

Action/Information Item

California Student Aid Commission

Approval of February 28-29, 2008 Minutes

Recommended Action: The Commission is asked to approve the minutes.

**CALIFORNIA STUDENT AID COMMISSION
COMMISSION MEETING
MINUTES
FEBRUARY 28-29, 2008**

A meeting of the California Student Aid Commission was held on Thursday, February 28, 2008 and Friday, February 29, 2008, at 3300 Zinfandel Drive, Board Room in Rancho Cordova, CA.

Acting Chair Dean Johnston called the meeting to order at 8:39 a.m.

The following Commission Members were present:

Dean Johnston, Acting Chair
Tomás Arciniega
Lynne de Bie
Yasmin Delahoussaye
Daniel Friedlander
Sally Furay
Dennis Galligani
Peter Hankwitz
Lorena Hernandez
Patricia Fong Kushida
Bonaparte Liu
Enrique Murillo
Antonio Solórzano, Jr.

Roll Call was taken and a quorum was recognized.

PUBLIC COMMENT

Acting Chair Johnston called for public comment and, hearing none, proceeded with the next agenda item.

CHAIR'S REPORT

Acting Chair Johnston welcomed former Chair, Louise McClain, and introduced the following new appointments to the Commission: Tomás Arciniega; Lynne de Bie; Peter Hankwitz; Patricia Fong Kushida; Bonaparte Liu; and Enrique Murillo. He proceeded to make the following report:

- Commissioners Delahoussaye, Friedlander, Furay, Hernandez and former Commissioner Louise McClain attended the California Association of Student Financial Aid Administrators (CASFAA) Conference in December 2007.
- Commissioner Furay received CASFAA's Distinguished Service Award.
- Former Chair McClain received CASFAA's Distinguished Service Award and the California Community Colleges Student Financial Aid Administrators Association (CCCSFAAA) Lifetime Achievement Award.

Former Chair McClain presented a resolution in honor of former Commissioner Adele Levine who recently passed away, and the Commission observed a moment of silence. Acting Chair Johnston presented a resolution to former Chair McClain for her service and dedication. Lastly, former Chair McClain presented a resolution to Commissioner Sally Furay for her service and commitment.

AGENDA ITEM 1 – EXECUTIVE DIRECTOR’S REPORT

Executive Director Diana Fuentes-Michel expressed appreciation to the departing Commissioners and recognized the work of the Outreach Committee as well as contributions made by EDFUND, and the partnerships with the financial aid associations, community based organizations, and financial aid and outreach staff in the community. She also expressed appreciation to the Los Angeles Cash for College, the College Access Foundation of California, the Los Angeles Chamber of Commerce and former Senator John Burton.

Executive Director Michel highlighted the following major issues that the Commission will be discussing during the meeting:

- The Assembly Subcommittee on Education Budget Committee held a hearing in January where the Commission testified on the impact of the current year budget balancing reductions proposed by the Governor.
- The Commission has received an Executive Order requiring a cut of \$232,000, which must be taken by June 30, 2008.
- The Department of Personnel Administration has notified all state agencies that they must prepare layoff plans in anticipation of further reductions in the budget year. The Commission will be submitting its layoff plan by March 3, 2008.

AGENDA ITEM 2 – EDFUND PRESIDENT’S REPORT

EDFUND President Sam Kipp welcomed the new Commissioners and expressed his appreciation to the departing Commissioners, noting that EDFUND is fortunate to have Commissioner Furay continue to serve as the Chair of the EDFUND Board. He reported that EDFUND is experiencing its own budget challenges in that the College Cost Reduction and Access Act will take \$22 billion over the next five years from lenders and guarantors, which means a baseline revenue reduction of approximately 15 percent for EDFUND. He added that several lenders have exited the Federal Family Education Loan (FFEL) Program because they can no longer have sufficient margins to get a return on their investments.

President Kipp indicated that EDFUND continues to introduce new initiatives and technological products, including a major redesign of its internet that is focused on greater ease of navigation and which EDFUND plans to roll out in August. He added that EDFUND continues to work with Commission staff to disentangle the services that the Commission has come to rely on EDFUND to provide for the grant program. He also provided an update on the sale of EDFUND, reporting that the Department of Finance’s financial advisor, Bear Stearns, is in the process of completing the due diligence and evaluation process. The entire process of the sale is scheduled to be completed by the end of the State fiscal year.

AGENDA ITEM 3 – APPROVAL OF NOVEMBER 29, 2007 MINUTES

On **MOTION** by Commissioner Furay, **SECONDED** and **CARRIED**, the Commission approved the minutes of the November 29, 2007 meeting, as amended with the following edit:

- Page 1: Delete the misspelled name “Michel Dyke” from the list of Commissioners.

Commissioner Galligani requested that staff develop a separate addendum that reflects the actions that emerge from the Commission’s discussions and the status of what has occurred as it relates to the Commission’s suggestions.

AGENDA ITEM 4 – PROGRAM, PLANNING AND BUDGET ITEMS***Item 4.a – Update on the Governor’s Budget and Sale of EdFUND, and Issues Relating to the Governor’s Budget, including:******Item 4.a.1– Governor’s Proposed 2008-09 Budget for the California Student Aid Commission***

Mr. Robert Illa, Acting Chief of the Management Services Division, reported that the Governor issued Executive Order S-01-08 that requires a 1.5 percent cut to the Commission’s state operations, totaling approximately \$232,000 and which the Commission must implement by the end of the current fiscal year. He also discussed the impact of the Governor’s proposed 2008-09 budget cuts on both state operations and local assistance programs, including the elimination of new Cal Grant Competitive awards; ten percent reductions in the California Student Opportunity and Access Program (Cal-SOAP) and the Assumption Program for Loans for Education (APLE); the elimination of civil service positions in the Federal Policy & Programs Division and at EdFUND; and an increase in federal funds from the College Access Challenge Grant Program for Cash for College.

Mr. Illa commented that Commission staff is exploring all possible alternatives and has had discussions with the Department of Finance about contingency plans in the event that EdFUND is not sold.

Discussion continued regarding the impact of the 10 percent reductions to specific line items in the local assistance budget such as Cal-SOAP and APLE.

Mr. Illa reported that the Legislative Analyst’s Office (LAO) recommended that the Governor should reduce the Commission’s budget by \$0.6 million, rather than \$1.6 million, that the Governor should not reduce Cal-SOAP and that some of the funds for the \$80 million placeholder for the Cal Grant Entitlement Program should be re-allocated to support the re-establishment of the Competitive program.

Executive Director Michel pointed out that, unlike previous years, the Commission’s vacancy rate is minimal and already supports the salary savings that the Commission is required to meet. Fifteen civil servants from EdFUND previously supported by the Student Loan Operating Fund have been reassigned to the Commission and are now supported by the General Fund. There is, therefore, no more flexibility in the vacancy rate. Student assistants and retired annuitants, who have enabled Commission staff to meet increasing workload

obligations, will be the first to go during a period of reduction, as required under the contractual agreements the State has with the unions.

Executive Director Michel reported that Commission staff has met preliminarily with the Legislature and they are aware of Commission staff's concerns about the ability to deliver the Cal Grant awards on time and within budget. She indicated that the message from the Legislature is to do a broad-based advocacy that is focused on the students and the impact to students and institutions. She suggested that the Commission work with all of its stakeholders to develop a framework for that. She also suggested that if the Commission would like to assist in this effort, possibly two or three Commissioners could work with externals to develop that advocacy plan and meet directly with Members about the impact this will have on the Commission and the students. There was agreement among the Commissioners that if they participate in the advocacy activities, they need to clarify what message they should be expressing, and Commission staff needs to contact them about when they will be needed.

Item 4.a.2 - Consideration of the Governor's Proposed Elimination of the Competitive Program and the Effects of the Governor's Proposal on the Administration of the Cal Grant Competitive Program

Ms. Catalina Mistler, Chief of the Programs Administration & Services Division, provided an update on the administrative plans for the March 2 and September 2 Competitive award cycle. She indicated that staff consulted with the Commission's stakeholders, including the CASFAA and CCCSFAAA Executive Councils and a number of institutions, and will be running the March 2 award cycle, notifying students of a tentative award and advising them to check their award status through WebGrants for Students. The Commission would inform the students of the potential elimination of the program and later confirm the offer or withdrawal of the award once the outcome of the budget is known. Commission staff also consulted with the institutions about the September 2 community college competitive award process, and they agreed to have the Commission move forward with placing an electronic grade point average verification form on the website in order to reduce printing costs.

Ms. Kristin Shear, CCCSFAAA President, expressed CCCSFAAA's concern about the proposed cuts to the Competitive Cal Grant Program and indicated that the community colleges do not have any other types of institutional funds to provide students who are not awarded. She added that CCCSFAAA looks forward to working with the Commission staff to advocate together.

Commissioner Furay **MOVED** and Commissioner Delahoussaye **SECONDED** the motion that the Commission strongly urges that the Cal Grant Competitive Awards continue to be negotiated through the Legislature and through the budget negotiations.

Further discussion ensued.

On **AMENDED MOTION** by Commissioner Furay, **SECONDED** and **CARRIED**, the Commission strongly urges the Governor and Legislature to fund the Cal Grant Competitive Awards at the first year level.

Item 4.a.3 - Consideration of the Governor's Proposed Reduction in Funding for Cal-SOAP Projects and Update on the Proposed Methodology for Selection and Funding of Cal-SOAP Projects for Fiscal Year 2008-09

Ms. Kim Taylor, Manager of the Outreach Unit, provided an overview of Cal-SOAP's purpose, general activities, service levels and regional areas. She reported that, at its June 25, 2007 meeting, the Commission directed staff to examine the Cal-SOAP projects and develop a systematic and uniform method for funding. She noted that the Cal-SOAP projects have had to absorb normal cost of living adjustments with flat funding, as the Governor has implemented a 25 percent budget reduction in the current fiscal year and, in addition, proposes a 10 percent reduction for fiscal year 2008-09.

Ms. Taylor reported that the staff recommendation was made in consultation with project directors and the 12-member Cal-SOAP Advisory Committee. Commission staff recommends that the Commission authorize Commission staff to adjust the existing Annual Planning Process (APP) in order to prioritize funding for the Cal-SOAP projects based on authorized funding levels for the 2008-09 fiscal year. The prioritization of funding would be based on meeting the minimum qualifications for participation in Cal-SOAP as established by statute and by the Commission, and by a scoring matrix that would rank projects by factors that assess program quality and effectiveness in meeting the statutory goal of preparing students to enroll and successfully complete postsecondary education. Commission staff also proposes that a funded Cal-SOAP project receive a minimum level of funding of \$300,000. Executive Director Michel pointed out that embedded in the staff recommendation is the exclusion of projects if they do not meet the minimum requirements.

Commissioner Fong Kushida inquired how the Commission would go about measuring the success of Cal-SOAP program. Executive Director Michel explained that in the 1990's, the California Postsecondary Education Commission (CPEC) evaluated the projects and determined that they met the needs of those students. Through the APP process, the Commission assesses the needs of the particular area and makes judgments about the activities that are being proposed by each project. However, there has not been any longitudinal program information because of limited staff resources. In addition, there is no statewide student information system and no uniform way of measuring projects across the State. Executive Director Michel noted that there is collectable data by county on Cal Grant participation and FAFSA completion and one can see differing success rates among those counties. She indicated that CPEC conducts an eligibility study periodically by which the Commission can access data on districts with low versus high eligibility.

Executive Director Michel clarified that the Commission is being asked whether the proposed measures are appropriate. Then Commission staff will bring a specific proposal forward in the future regarding the specific weighting. She added that the final response of the Legislature and the Governor would not be known until July 1 at the earliest.

Commissioner Galligani suggested that there should be an appeal process. He also commented that since the weighting might suggest that some criteria are more important than others, then they should be transparent. He agreed with Executive Director Michel that Commission staff would come back to the Commission with a point scale and ensure that rational judgments are made concerning whether or not a project meets a particular criterion.

Commissioner Solórzano urged the Commission to develop a contingency plan for July 1 in anticipation of the Governor's final response.

Mr. Stacy Wilson, Senior Researcher for the California Postsecondary Education Commission, spoke on behalf of Ms. Kathy Degn, Chair of the Cal-SOAP Advisory Committee. He reported that the Cal-SOAP Advisory Committee recommended that an advisory committee be established to work with a subset of the project directors and staff to operationalize the proposed measures and return to the Commission with a more refined approach.

Ms. Monica Roberts, Director of the Sacramento Cal-SOAP Consortium, spoke on behalf of her fellow project directors and board chairs and expressed concern about how the model would be developed. She also expressed their concern about an across-the-board reduction that might disproportionately impact some of the smaller projects.

Ms. Roberts noted that the proposed review committee that will rank the projects will consist of various Commission staff and she encouraged broader participation, such as representatives from the community colleges, the California State University and University of California systems, as well as foundations and other community groups. She also raised concerns that reducing the minimum funding level to \$300,000 might have drastic implications in one county versus another.

Ms. Roberts requested that the Commission do the following: 1) continue the careful and thoughtful inclusive process of developing the performance-based model; 2) allow the Cal-SOAP Advisory Committee to continue to work on this issue; and 3) seek foundation funding, specifically for Cal-SOAP.

Mr. Marshall Rose, Chair of the San Jose Cal-SOAP Consortium, remarked on the difficulty in finding and using data to assess appropriately how well the projects are functioning and serving students. He added that there have not been clear benchmarks and he hopes that the Commission uses a relevant database that can be used by the project directors to do their jobs as well as the Chairs and Board members to serve the constituents. He commented that with regard to the Cash for College Program, he has seen San Jose State University as more participatory and collaborative than ever before; he sees Cash for College as a key piece to the Cal-SOAP in addition to its advising, mentoring, and tutoring role.

Mr. Matt Saldana, Chair of the Greater Long Beach Consortium, commented on the importance of using Cal-SOAP as a catalyst to establish and build the relationships with the various segments to make opportunities for students that much more beneficial and provide more choice. He also encouraged more student involvement, if possible.

Commissioners Galligani and Friedlander expressed their gratitude to the project directors, the board members and the advisory committee members for their commitment and care for the students. Commissioner Friedlander recommended that the Commission follow the same process as with the Institutional Participation Agreement (IPA) where there is a subcommittee of that particular group and a few project directors and staff to refine the criteria so that the product is one of collaboration. He indicated that where there is not consensus and the Commission must make policy decisions, those issues can be fleshed out and clearly presented to the Commission in the short time frame provided.

Ms. Lisa Prescott, Chair of the Santa Barbara Consortium and Board Member of the Central Coast Consortium, indicated that the Central Coast has a very large geographic diversity and without the Central Coast Consortium, the Santa Barbara Consortium would not be able

to service those students because of the distance. She commented that the Cash for College programs in the Santa Barbara area could not exist without Cal-SOAP because there are not enough financial aid staff in the local colleges to provide that many services. She urged the Commission to develop the means of evaluating the programs and to consider the fact that time will be needed to implement the criteria.

Commissioner Solórzano urged the project directors and board members to realize that some projects may not exist if the Governor's final decision does not provide an additional funding source.

Executive Director Michel recommended that the Programs, Planning & Budget (PPB) Committee meet within the next ten days to two weeks (to allow the required period for public notice) to consider the Annual Program Process and criteria to be used to assess the Cal-SOAP projects for funding for the 2008-09 fiscal year. This would provide the project directors, the Cal-SOAP Advisory Committee and other stakeholders the opportunity to participate in the process. Staff will meet with representatives of the advisory committee and project director group prior to the meeting of the PPB Committee.

Commissioner Hernandez recommended that the Commission hold a Special Meeting at the end of March or early April.

Ms. Linda Doughty, Director of the San Diego/Imperial Counties Cal-SOAP, explained that a fiscal agent needs a clear sense of what to expect. She indicated that going to a minimum fund level of \$300,000 would result in the loss of 67 percent of her consortium's funding, but a smaller consortium that only had \$300,000 may not be able to exist at all. She asked the Commission to provide some direction quickly to staff and especially to the project directors.

Commissioner Hankwitz recommended that the Commission table the motion until Friday, February 29, 2008 when the members of the PPB Committee can be identified. Executive Director Michel indicated she would work with staff to determine the appropriate dates for a Special Commission meeting and bring it to the Commission for consideration on Friday, February 29, 2008.

On **MOTION** by Commissioner Fong Kushida, **SECONDED** and **CARRIED**, the Commission approved the Executive Director's recommendation that the Programs, Planning & Budget Committee consider the Annual Program Process and criteria to be used to assess the Cal-SOAP projects for funding for the 2008-09 fiscal year, with the understanding that the Commission staff is to meet with representatives of the Cal-SOAP Advisory Committee and the project directors' group prior to the Programs, Planning & Budget Committee meeting.

Due to time constraints, Acting Chair Johnston decided to discuss Agenda Item 5 out of sequence.

AGENDA ITEM 5 – CLOSED SESSION

At 3:25 p.m., Acting Chair Johnston recessed the OPEN SESSION of the meeting of the California Student Aid Commission and announced that the Commission would meet in CLOSED SESSION to discuss and possibly take action on business matters of a proprietary nature pursuant to California Education Code Section 69525(g)(3). The scheduled topics include the following items:

Item 5.a – Consideration of the Default Fee Strategy

Item 5.b – Update on the 2007-08 Federal Family Education Loan (FFEL) Program Quarterly Statistics

At 7:30 p.m., Acting Chair Johnston adjourned the CLOSED SESSION meeting of the California Student Aid Commission.

Acting Chair Dean Johnston re-convened the OPEN SESSION meeting of the California Student Aid Commission at 8:30 a.m. on Friday, February 29, 2008.

The following Commission Members were present:

Dean Johnston, Acting Chair
Tomás Arciniega
Lynne de Bie
Yasmin Delahoussaye
Daniel Friedlander
Sally Furay
Dennis Galligani
Peter Hankwitz
Lorena Hernandez
Patricia Fong Kushida
Bonaparte Liu
Enrique Murillo
Antonio Solórzano, Jr.

Roll Call was taken and a quorum was recognized.

Acting Chair Johnston reported that the California Student Aid Commission met in CLOSED SESSION on Thursday, February 28, 2008 to discuss proprietary business matters and has nothing to report.

Acting Chair Johnston decided to discuss Agenda Items 4.a.4, 4.b, 4.c, 4.d, 4.e and 4.f out of sequence.

Item 4.e – Consideration of an Amendment/Extension of the Operating Agreement Between the Commission and EDFUND

Ms. Leanna Sinibaldi, Manager of the Federal Policy & Programs Division, reported that the current Operating Agreement between the Commission and EDFUND was revised last year, became effective July 1, 2007, and will expire on June 30, 2008. Since it is unclear when the sale of EDFUND will occur, Commission and EDFUND staffs recommend extending the current Operating Agreement for one year. Additionally, the amendment extension includes language that aligns itself with Senate Bill 89, and provides that if there is a sale or financial arrangement that terminates the current Operating Agreement, it will be under the direction of the Department of Finance.

Mr. David Reid, EDFUND General Counsel, confirmed that EDFUND supports the Commission staff's recommendation. Additionally, Commissioner Furay reported that the EDFUND Board approved the Operating Agreement amendment/extension.

On **MOTION** by Commissioner Friedlander, **SECONDED** and **CARRIED**, the Commission approved the amendment/extension of the Operating Agreement between the Commission and EDFUND, for an additional year through June 30, 2009.

Item 4.f – Update on the Voluntary Flexible Agreement (VFA)

EDFUND President Sam Kipp provided an update on the Voluntary Flexible Agreement (VFA), reporting that the Department of Education has terminated the existing VFAs with the five guarantors effective December 31, 2007. The Commission and EDFUND worked with the other VFA guarantors and members of Congress to include language in the Higher Education Appropriations Bill requiring the Department of Education to enter into negotiations for new VFAs and complete those negotiations by March 31, 2008. The Commission/EDFUND has submitted a new VFA proposal, which focuses on the Early Withdrawal Counseling Program, a program that is beneficial to students and cost effective to the Department.

President Kipp noted that the Commission/EDFUND is somewhat dependent on how well other VFA guarantors do with their VFA proposals because, unlike the Commission/EDFUND, the VFAs, as they existed before, were determined to be at least 40 percent more costly than the standard guarantee funding model. He estimated that unless the other guarantors can make substantial changes, the Department would likely be reluctant to enter into a single VFA.

Item 4.d – Consideration of the California Student Aid Commission Annual Report to the Legislature on EDFUND – Federal Fiscal Year October 1, 2006—September 30, 2007

Ms. Leanna Sinibaldi, Manager of the Federal Policy & Programs Division, reported that the California Education Code requires the Commission to provide an annual report to the Legislature on EDFUND. She indicated that staff included information in the draft annual report about the sale of EDFUND and the synergy projects that will be affected by the Governor's proposed budget. She added that the EDFUND Board has reviewed the draft annual report and recommended minor edits, which will be incorporated into the final report.

Commissioner Friedlander recommended the following substantive change:

- Pages 3 and 24 under “Level of Compensations for Managers and Executives” - Delineate the Commission policy (which specifies that EDFUND’s executive management may receive incentive compensation at the discretion of the Commission Chair upon recommendation from the EDFUND Board and approval from the Department of Finance).

Commissioner Furay recommended the removal of the specific mention of the University of Phoenix, an EDFUND client, which is referenced several times in the document. She also clarified that the EDFUND Board approved the draft report at its last meeting.

Commissioners Friedlander and Hernandez submitted additional technical changes.

On **MOTION** by Commissioner Furay, **SECONDED** and **CARRIED**, the Commission approved the California Student Aid Commission Annual Report to the Legislature on EDFUND – Federal Fiscal Year October 1, 2006—September 30, 2007, as amended.

Commissioner Solórzano ABSTAINED.

Item 4.c – Consideration of the Ratification of the Interagency Agreement with the Attorney General’s Office for Legal Services for the Amount of \$95,000 for the Period of January 1, 2008 Through June 30, 2008

Mr. Robert Illa, Acting Chief of the Management Services Division, reported that due to the vacancy in the Commission’s legal counsel position, the Commission submitted to the Department of General Services an agreement with the Department of Justice for legal services. He explained that the expenses should diminish as the Commission’s new General Counsel becomes more familiar with the Commission’s activities and legal issues.

A question arose regarding the possibility of hiring an independent third party counsel. Chief Deputy Director Keith Yamanaka clarified that the Government Code requires State agencies to use the Attorney General as their attorney. State agencies with internal counsel must use the Attorney General for litigation. Furthermore, State agencies must request approval from the Attorney General to hire outside counsel and submit an explanation of why the Attorney General’s Office cannot provide the services.

Chief Deputy Director Yamanaka clarified that this contract was approved by the Commission Chair and signed by the Executive Director in January, in accordance with Commission procedures. Staff is requesting ratification of the submitted contract in accordance with Commission policies.

On **MOTION** by Commissioner Furay, **SECONDED** and **CARRIED**, the Commission approved the ratification of the interagency agreement with the Attorney General’s Office for legal services for \$95,000 for the period of January 1, 2008 through June 30, 2008.

Item 4.b – Update on State Issues and Legislation and Consideration of Positions on Bills Affecting the Commission

Ms. Ann Shimasaki, Legislative Policy Consultant in the Governmental Affairs Unit, reported that staff has identified 13 new “impact” bills that will directly affect the Commission’s programs and services, and 16 new “watch” bills that do not have a direct impact, but must be monitored. Staff is currently monitoring 60 legislative bills from the first and second years of the session, including 25 impact bills and 35 watch bills.

Item 4.a.4 – Discussion of Commission Budget Reduction Efforts in Response to Governor’s Proposed 10% Budget Reduction

Mr. Robert Illa, Acting Chief of the Management Services Division, reported that Commission staff is considering a number of operational alternatives in response to the Governor’s proposed budget reductions, such as the elimination of correspondence to ineligible Cal Grant applicants, the reduction of advisory body meetings, the reduction of outreach and training, the elimination of student and retired annuitant positions, the substitution of field audits for desk audits, and the reduction of contracts.

Executive Director Michel pointed out that in addition to the 10-percent reduction, equivalent to \$1.6 million, required by the 2008-09 proposed budget cuts, the Commission must also make reductions in the current fiscal year of \$232,000 as required by Executive Order S-01-08. She noted that management is planning to reorganize the Commission with a primary focus on protecting essential core services such as the delivery of grants and the service level to students, and must submit a layoff plan to the Department of Personnel Administration for approval that will implement staff reductions to achieve a \$1.6 million reduction.

Commissioner Furay remarked that the underlying principle should be to look first at the issues that affect students.

Commissioner Hankwitz encouraged the Commission to examine the high-level picture of their mission, which is to make education beyond high school financially accessible to all Californians. He expressed concern about reducing outreach training and student services, stating it would be a mistake because many students and their families are not aware that financial aid is accessible to them.

Executive Director Michel commented that over the last few years, the Commission staff worked tremendously hard to bring the Commission into the 21st century with an integrated voice response system, a real-time on-line system and the implementation of a business improvement process. The outreach program has been very effective, largely through Cal-SOAP, Cash for College and the communications staff who do the work. She clarified that no one wants to see the budget cuts but there is no choice. She indicated that Commission staff will be at the Capitol arguing for support of the Commission’s operations, but every state agency must submit a layoff plan without exception.

Commissioner Galligani supported the idea of the Commission reviewing high-level principles by which resource reductions are going to occur. He encouraged the Commission to establish meeting dates for the Strategic Planning Retreat and take the opportunity to examine, in broad terms, how it should be serving low-income students and their families throughout the State.

Commissioner Murillo urged the Commission to set aside time now, apart from the Strategic Planning Retreat, to work with staff on developing guiding principles. He added that at some point he would like to examine the actual numbers associated with the cost saving strategies.

Executive Director Michel stated that Commission staff will share the reorganization plans when completed.

Item 4.a.5 – Discussion of Plans for the Commission’s Move to a New Facility

Mr. Robert Illa, Acting Chief of the Management Services Division, provided a brief update on the Commission’s move. He explained that the Department of Finance (DOF) indicated that EDFUND staff should move forward with its relocation to Building A, with the understanding that the Commission would not move into Building B. Mr. Illa noted that while DOF indicated that the Commission is not moving into Building B, DOF did not authorize the Commission to move into another building.

Executive Director Michel reported that staff has submitted all the necessary forms such as facility plans and space requirements to the appropriate agencies and staff has spent the last several weeks answering additional questions by DOF regarding the move. She expressed concern about the timing of the move and the potential effect on students. She expressed concern regarding proposed budget cuts resulting in the lack of funding for the move. A lengthy discussion by the Commission about the move ensued and the Commission expressed concerns about the lack of funding provided for the move.

Commissioner Hernandez **MOVED** and Commissioner Murillo **SECONDED** to send a letter from the Commission to the Department of Finance noting the lack of funding, due to unexpected cuts, for a move to a new facility.

Further discussion ensued and it was suggested to send similar letters to both bodies of the Legislature.

On **MOTION** by Commissioner Hernandez, **SECONDED** and **CARRIED**, the Commission approved the drafting of similar letters from the Commission to the Department of Finance and the Legislature noting the lack of funding, due to unexpected cuts, for a move to a new facility.

Item 4.a.6 – Discussion of the Effects of the Governor’s Budget and the Sale of EDFUND on the Commission’s Operations

Mr. Robert Illa, Acting Chief of the Management Services Division, provided an overview of the Commission’s Transition Team, which consists of various staff members throughout the Commission who are working to develop a plan to prepare the Commission for independence, for the return of all civil service staff from EDFUND, and for the budget reductions. He indicated that 15 employees have already returned to the Commission and 26 employees remain at EDFUND. He added that the staff of the Federal Policy & Programs Division will also be affected.

Mr. John Bays, Chief of the Information Technology (IT) Services Division, discussed the effects of the proposed budget and sale on IT and reported that IT staff is focused on two

priorities: 1) ensuring that all systems are available to the students, the schools and the internal staff; and 2) completing two high priority projects, including the Real-Time Database System and the High School Graduation Project. Mr. Illa indicated that the Commission requested 30 positions to replace services currently provided by EDFUND, but was only granted 11, and also requested \$3.6 million, but was granted \$1.8 million.

General discussion ensued regarding the Free Application for Federal Student Aid (FAFSA) and Grade Point Average (GPA) Verification processes.

AGENDA ITEM 6 – PRESENTATION BY THE CALIFORNIA ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS (CASFAA), CALIFORNIA COMMUNITY COLLEGES STUDENT FINANCIAL AID ADMINISTRATORS ASSOCIATION (CCCSFAAA) AND THE CALIFORNIA LENDERS FOR EDUCATION (CLFE) ON “WHAT IS CASFAA, CCCSFAAA AND CLFE?”

Ms. Louise Jones, CASFAA Past President, Ms. Kristin Shear, CCCSFAAA President, and Mr. Rob Smith, CLFE President, provided a PowerPoint presentation to the Commission entitled “*What is CASFAA, CCCSFAAA and CLFE?*”

At Commissioner Delahoussaye’s request, Ms. Shear indicated that the presentation in April will focus on improving the percentage of California students receiving Pell Grants. Discussion ensued and some recommendations were made to the Commission, including:

- Continue communication, consultation and collaboration;
- Identify duplication and streamline processes; and
- Consider decentralization.

AGENDA ITEM 7 – PERSONNEL, EVALUATION AND NOMINATIONS (PEN) ITEMS

Committee Chair Delahoussaye reported that the Personnel, Evaluations & Nominations (PEN) Committee met on January 30, 2008 to consider and possibly take action on the following items:

Item 7.a – Consideration of Nomination to the Advisory Body

Grant Advisory Committee

On **MOTION** by the Committee, **SECONDED** and **CARRIED**, the Commission approved the Committee’s recommendation to appoint Mr. Dean Kulju to the Grant Advisory Committee as the California State University System Representative for an indefinite term.

Committee Chair Delahoussaye decided to take Agenda Items 7.b, 7.c and 7.d out of sequence.

Item 7.c – Election of Officers of the Commission

On **MOTION** by the Committee, **SECONDED** and **CARRIED**, the Commission approved the Committee's recommendation to appoint Commissioner Dennis Galligani as the Chair of the California Student Aid Commission.

On **MOTION** by the Committee, **SECONDED** and **CARRIED**, the Commission approved the Committee's recommendation to re-appoint Commissioner Daniel Friedlander as the Vice Chair of the California Student Aid Commission.

On **MOTION** by the Committee, **SECONDED** and **CARRIED**, the Commission approved the Committee's recommendation to appoint Commissioner Yasmin Delahoussaye as the Secretary of the California Student Aid Commission.

Item 7.b – Consideration of Format and Content of New Commissioner Orientation

Committee Chair Delahoussaye reported that the PEN Committee considered the format and content of the new Commissioner's orientation and made the following suggestions:

Part I. Chief Deputy Director/Legal Counsel Orientation

1. Explore the possibility of adding an on-line legal counsel orientation on the following topics: a) Fair Political Practices Commission; b) Bagley-Keene Open Meeting Act; c) California Public Records Act; and d) all applicable law and governance requirements, including Conflict of Interest.

Part III. In-Person Orientation Session

2. Section B – Participants: Add EDFUND President Sam Kipp to the list of participants.
3. Section C – Executive Director's Presentation: Add EDFUND President Sam Kipp.
4. Section C – Executive Director's Presentation: Change "working knowledge" to "high-level knowledge."
5. Section C (All Areas): Add General Discussion.

Item 7.d – Consideration of Composition and Selection of Commission Committees

Committee Chair Delahoussaye commented on the need for new committee appointments given the number of Commissioners whose terms have expired. She provided a list of the Committee's suggested membership appointments to Chair Galligani for his consideration.

Chair Galligani announced his new committee appointments as follows:

- The Audit Committee members are Commissioners Peter Hankwitz (Chair), Bonaparte Liu and Antonio Solórzano, Jr.
- The Programs, Planning and Budget Committee members are Commissioners Daniel Friedlander (Chair), Lorena Hernandez (Vice Chair), Tomás Arciniega, Lynne de Bie and Patricia Fong Kushida.
- The Governance & Monitoring Committee members are Commissioners Lorena Hernandez (Chair), Tomás Arciniega, Yasmin Delahoussaye, Daniel Friedlander and Antonio Solórzano, Jr.

- The Personnel, Evaluations & Nominations Committee members are Commissioners Yasmin Delahoussaye (Chair), Lynne de Bie, Patricia Fong Kushida, Peter Hankwitz and Antonio Solórzano, Jr.

Chair Galligani presented a resolution to former Acting Chair Dean Johnston for his contributions to the Commission.

AGENDA ITEM 8 – PROGRAM, PLANNING AND BUDGET ITEMS

Item 8.a – Grant Advisory Committee Chair’s Report

Ms. Mary Lindsey, Chair of the Grant Advisory Committee (GAC), welcomed the new Commissioners and acknowledged former Chair, Louise McClain, and Commissioners Furay and Johnston for their service to the Commission. She reported that GAC will be meeting in two weeks to continue working with staff on prioritizing its work in consideration of the budget cuts. She also noted that the Commissioners primarily set GAC’s agenda items and advised the Commission to forward to staff any issues it wishes GAC to review and staff will submit them to GAC.

Commissioner Furay expressed appreciation to Ms. Lindsey for her continued service as GAC Chair, to Commissioner Hernandez for taking on the role of GAC’s Commissioner Liaison, and to Commission staff for supporting the committee.

Commissioner Delahoussaye remarked on the number of vacancies. Ms. Gloria Falcon, Manager of Program Policy and Development, provided an overview of the nomination solicitation process and indicated that staff is actively seeking nominations. Commissioner Delahoussaye requested an update on the vacancies at the next meeting.

Mr. Tim Bonnel, Student Financial Assistance Programs Coordinator for the California Community Colleges Chancellor’s Office, extended, on behalf of his segment, the opportunity to consult with the Commission if any Commissioners have questions about the impact on students or institutions of any decisions they are considering.

Commissioner Solórzano expressed concern that there is an inequity of K-12 and post-secondary institution representatives in the membership of GAC. Chair Galligani asked the PEN Committee to take Commissioner Solórzano’s concern into consideration.

Item 8.b – Consideration of the Internal Audit by the Department of Finance on Cal Grant Program New Applicant Eligibility for Award Year 2006-07

Ms. Catalina Mistler, Chief of the Programs Administration & Services Division, provided background information on the change to the Commission’s Cal Grant application process that the Commission must implement to conform to a recommendation from the Department of Finance (DOF) in its December 11, 2007 internal audit report.

Ms. Mistler explained that the California Education Code, Section 69437.6(c), requires that the Commission use a high school grade point average or a re-established grade point average based on a community college grade point average of at least 2.0 to establish an applicant’s eligibility for the Competitive Cal Grant B program. However, the Commission’s existing process includes college grade point averages. Commission staff agrees that the

process must be changed in order to comply with the California Education Code and staff is moving forward with the technological changes that are required to exempt the college grade point averages for the 2008-09 academic year.

Ms. Mistler added that staff would continue to examine the impact of this change on students and, if necessary, may recommend a legislative change to the Commission, with input from stakeholders. She mentioned that this issue will be considered by the Grant Advisory Committee at its March 13-14, 2008 meeting.

Commissioner Friedlander explained that every year both the Senate and the Assembly will run non-controversial omnibus education bills to clean up the codes. He commented that if the legislative intent seemed to be clear, the change is a technical and non-controversial issue, and if current practice is the same as previous practice, then there is a good likelihood of submitting this provision into an omnibus education bill.

Before adjournment, Chair Galligani asked Commissioner Hernandez to discuss the dates for the Commission's Strategic Planning Retreat. Commissioner Hernandez that the most likely date is March 24-25, 2008; however, there is still no quorum. She asked that the Commissioners re-examine their schedules to accommodate the March 24-25 date.

There being no further business, the meeting of the California Student Aid Commission was adjourned at 1:22 p.m.

YASMIN DELAHOSSAYE
SECRETARY