. Day.
- Jan. 22 Last day for any committee to hear and report to the **Floor** bills introduced in their house in 2009 (J.R. 61(b)(2)). Last day to submit bill requests to the Office of Legislative Counsel.
- Jan. 31 Last day for each house to pass bills introduced in 2009 (J.R. 61(b)(3)) (Art. IV, Sec. 10(c)).

JANUARY							
	S	M	T	W	TH	F	S
Interim Recess						1	2
Wk. 1	3	4	5	6	7	8	9
Wk. 2	10	11	12	13	14	15	16
Wk. 3	17	18	19	20	21	22	23
Wk. 4	24	25	26	27	28	29	30
Wk. 1	31						

FEBRUARY							
	S	M	T	W	TH	F	S
Wk. 1		1	2	3	4	5	6
Wk. 2	7	8	9	10	11	12	13
Wk. 3	14	15	16	17	18	19	20
Wk. 4	21	22	23	24	25	26	27
Wk. 1	28						

- Feb. 15 Presidents' Day observed.
- Feb. 19 Last day for bills to be introduced (J.R. 61(b)(4), J.R. 54(a)).

MARCH							
	S	M	T	W	TH	F	S
Wk. 1		1	2	3	4	5	6
Wk. 2	7	8	9	10	11	12	13
Wk. 3	14	15	16	17	18	19	20
Wk. 4	21	22	23	24	25	26	27
Spring Recess	28	29	30	31			

- Mar. 25 Spring Recess begins upon adjournment (J.R. 51(b)(1)).
- Mar. 29 Cesar Chavez Day observed.

APRIL							
	S	M	T	W	TH	F	S
Spring Recess					1	2	3
Wk. 1	4	5	6	7	8	9	10
Wk. 2	11	12	13	14	15	16	17
Wk. 3	18	19	20	21	22	23	24
Wk. 4	25	26	27	28	29	30	

- Apr. 5 Legislature reconvenes from Spring Recess (J.R. 51 (b)(1)).
- Apr. 23 Last day for **policy committees** to hear and report to fiscal committees fiscal bills introduced in their house (J.R. 61(b)(5)).

MAY							
	S	M	T	W	TH	F	S
Wk. 4							1
Wk. 1	2	3	4	5	6	7	8
Wk. 2	9	10	11	12	13	14	15
Wk. 3	16	17	18	19	20	21	22
Wk. 4	23	24	25	26	27	28	29
No Hrgs.	30	31					

- May 7 Last day for **policy committees** to hear and report to the floor **nonfiscal** bills introduced in their house (J.R. 61(b)(6)).
- May 14 Last day for **policy committees** to meet prior to June 7 (J.R. 61(b)(7)).
- May 28 Last day for **fiscal committees** to hear and report to the floor bills introduced in their house (J.R. 61 (b)(8)). Last day for **fiscal committees** to meet prior to June 7 (J.R. 61 (b)(9)).
- May 31 Memorial Day observed.

2010 LEGISLATIVE CALENDAR

JUNE							
	S	M	T	W	TH	F	S
No Hgs.			1	2	3	4	5
Wk. 1	6	7	8	9	10	11	12
Wk. 2	13	14	15	16	17	18	19
Wk. 3	20	21	22	23	24	25	26
Wk. 4	27	28	29	30			

- June 1-4** Floor session only. No committee may meet for any purpose (J.R. 61(b)(10)).
- June 4** Last day to pass bills out of house of origin (J.R. 61(b)(11)).
- June 7** Committee meetings may resume (J.R. 61(b)(12)).
- June 15** Budget Bill must be passed by midnight (Art. IV, Sec. 12(c)).
- June 24** Last day for a legislative measure to qualify for the Nov. 2 General Election ballot. (Elec. Code Sec. 9040)

JULY							
	S	M	T	W	TH	F	S
Wk. 4					1	2	3
Summer Recess	4	5	6	7	8	9	10
Summer Recess	11	12	13	14	15	16	17
Summer Recess	18	19	20	21	22	23	24
Summer Recess	25	26	27	28	29	30	31

- July 2** Last day for policy committees to hear and report bills (J.R. 61(b)(13)). Summer Recess begins on adjournment, provided Budget Bill has been passed (J.R. 51(b)(2)).
- July 5** Independence Day observed.

AUGUST							
	S	M	T	W	TH	F	S
Wk. 1	1	2	3	4	5	6	7
Wk. 2	8	9	10	11	12	13	14
No Hgs.	15	16	17	18	19	20	21
No Hgs.	22	23	24	25	26	27	28
No Hgs.	29	30	31				

- Aug. 2** Legislature reconvenes from Summer Recess (J.R. 51(b)(2)).
- Aug. 13** Last day for fiscal committees to hear and report bills to the Floor (J.R. 61(b)(14)).
- Aug. 16 - 31** Floor session only. No committee may meet for any purpose (J.R. 61(b)(15)).
- Aug. 20** Last day to amend on the Floor (J.R. 61(b)(16)).
- Aug. 31** Last day for any bill to be passed (Art. IV, Sec 10(c), J.R. 61(b)(17)). Final Recess begins on adjournment (J.R. 51(b)(3)).

IMPORTANT DATES OCCURRING DURING FINAL RECESS

2010

- Sept. 30 Last day for Governor to sign or veto bills passed by the Legislature before Sept. 1 and in the Governor's possession on or after Sept. 1 (Art. IV, Sec.10(b)(2)).
- Oct. 2 Bills enacted on or before this date take effect January 1, 2011 (Art. IV, Sec. 8(c)).
- Nov. 2 General Election.
- Nov. 30 Adjournment *sine die* at midnight (Art. IV, Sec. 3(a)).
- Dec. 6 2011-12 Regular Session convenes for Organizational Session at 12 noon (Art. IV, Sec. 3(a)).

2011

- Jan. 1 Statutes take effect (Art. IV, Sec. 8(c)).