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## Action Item

### *California Student Aid Commission*

#### Consent Calendar

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**Recommended Action:** Approve the consent agenda, including:

- 1.a. February 25, 2010 minutes

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**CALIFORNIA STUDENT AID COMMISSION  
MEETING MINUTES  
February 25, 2010**

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A meeting of the California Student Aid Commission was held on Thursday, February 25, 2010 at the State Capitol, Senate Room 2040 in Sacramento, California.

Chair Barry Keene called the meeting to order at 8:35 a.m.

The following Commission Members were present:

Barry Keene, Chair  
Lorena Hernandez, Vice Chair  
Lynne de Bie  
Patricia Fong Kushida  
Alexander Gonzalez  
Lawrence Hershman  
Enrique Murillo  
Israel Rodriguez  
Antonio Solórzano, Jr.  
Fred Wood

The following Commission Member was absent:

Bonaparte Liu

Roll Call was taken and a quorum was recognized.

**PUBLIC COMMENT**

Chair Keene asked for public comment and, hearing none, proceeded to the next agenda item.

**CHAIR'S REPORT**

Chair Keene announced that Commissioner De Bie has agreed to serve as Commission Secretary until the next election of Commission officers. In addition, on behalf of the California Student Aid Commission, Executive Director Diana Fuentes-Michel read the Commission's Resolution for former Commissioner, Dr. Yasmin Delahoussaye, into the record.

**AGENDA ITEM 1 - CONSENT CALENDAR (Action)**

The Commission unanimously APPROVED the Consent Calendar, which included the following items:

- a. Minutes of November 19, 2009 and December 7, 2009 (Action);
- b. Authorization to the Executive Director to enter into an Interagency Agreement with the California Military Department for the administration of the California National

- Guard Education Assistance Award Program in the amount of \$8,173,000 for 2009-10 through 2011-12; and
- c. Ratification of an amendment to the 2009-10 Interagency Agreement with the Department of Justice to increase the amount \$200,000 for a total contract amount of \$285,000.

## **AGENDA ITEM 2 – REPORT OF THE PROGRAMS, PLANNING AND BUDGET COMMITTEE**

### ***Item 2.a – Update on the Commission’s 2008-09 and 2009-10 Budgets (Information)***

Commissioner Hernandez, Chair of the Programs, Planning and Budget (PPB) Committee requested Ms. Janet McDuffie, Chief of Administration and External Affairs, provide a summary of the meeting. Ms. McDuffie provided an overview of the issues pertaining to the Commission’s 2008-09 and 2009-10 budgets.

The Commission ADOPTED the report of the Programs, Planning and Budget Committee on agenda item 2.a by unanimous consent.

### ***Item 2.b – Update on the Governor’s Proposed 2010-11 Budget and consideration of actions relating to its effect on the Commission’s programs and operations in 2009-10 and 2010-11 (Information/Action)***

Commissioner Hernandez, Chair of the Programs, Planning and Budget (PPB) Committee requested Ms. McDuffie to provide an update. Ms. McDuffie provided a summary of the Governor’s proposed 2010-11 budget and the effects on the Commission’s programs and operations.

Ms. McDuffie also provided an update on the Challenge Grant, which was not included in the agenda materials. Ms. McDuffie reported that the two-year federal Challenge Grant funding for the Cal-SOAP and Cash for College programs would end August 2010. Additional funding has been proposed in the Student Aid and Fiscal Responsibility Act (SAFRA), which has passed in the House, but is currently stalled in the Senate. If the federal funding does not come through, then institutions may have to begin a layoff process for their project directors.

Ms. Monica Roberts, Project Director, Sacramento Cal-SOAP Consortium, commented that the project directors have been meeting with local Congressional representatives about funding to continue services. Mr. Ken Songco, Project Director, San Francisco College Access Center Consortium, spoke on behalf of all sixteen Cal-SOAP consortia, describing their advocacy efforts, which include meetings with legislators and letter writing campaigns. The directors are trying to prioritize Senators Barbara Boxer and Dianne Feinstein to take the lead in supporting SAFRA.

There was more discussion regarding the potential impact on outreach efforts and staffing should the legislation fail to pass in a timely manner and federal funding is not provided. Ms. McDuffie discussed the effect of the Governor’s budget proposal on the Commission’s operations. The Commission directed the PPB Committee to consider establishing Cal Grant priorities for the 2010-11 state budget in response to the Governor’s budget reduction proposals. Executive Director Michel suggested that staff provide an analysis of the legislative measures that have been introduced.

The Commission APPROVED the report of the Programs, Planning and Budget Committee agenda item 2.b by unanimous consent.

**AGENDA ITEM 3 – UPDATE ON COMMISSION IMPLEMENTATION OF CHAPTER 644, STATUTES OF 2009 (AB 187) AND THE PILOT PROGRAM FOR A CAL GRANT ALTERNATIVE DELIVERY SYSTEM (Information)**

Mr. Bryan Dickason, Manager of Grant Operations, provided an overview of the activities of the Assembly Bill (AB) 187 Task Force and its technical subcommittee. He explained that the Commission must be able to serve both pilot and non-pilot schools in case a student changes from a pilot to a non-pilot school. An online survey has been distributed to all Cal Grant schools to determine when the Commission needs to become involved in the process. Mr. Dickason outlined three main concerns in designing the pilot program, which are compatibility with the school's processing system; continuing operating costs; and capability to serve pilot and non-pilot students.

**AGENDA ITEM 4 – REPORT OF THE GOVERNANCE AND MONITORING COMMITTEE**

Committee Chair Hernandez reported that the Governance & Monitoring Committee discussed the following items at its February 9, 2010 meeting.

***Item 4.a – Discussion of Service Level Agreements with EdFund (Information/Action)***

Mr. Ed Emerson, Chief of Federal Policy & Programs, provided an update on the sale of EdFund, reporting that three bidders have done their due diligence and met with EdFund staff and toured the facility. Mr. Emerson noted that EdFund provides services to the Commission that are essential to the Cal Grant Program and that, through economies of scale, the cost to the Commission for those services are at a minimum. The Commission's Budget Change Proposal (BCP) specifically addresses the need for new resources to the Commission if the sale of student loan guarantee program assets is completed.

Commissioner Hernandez explained that the BCP is confidential and cannot be discussed in detail, but the Commission will be convening the Governance & Monitoring Committee soon to put together a plan, which is necessary whether the sale of EdFund happens or not.

***Item 4.b – Discussion of the status of EdFund contracts and invoices not being reimbursed by the Commission (Information/Action)***

Ms. Patricia Landaker, Associate Governmental Program Analyst in the Federal Policy & Programs Division, provided an overview of the EdFund invoice review process, explaining that the types of expenses denied by the Commission are consistent with those identified by the Department of Finance in its 2008 audit report as improper use of public funds.

Ms. Leanna Sinibaldi, Manager of Fiscal Services, provided historical information on the EdFund invoice reimbursement process and discussed the current process.

Mr. Emerson remarked that the Commission has denied invoices for certain contracts based on Commission policy and standard criteria, and has asked EdFund to rescind those contracts. However, because of the authority given to the Department of Finance (Finance)

by Senate Bill (SB) 89, EdFund continues to submit those invoices while Finance conducts its legal review.

***Item 4.c – Legislation update and consideration of bills affecting the Commission and Commission programs (Information/Action)***

Ms. Lori Nezhura, Legislative Liaison, reported that the Governance & Monitoring Committee met and considered positions on the following legislative bills.

HR 3221: Student Aid and Fiscal Responsibility Act (SAFRA) (Miller)

On **MOTION** by Commissioner Hershman, **SECONDED** and **CARRIED**, the Commission APPROVED the Committee's recommendation to SUPPORT IF AMENDED to specify how the asset data would be captured and the cap would be determined; and to communicate with United States Senators Barbara Boxer and Dianne Feinstein to encourage their support of the movement of SAFRA so that Cal-SOAP and Cash for College can receive funding.

AB 1703: Nursing Assumption Program of Loans for Education (Knight)

On **MOTION** by Commissioner Gonzalez, **SECONDED** and **CARRIED**, the Commission APPROVED the Committee's recommendation to SUPPORT IF 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."

AB 1761: Cal Grant B Awards: Award Amount (Fong)

On **MOTION** by Commissioner De Bie, **SECONDED** and **CARRIED**, the Commission APPROVED the Committee recommendation to CO-SPONSOR with the California State Student Association.

Unbacked Bill: Veterans' Educational Benefits

On **MOTION** by Commissioner Hershman, **SECONDED** and **CARRIED**, the Commission APPROVED the Committee's recommendation to SPONSOR if an author can be found to introduce the bill.

**AGENDA ITEM 5 – REPORT ON BUREAU OF STATE AUDITS JANUARY 2010 REPORT ON "RECOMMENDATIONS NOT FULLY IMPLEMENTED AFTER ONE YEAR: THE OMNIBUS AUDIT ACCOUNTABILITY ACT OF 2006" (Information)**

Ms. Keri Tippins, General Counsel and Chief of Legal Affairs and Audit Services, provided an update on the status of the recommendations made by the Bureau of State Audits (BSA) in its January 2010 report. The Commission is unable to implement BSA's recommendations relating to the Voluntary Flexible Agreement, EdFund business diversification, improved oversight of EdFund, and independent verification of reports provided by EdFund because of the elimination of the Federal Family Education Loan Program and the enactment of SB 89.

**AGENDA ITEM 6 – CONSIDERATION OF CALIFORNIA STUDENT AID COMMISSION ANNUAL REPORT TO THE LEGISLATURE ON EDFUND (Action)**

Mr. Ed Emerson, Chief of the Federal Policy & Programs Division, reported that the Programs, Planning & Budget Committee considered the draft Annual Report to the Legislature on EdFund at its February 18, 2010 meeting and established an ad hoc committee consisting of Commissioners Hernandez and Wood to work with staff to revise the report as needed. Commission staff is requesting action by the Commission to adopt the annual report so that it may be submitted to the Legislature by April 1, 2010.

Executive Director Michel presented a revised executive summary and asked that the Commission allow staff to continue to work on revisions with Commissioners Hernandez and Wood, noting that no other changes were made to the other sections of the report.

On **MOTION** by Commissioner Gonzalez, **SECONDED** and **CARRIED**, the Commission APPROVED the draft Annual Report to the Legislature on EdFund for Federal Fiscal Year October 1, 2008 – September 30, 2009, providing staff authorization to make necessary technical edits.

**AGENDA ITEM 7 – REPORT OF THE PERSONNEL, EVALUATION AND NOMINATIONS COMMITTEE**

Committee Chair Solórzano reported that, at its February 9, 2010 meeting, the Personnel, Evaluation & Nominations (PEN) Committee discussed and recommended the following nominations.

***Item 7.a – Consideration of appointments to advisory committees (Action)***Grant Advisory Committee

On **MOTION** by Commissioner Hernandez, **SECONDED** and **CARRIED**, the Commission APPROVED the following appointments to the Grant Advisory Committee:

- Mr. Frederick Holland as the California Association of Private Postsecondary Schools (CAPPS) Campus Representative for the term February 25, 2010 to February 25, 2012; and
- Ms. Julia Blair as the California Postsecondary Education Commission (CPEC) Representative for the term February 25, 2010 to February 25, 2012.

There was concern about the lack of student representation on the Commission. Executive Director Michel explained that the law requires two Governor-appointed student representatives on the Commission. The Commission has encouraged the student associations to submit potential candidates and both the University of California and California State University systems have submitted nominations in the past. She recommended sending requests for nominations to the Governor's Appointments Secretary and the new Secretary of Education, raising the concerns about filling the vacancies.

**AGENDA ITEM 8 – EXECUTIVE DIRECTOR'S REPORT (Information)**

Executive Director Michel presented her written report. She added that the Programs, Planning & Budget and Governance & Monitoring Committees will convene soon to work on the following key issues:

- Cal-SOAP and Cash for College issues as related to SAFRA;
- Cal Grant priority-setting;
- Operational issues tied to the sale of EdFund; and
- A strategic plan to communicate to the Legislature the issues facing the Commission.

Additionally, Mr. Emerson presented a plaque to Ms. Kanisha Allen in honor of her service to the Federal Policy & Programs Division.

***Item 8.a – CASFAA discussion on changes in the FAFSA and asset information (Information)***

Mr. Dickason provided background information on the changes in the FAFSA and asset information, adding that, with the reduced number of FAFSA questions, the California Association of Student Financial Aid Administrators (CASFAA) has raised concerns about whether students are missing the asset questions or not understanding. The federal government is currently considering simplifying the financial aid process further and may eliminate asset questions altogether, which would require a statutory change.

Ms. Maureen Mason-Muyco, Chair of the CASFAA State Issues Committee, presented a series of eight questions and concerns for the Commission to consider in order to determine whether to pursue new state legislation to remove the asset-collection requirement in the Cal Grant need calculation.

Executive Director Michel suggested that, after the Commission's legal and audit staff review the short-term issues, the Commission could distribute an Operations Memo providing clarification. In addition, in the long term, she suggested that the Programs, Planning & Budget Committee examine the treatment of assets. Further discussion ensued.

***Item 8.b – EdFund Report (Information)***

EdFund President Sam Kipp presented his written report and discussed EdFund's position on the student loan reform legislation, noting that, like the Commission, EdFund supports it. He added that more attention needs to be paid to the continuation of provision of services, default prevention counseling, and other kinds of support.

**CLOSED SESSION**

Chair Keene announced that the California Student Aid Commission would meet in CLOSED SESSION to discuss and may take action on pending litigation pursuant to California Government Code, section 11126(e)(1), response to confidential final draft audit report pursuant to California Government Code, section 11126.2, and business matters of a proprietary nature pursuant to California Education Code, section 69525(g)(3). Topics will include:

**AGENDA ITEM 9 – PENDING LITIGATION – BERSINGER V. CALIFORNIA STUDENT AID COMMISSION, SACRAMENTO SUPERIOR COURT CASE NO. 07AS023816**

**AGENDA ITEM 10 – CONSIDERATION OF RESPONSE TO CONFIDENTIAL FINAL DRAFT AUDIT REPORT ISSUED BY THE BUREAU OF STATE AUDITS TO THE COMMISSION (Information)**

**AGENDA ITEM 11 – STUDENT LOAN GUARANTEE PROGRAM ITEMS**

- a. Update on sale of the California student loan guarantee program assets (Information)
- b. Update on statistics, statistical modeling and statistical analysis of a proprietary and confidential nature (Information)
- c. Update on 2009-10 Business Plan, Budget and Goals (Information)
- d. Review of quarterly financial statements (Information)
- e. Review of high-level organizational metrics and dashboard (Information)
- f. Discussion of 2010-11 Business Plan and Budget Development (Information)
- g. Update on lender default claims and cash flow (Information)

Thereupon, the Commission resolved into CLOSED SESSION at 11:22 a.m.

**RECONVENE IN OPEN SESSION**

Chair Keene reconvened the OPEN SESSION at 3:55 P.M., and had no items to report.

There being no further business, the meeting of the California Student Aid Commission was adjourned at 3:55 P.M.

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LYNNE DE BIE  
SECRETARY