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Action /Information Item

California Student Aid Commission

Consideration of Nominations to Advisory Bodies

The Personnel Evaluation and Nominations (PEN) Committee will present its recommendations on the enclosed nominations on advisory bodies.

The following list provides the number of vacancies and nominations considered by PEN for each advisory body.

Loan Advisory Council (LAC)

Participating Lending Community Representative

Two Vacancies

Two Nominations:

- Mr. Craig Anderson
- Mr. Andrew Hopkins

Private (Non-Profit) Postsecondary Education Institution Representative

One Vacancy

One Nomination:

- Mr. Juan Gutierrez

Grant Advisory Committee (GAC)

California Community Colleges Student Representative

One Vacancy

One Nomination:

- Mr. Rick L. Diffenderfer

California Association of Student Financial Aid Administrators (CASFAA)

Executive Council Representative

One Vacancy

One Nomination:

- Ms. Coleetta E. McElroy

Responsible Person: Keith Yamanaka,
Chief Deputy Director

CALIFORNIA STUDENT AID COMMISSION

APPOINTMENT FOR LOAN ADVISORY COUNCIL

PARTICIPATING LENDING COMMUNITY REPRESENTATIVE

Two (2) Vacancies

NOMINEE (1 of 2):

Craig Anderson
National Director
Education Finance Sales
JP Morgan Chase Bank, N.A.
Indianapolis, IN 46204

Term: 09/09/07 – 09/09/09
Replacing: Kurt Schneiber

Background:

Craig Anderson is the National Director of Education Finance Sales and will bring over 20 years of student loan experience to the Loan Advisory Council. He has worked in the guarantor and institutional side of higher education prior to joining Chase.

Mr. Anderson is an active industry participant and currently serves on the Executive Committee of the ELM Board and has participated in the past with Consumer Bankers Association and other industry associations. He earned his Bachelor of Arts degree and his Masters in Educational Administration at the University of Florida.



Danny C. Ray
President

March 25, 2008

California Student Aid Commission
ATTN: Diana Fuentes-Michel
Office of the Executive Director
P.O. Box 419026
Rancho Cordova, CA 95741-9026

Dear Ms. Fuentes-Michel:

On behalf of Chase Education Finance, I would like to nominate Craig Anderson as a Participating Lender Representative to the Loan Advisory Council for the California Student Aid Commission.

Craig currently serves as our National Director of Education Finance Sales and will bring 20 years of student loan experience to the Council. Craig's work experience is diverse, as he has worked in the guarantor and institutional side of higher education prior to joining Chase. As a result, Craig can bring a broad viewpoint to the Council as it reviews important issues regarding access and opportunity in California.

Craig is an active industry participant and currently serves on the Executive Committee of the ELM Board and has participated in the past with CBA and other industry associations. I fully support Craig's industry participation and can assure you that he will have the latitude to actively participate with the Council. In that role you will find him to be an active participant.

In closing, I highly recommend Craig for this position on your Council. Since joining Chase last year I have found him to have a high level of awareness and understanding of the higher education and the issues surrounding it. I value his insights and believe he will become a key addition for the CSAC council.

If you have any questions, please do not hesitate to contact me at 317-684-2036.

Sincerely,

Danny C. Ray
President
Chase Education Finance

JPMorgan Chase Bank, N.A. - Education Finance - IN1-9610, 1 East Ohio Street, Indianapolis, IN 46204

Telephone: 317 684 2036 - Facsimile: 317 236 5787
danny.cray@jpmchase.com

Craig Anderson
Senior Vice President
Director, Education Finance Sales

Current Position

Director of Education Finance Sales *January 2007 to present*
Chase Education Finance

- Campus Channel Sales, 50+ sales team member team,
- Affinity/Partnership Sales, 29 member team,
- IEFC Sales, 9 member team,
- e-Commerce initiatives, 8 member team,
- Sales Administration, 14 member team, manage all sales support activity
- Sales Delivery, 8 member team, customer implementations

Prior Positions

National Director, School Channel Sales *August 2004 to December 2006*
Chase Education Finance

- Campus Channel Sales, 50+ member team,
- Sales Administration, 4 member team, reporting, forecasting
- Sales Delivery, 7 member team, customer implementations
- Customer Call Center, 10 member team
- Sales Communications, 10 member team, RFPs, marketing and communications

President, Education One Group *June 2001 to August 2004*
Sallie Mae

- Led 75 member Sales and Marketing Organization with exclusive right to market Bank One Education Loans
- Generated \$4.5b annual loan originations
- Manage \$15mm budget

Vice President, Midwest Sales Education One Group *May 1999 to June 2001*
Sallie Mae

- Led 12 member sales team
- Generated \$1b in annual loan originations
- Managed \$2mm budget

Vice President, Call Center and Operations Management *November 1998 to May 1999*
Bank One Education Finance

- Led 8 member call center and operations team for Bank One Education Finance
- Transitioned call center operations from Arizona to Indianapolis

Sales and Sales Management Positions *August 1994 to November 1998*
USA Group

- Developed new sales territories in the NE market
- Managed sales teams in the NE market

Financial Aid Officer *August 1987 to August 1994*
St Petersburg Junior College
University of Florida

Education

Masters in Educational Administration
University of Florida

Bachelor of Arts
University of Florida

CALIFORNIA STUDENT AID COMMISSION

APPOINTMENT FOR LOAN ADVISORY COUNCIL

PARTICIPATING LENDING COMMUNITY REPRESENTATIVE

Two (2) Vacancies

NOMINEE (2 of 2):

Andrew Hopkins
Marketing Strategy Manager
Education Finance
JP Morgan Chase Bank, N.A.
Indianapolis, IN 46204

Term: 09/09/07 – 09/09/09
Replacing: Jennifer Whittington

Background:

Andrew Hopkins is the Marketing Strategy Manager of Education and will bring 7 years of student loan experience to the Loan Advisory Council. His qualifications include product development and marketing manager at Chase along with various financial and school customer development roles. Mr. Hopkins managed a consumer lending business in England and held leadership roles in mortgage lending businesses. He represents Chase's corporate initiatives, including those to expand consumer banking services to Hispanic customers, programs to improve financial literacy, and the efforts to develop more green business processes.

Staff will forward additional information as it becomes available.



Danny C. Ray
President

March 25, 2008

California Student Aid Commission
ATTN: Diana Fuentes-Michel
Office of the Executive Director
P.O. Box 419026
Rancho Cordova, CA 95741-9026

Dear Ms. Fuentes-Michel:

On behalf of Chase Education Finance, I would like to nominate Andrew Hopkins as a Participating Lender Representative to the Loan Advisory Council for the California Student Aid Commission.

Andrew currently serves as our Marketing Strategy Manager of Education Finance and will bring 7 years of student loan experience to the Council. He currently manages the product development and marketing organizations at Chase Student Loans. Andrew spent 5 years at Student Loan Corporation in various financial and school customer development roles. He has also managed a consumer lending business in England and held leadership roles in mortgage lending businesses located in New York and San Francisco. As a result of this experience, Andrew would bring a broad viewpoint to the Council as it reviews important issues regarding access and opportunity in California.

Andrew represents our business in many of Chase's important corporate initiatives, including those to expand our consumer banking services to Hispanic customers, programs to improve financial literacy, and the efforts to develop more green business processes in line with our commitment to sustainability. He can leverage his knowledge in these areas to the benefit of CSAC.

I fully support Andrew's industry participation and can assure you that he will have the latitude to actively participate with the Council. In that role you will find him to be an active participant.

In closing, I highly recommend Andrew for this position on your Council. Since joining Chase last year I have found him to have diverse business experience and a high level of commitment to service students, parents, and educational institutions. I value his insights and believe he will become a key addition for the CSAC council.

If you have any questions, please do not hesitate to contact me at 317-684-2036.

Sincerely,

Danny C. Ray
President
Chase Education Finance

CALIFORNIA STUDENT AID COMMISSION

APPOINTMENT FOR LOAN ADVISORY COUNCIL

PRIVATE (NON-PROFIT) POSTSECONDARY EDUCATION INSTITUTION REPRESENTATIVE

One (1) Vacancy

NOMINEE (1 of 1):

Juan Gutierrez
National Director
Associate Director
Financial Aid Office
Whittier College
Whittier, California 90608

Term: 04/17/08 – 04/17/10
Seat: Vacancy

Background:

Juan Gutierrez is the Associate Director of Financial Aid for Whittier College. He has 15 years of financial aid experience. Mr Guitierrez has played a major role in the development of Whittier College's loan management process. He has experience with various systems as well as lending and/or guarantor services including ELM, Sallie Mae, USAF, BANNER and Scholarnet.

Staff will forward additional information as it becomes available.

April 7, 2008 (via email)

On behalf of Whittier College – specifically its Enrollment Division, I would like to nominate Juan Gutierrez for the Loan Advisory Council. In addition to working in the financial aid industry for nearly 15 years, Juan has proven to be indispensable in the rebuilding and consistent evolution of Whittier's Financial Aid Office, which has included – but not exclusively so – playing a key role in our loan management process.

Juan has worked with nearly every lending and guaranty organization throughout the west coast region and has worked alongside lender representatives, myself and other colleagues to ensure Whittier has provided the best lending practices as well as choices to its students. Juan has extensive hands on experience with the following systems as well as lending and/or guarantor services:

ELM
Sallie Mae's OpenNet & 2 Futuro
EdFund
USAF
Banner
Great Lakes (Scholarnet)

Because of Juan's versatility and understanding of the relationship between lenders, schools and borrowers, it is without any hesitation, that I submit his name for your consideration. I hope that Juan is afforded the opportunity to share his skill and insight to the council.

Sincerely,

Vernon D. Bridges
Director of Financial Aid
Whittier College

CALIFORNIA STUDENT AID COMMISSION

APPOINTMENT FOR GRANT ADVISORY COMMITTEE

CALIFORNIA COMMUNITY COLLEGES STUDENT REPRESENTATIVE

One (1) Vacancy

NOMINEE (1 OF 1):

Rick L. Diffenderfer
Student
San Jose City College
2100 Moorpark Avenue
San Jose, California 95128

Term: 4/17/08 – 4/17/10
Seat: Vacant

Background:

Rick Diffenderfer is a student at San Jose City College. After completing his education, Mr. Diffenderfer intends to work as a counselor/case manager.

Mr. Diffenderfer holds various educational degrees and certifications including a Master of Divinity, a Bachelor's degree in History, and an Associates of Arts degree in Alcohol and Drug Studies.

Mr. Diffenderfer has served on the Board of Trustee as a student member with the San Jose-Evergreen Community College District, and served as the President of Associated Students, San Jose City College.

Mr. Diffenderfer's professional experience includes serving as an intern-law clerk for the Honorable Theodore Chavez in Santa Clara County and as a counselor/case manager for various agencies from 2003 through 2007.

Mr. Diffenderfer is being nominated to fill the California Community Colleges Student Representative vacancy.

**CALIFORNIA COMMUNITY COLLEGES
SYSTEM OFFICE**

1102 Q STREET
SACRAMENTO, CA 95811-6549
(916) 445-8752
<http://www.cccco.edu>



March 27, 2008

Ms. Diana Fuentes-Michel
Executive Director
California Student Aid Commission
P.O. Box 419026
Rancho Cordova, CA 95741-9026

Dear Ms. Fuentes-Michel:

The purpose of this letter is to forward the nomination for the California Community College Student Representative vacancy on the Grant Advisory Council (GAC). The selection of the Student Representative was solicited from and approved by the Student Senate for California Community Colleges (SSCCC).

Mr. Rick L. Diffenderfer, a student from San Jose City College, was selected by the SSSCC for appointment to the GAC. Attached is his resume for your reference.

We appreciate your efforts to ensure that the Student Representative remain a viable presence in furthering the important role of providing equal opportunity and access to postsecondary education.

Should your staff have any questions on the proposed nomination or if you require further assistance, please contact Ms. Marianne Estes, Student Senate Liaison, at 322-4260 or mestes@ccco.edu.

Sincerely,

Linda Michalowski (ME)

Linda Michalowski
Vice Chancellor
Student Services and Special Programs

Attachment

cc: Chancellor Diane Woodruff
Frank Fernandez, President, Student Senate

Rick L Diffenderfer
723 Clara Vista Avenue
Santa Clara, Ca. 95050
408-406-6021
Email: Rick.Diffenderfer@sjeccd.org

Objective: To work as a Counselor/Case Manager in a challenging yet cooperative environment where my skill set can be used most effectively

Skill Sets

- Individual counseling
- Group facilitation
- Progress notes
- Treatment plans
- Developed Requests For Proposals Worth over \$10 million

Professional Experience

- Intern-Law Clerk, Honorable Theodore Chavez, Judge Pro Tempe, California Superior Court in Santa Clara County
- 2006-2007 Case Manager-Counselor, Dads, Santa Clara
- 2006, Residential Counselor, Sequoia Center
- 2005-2006, Case Manager, Daytop, East Palo Alto
- 2003-2005, Intern Counselor, Salvation Army
- 1993-2003, President, Jaz inc. Food Service

Community College Governance Experience

- Board of Trustee, Student Member, San Jose-Evergreen Community College District (serving second term)
- President of Associated Students, San Jose City College
- Member of the Presidential Search Committee
- Commission of Evening Affairs
- Certified Student Leader

Education/Certification

- CADAAC Level I
- AA, Alcohol/Drug Studies, San Jose City College
- Masters Certificate, Montessori Math, UC Berkeley
- Master of Divinity, Grand Rapids Baptist Seminary
- Bachelor/History, Grand Rapids College of Bible and Music

CALIFORNIA STUDENT AID COMMISSION

APPOINTMENT FOR GRANT ADVISORY COMMITTEE

CA ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS (CASFAA) EXECUTIVE COUNCIL REPRESENTATIVE

One (1) Vacancy

NOMINEE (1 of 1):

Coleetta E. McElroy
Assistant Director of Counseling and Advising
San Jose State University
1 Washington Square
San Jose, California 95192

Term: 4/17/08 – 4/17/10
Replacing: Noelia Gonzalez

Background:

During the past ten years, Ms. McElroy has held the position of the Assistant Director of Counseling and Advising at San Jose State University. Ms. McElroy's experience includes providing direction and leadership for the counseling and advising staff, developing processes and procedures consistent with financial aid packaging policies and Federal/State regulations for awarding aid, and working with campus partners in order to facilitate outstanding service to prospective students and their parents.

Prior to this position, Ms. McElroy served as a Financial Counselor with the San Jose State University. Ms. McElroy's ten year experience at San Jose State University includes coordination of the Cal Grant Program, Federal Family Education Loan Program (FELP) and Special Programs. Additionally, Ms. McElroy's professional background includes Assistant Director of Financial Aid and a Compliance Review Officer with DeVry Institute of Technology.

Ms. McElroy received a Bachelor's degree from Long Beach State University and a Masters of Public Administration from San Jose State University.

Ms. McElroy has been nominated to fill the California Association of Student Financial Aid Administrators (CASFAA) Executive Council Representative seat.

**2008 CASFAA EXECUTIVE COUNCIL****President**

Louise C. Jones, UC Riverside
1156 Hinderaker Hall
Riverside, CA 92521
(951) 827.7247

President-Elect

Barbara L. Bickett, Western Career College
7801 Folsom Blvd. #210
Sacramento, CA 95826
(916) 388.2883

Past-President

Mindy Bergeron, John F. Kennedy University
100 Ellinwood Way
Pleasant Hill, CA 94523
(925)969.3388

Vice-President - Federal Issues

Patricia A. Hurlley, Glendale College
1500 N Verdugo Road
Glendale, CA 91208
(818) 240.1000 Ext: 5429

Vice-President - State Issues

Noelia Gonzalez, CSU Northridge
18111 Nordhoff Street
Northridge, CA 91330
(818) 677.5999

Treasurer

Tom H. Ma, UC Irvine
102 Administration Bldg
Irvine, CA 92697
(949) 824.4885

Treasurer-Elect

Nicolas Valdivia, UC Los Angeles
405 Hilgard Avenue
Box 951435 - A129J Murphy Hall
Los Angeles, CA 90095-1435
(310) 206.9316

Secretary

Tanya M. Grigg, Samuel Merritt College
450 30th Street, Suite 2850
Oakland, CA 94609
(510) 869.6276

Member-at-Large - Graduate/Professional

Charles W. Conn
UC Berkeley Haas School of Business
420L Student Services Building, #1900
Berkeley, CA 94720-1900
(510) 643.0183

Member-at-Large - Ethnic Diversity

Dewayne J. Barnes, Stanford University
Stanford Law School
559 Nathan Abbott Way
Stanford, CA 94305
(650) 723.9247

CSU Representative

Michael Dear, CSU Sacramento
6000 J Street
Sacramento, CA 95819-6044
(916) 278.6294

Community College Representative

Jo Ann R. Bernard, MiraCosta College
One Barnard Drive, FAO MS#3A
Oceanside, CA 92056
(760) 795.6713

Independent Representative

Yvonne Gutierrez-Sandoval, Pitzer College
1050 N. Mills Ave.
Claremont, CA 91711
(909) 621.8208

Proprietary Representative

Valerie A. Edwards-Bendy, Heald College
1605 E. March Lane
Stockton, CA 95219
(209) 473.5200 Ext: 5246

UC Representative

Heather M. Nardello, UC Merced
5200 N Lake Rd
Merced, CA 95343
(209) 228.2979

April 4, 2008

California Student Aid Commission
P.O. Box 419026
10811 International Dr.
Rancho Cordova, CA 95741
Attn: Gloria Falcon

Re: Grant Advisory Committee Nominee

On behalf of the California Association of Student Financial Aid Administrators (CASFAA), I would like to nominate, Coleetta McElroy to represent CASFAA on the California Student Aid Commission's Grant Advisory Committee (GAC).

Coleetta is the Assistant Director of Counseling and Advising at San Jose State University and works directly with Cal Grant and other CSAC Programs.

Thank you for allowing CASFAA the opportunity to be represented on this committee. If there is any additional information needed regarding this designation, please feel free to contact me directly.

Sincerely,

Louise C. Jones
CASFAA President 2008
UC Riverside
(951) 827-7247

Coleetta E. McElroy**Experience:**

Assistant Director – Counseling and Advising June 1998 - current
San Jose State University
San Jose, CA

Responsibilities include providing direction and leadership for the counseling and advising staff with special emphasis on compliance with federal regulations. Develop processes and procedures consistent with financial aid packaging policies and Federal/State regulations for awarding aid. Work with campus partners (i.e.: Registrar, Admissions, EOP Offices, etc.) in order to facilitate outstanding service to prospective students and their parents.

Financial Counselor November 1988 – June 1998
San Jose State University
San Jose, CA

Responsibilities included the coordination of the Cal Grant Program, Federal Family Education Loan Program (FFELP) and Special Programs. General counseling duties included counseling and awarding of financial aid, presenting general information at on and off campus events.

Assistant Director – Financial Aid October 1986 – November 1988
DeVry Institute of Technology
City of Industry, CA

Develop and finalize student financial award process consistent with financial planning policies and procedures. Developed training and policy manuals for advisors and support staff that incorporated the federal and state guidelines. Counsel students on all acceptances and other matters related directly to the student financial payment plan.

Compliance Review Officer October 1985 – October
1986
DeVry Institute of Technology
City of Industry, CA

Responsible for planning and performing assigned compliance audits of Federal Title IV programs to meet institution's established procedures and guidelines. Completed audits of the awarding and financial aid disbursement process to meet corporate policies.

Education:

Masters of Public Administration, 1997 – San Jose State University
B.S. Degree, 1982 – Long Beach State University

Action /Information Item

California Student Aid Commission

Consideration of Whether the Commission Should Designate a Commissioner as a Director of the EdFUND Board

The Personnel, Evaluation and Nominations Committee will present a report on its consideration of this item at its April 15, 2008, meeting.

Issue

Should the Commission consider appointing a Commissioner as a director on the EdFund board?

Recommendation

Commission staff recommends that the Commission take no action to appoint Commissioners to the EdFund board for the following reasons:

- 1) The Bureau of State Audits' concern questioning the ability of a Commissioner on the board to oversee his or her own decisions is credible and persuasive; and
- 2) The Commission has other means of effectively overseeing the loan program activities and EdFund.

Discussion

United States law establishes the Federal Family Education Loan Program (FFEL Program) and specifies program requirements, while federal regulations clarify and describe those requirements in more detail.

The California Education Code authorizes the State to participate in the FFEL Program and designates the California Student Aid Commission as a state guarantee agency for purposes of the State's participation in the FFEL Program.

The Education Code also authorizes the Commission to establish an auxiliary organization as a non-profit corporation for purposes of the administration and operations of the Commission's FFEL Program activities. Under the federal regulations governing the FFEL Program, the Commission must supervise its auxiliary organization, set policies and procedures for the auxiliary organization, and retains full responsibility for the operation of the State's FFEL Program activities.

The Education Code also requires the Commission to exercise administrative and policy responsibilities over its auxiliary organization. Among other things, the Education Code specifies that the Commission is to nominate and appoint the members of the board of the auxiliary organization, and must include at least one student director and one director who is an employee of the auxiliary organization.

The Commission incorporated EdFund as its auxiliary organization in 1997. The bylaws of EdFund provide that the board of EdFund consists of 13 members, including the student

director and EdFund employee director. The Executive Director of the Commission and President of EdFund are *ex officio*, non-voting members of the EdFund board. The bylaws also provide that the Commission designates the members of the EdFund board.

The Commission has designated Commissioners as members of the EdFund board, but the number of Commissioners has varied over time. Commissioners have constituted a majority or minority of the EdFund board at various times.

As a result of concerns in the Legislature over the Commission's oversight of FFEL Program functions and of EdFund in particular, the Bureau of State Audits conducted a performance review of the Commission. The Bureau issued its report in April 2006, identifying a number of concerns and providing a number of recommendations for changes in the Commission's oversight process.

Pages 70-71 of the Bureau of State Audits' report are included with this Tab. On these pages, the Bureau questioned whether a Commissioner who is also an EdFund board member can objectively perform his or her duty of reviewing EdFund's business plan and operating budget when he or she has played a role in authorizing and approving the expenses. Among other things, the Bureau recommended that the Commission "[c]onsider removing Student Aid commissioners from the EDFUND board."

The Commission considered the recommendation and, at its June 22, 2006, meeting, voted to reduce the number of Commissioners on the EdFund board from four to one. The Commission maintained one seat on the board in deference to then-Commissioner Sally Furay, who was at that time chair of the EdFund Board. Commissioner Furay continued to serve as the sole Commissioner on the EdFund Board until February 29, 2008, at which time her service on the Commission expired. She continues to serve as chair of the EdFund board as a non-Commissioner director pursuant to the Commission's vote at the Commission's November 29, 2007, meeting.

There are no current Commissioners on the EdFund board.

As the Committee is aware, the Legislature has authorized the Department of Finance to sell state student loan guarantee program assets, i.e., the "sale of EdFund." (Educ. Code, § 69521.3.) The Legislature gave the Department of Finance general oversight authority over the loan program activities by requiring Department of Finance approval before any Commission actions affecting the loan program become effective. (Educ. Code, § 69521.5(c)(3).)

Committee staff agrees with the concerns of the Bureau of State Audits that it is problematic whether a commissioner could appropriately oversee his or her own decision made as a member of the EdFund board.

In the past, some commissioners have been concerned with whether they could properly oversee loan program activities and EdFund without participating as directors on the EdFund board. However, the Commission has other means of effectively overseeing the loan program activities and EdFund. Staff continues to provide general oversight of EdFund functions and reports to the Commission on loan program issues as necessary. Further, the Department of Finance has ultimate approval authority over actions affecting the loan program until a sale of state student loan guarantee program assets is completed.

Therefore, Commission staff recommends no action to appoint Commissioners to the EdFund board.

Responsible person: Keith Yamanaka
Chief Deputy Director

California Student Aid Commission:

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



April 2006
2005-120



CALIFORNIA STATE AUDITOR

ELAINE M. HOWLE
STATE AUDITOR

STEVEN M. HENDRICKSON
CHIEF DEPUTY STATE AUDITOR

April 20, 2006

2005-120

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning the California Student Aid Commission's (Student Aid) administration of the Federal Family Education Loan (FFEL) Program.

This report concludes that changes in the federal laws governing the FFEL Program raise concerns about whether Student Aid will be able to remain competitive with other guaranty agencies. Specifically, one change requires guaranty agencies to either charge borrowers a 1 percent federal default fee on the principal amount of all FFEL Program loans issued after July 1, 2006, or transfer an equal amount from nonfederal sources into the Federal Student Loan Reserve Fund. Guaranty agencies with sufficient resources can elect to pay the fee on behalf of borrowers while agencies such as Student Aid that have limited resources will have to charge the borrowers the fee.

The report also concludes that ongoing tensions between Student Aid and EDFUND, its auxiliary organization, have been costly and have delayed the completion of critical tasks. For example, these tensions, as well as turnover in leadership at EDFUND, hampered Student Aid's ability to renegotiate a revenue agreement with the U.S. Department of Education. At least \$24 million more may have been generated in federal fiscal year 2005 if the agreement had been finalized. This same lack of cooperation has delayed attempts to expand and diversify EDFUND's financial services and possibly generate additional revenue that could have been used for California students.

Finally, Student Aid has maintained poor oversight over EDFUND. For instance, Student Aid approved sizable bonuses for EDFUND's executive staff despite the fact that the FFEL Program had an operating deficit, and its policy for setting executive salaries does not meet federal requirements. Student Aid also has not ensured that EDFUND travel and business expense policies are fiscally conservative, which results in less funding available for Student Aid to fulfill its mission.

Respectfully submitted,

ELAINE M. HOWLE
State Auditor

BUREAU OF STATE AUDITS

555 Capitol Mall, Suite 300, Sacramento, California 95814 Telephone: (916) 445-0255 Fax: (916) 327-0019 www.bsa.ca.gov/bsa

assistant general counsel manage the relationship with the temporary external general counsel. Authorizing, executing, or consummating transactions, such as approving invoices, hinders the chief internal auditor's ability to objectively and independently evaluate the internal controls related to those transactions. As such, simultaneous occupation of both positions is potentially an organizational and personal impairment of independence. After we brought this issue to EDFUND's attention, it assigned the legal duties to staff other than the chief internal auditor.

The Composition of the EDFUND Board Could Impair Student Aid's Decision Making

State law requires Student Aid to oversee the development and operations of EDFUND and to nominate and appoint EDFUND's board. Further, state law requires Student Aid to maintain its responsibility for financial aid program administration and policy leadership program evaluation. Therefore, whether in fact or in appearance, a commissioner may have a perceived conflict with overseeing the operations of an organization for which he or she is also a board member. Additionally, the Student Aid executive director, as a voting member, may have a similar perceived conflict.

State law also requires one member of the board to be an employee of EDFUND and one member to be a student enrolled in a California public or private postsecondary educational institution. Student Aid determines the remaining composition of the board. Since the creation of EDFUND, Student Aid commissioners have been serving as EDFUND board members. In its May 23, 2005 meeting, Student Aid removed six EDFUND board members due to concerns about the governance of the FFEL Program. According to the chair of Student Aid, the decision allowed the commissioners to make a more responsible decision regarding the program's future governance.

Among other things, EDFUND board members must approve all of EDFUND's expenses and fund authorizations. The operating agreement between Student Aid and EDFUND requires Student Aid to review and approve EDFUND's business plan and annual operating budget. Moreover, any material expenditure or material change in operations or corporate policies outside of the plan and budget must have Student Aid's prior approval. Thus, we question whether a commissioner who is also an EDFUND board member can objectively perform his or her duty

of reviewing EDFUND's business plan and operating budget when he or she has played a role in authorizing and approving the expenses.

Allowing commissioners to serve as board members also can create a barrier to Student Aid's oversight responsibilities. For instance, in November 2004, a commissioner who was also the vice chair of the EDFUND board sent an e-mail to Student Aid's executive director and another commissioner complaining about the scope of a performance review of EDFUND that Student Aid had hired consultants to perform. The vice chair questioned why an "annual" performance review included a scope that was going back five years. As a commissioner appointed by the governor to act in the best interests of Student Aid, the commissioner should embrace the intentions of Student Aid staff to conduct a comprehensive review of EDFUND operations. Moreover, state law does not limit reviews conducted by Student Aid to a one-year period. Rather, it requires Student Aid to conduct regular performance evaluations of EDFUND's operations in furtherance of its fiscal and fiduciary responsibilities for approved programs. Additionally, the vice chair stated that she, along with other board members, were well aware that the executive director and Student Aid oversight personnel do not trust the EDFUND board or its staff. The commissioner's perspectives illustrate the problems with appointing commissioners to serve as board members and ultimately could hamper Student Aid's ability to oversee the operations of EDFUND effectively.

Similarly, allowing the executive director to be a voting board member can create a barrier to Student Aid's oversight responsibility. According to the operating agreement between Student Aid and EDFUND, Student Aid's executive director is responsible for reviewing EDFUND's business plan and annual operating budget and approving EDFUND employee bonus plans and travel policy. Thus, we also question whether the executive director, in her role as a voting board member, can perform her duties objectively. The chair of Student Aid agrees that it would be best if commissioners do not serve as board members and that the executive director serve only as a nonvoting board member.

8.c

Action /Information Item

California Student Aid Commission

Consideration of the Designation of a Director to the EdFUND Board

The Personnel, Evaluation and Nominations Committee will present a report of its consideration of this item at its April 15, 2008, meeting.

The accompanying documents present the nomination by Sally Furay, Chair of the EdFund Board, of former Commissioner Dean Johnston as an EdFund Board member.

Issue

Should the Commission designate Dean Johnston as a director on the EdFund board?

Recommendation

Commission staff recommends that the Commission take no action on this matter for the following reasons:

- 1) The current EdFund board has been able to function, and continues to function, with its current membership;
- 2) The Department of Finance is pursuing a sale of state student loan guarantee program assets, including EdFund;
- 3) There is no certainty that the EdFund board structure or the current membership of the EdFund board will continue after the sale;
- 4) The Commission, with responsibility for loan program policies and administration, and the Department of Finance, with final approval authority over any actions by the Commission for loan program issues and with the responsibility for executing the sale, provide additional levels of supervision over the loan program and EdFund.

Therefore, there is no need to change the status quo pending the sale.

Discussion

As previously described in Tab 8.b, the California Education Code designates the Commission as a state guarantee agency under the Federal Family Education Loan Program (FFEL Program), and authorizes the Commission to establish an auxiliary organization as a non-profit corporation for purposes of the administration and operations of the Commission's FFEL Program activities. Under the federal regulations governing the FFEL Program, the Commission must supervise its auxiliary organization and must retain policy responsibility for FFEL Program activities.

The Education Code also requires the Commission to exercise administrative and policy responsibilities over its auxiliary organization. Among other things, the Education Code specifies that the Commission is to nominate and appoint the members of the board of the auxiliary organization, and must include at least one student director and one director who is an employee of the auxiliary organization.

The Commission incorporated EdFund as its auxiliary organization in 1997. The current EdFund bylaws provide that the board of EdFund consists of 13 members, including the student director and EdFund employee director. The Executive Director of the Commission and President of EdFund are *ex officio*, non-voting members of the EdFund board. The bylaws also provide that the Commission designates the members of the EdFund board.

The EdFund board currently has eight directors. They include:

Sally Furay, Chair, Attorney at Law & Consultant for Higher Education
Ryan Alcántara, New Student Programs, California State University, Fullerton
C. Michael Cooney, Partner, Investment Group of Santa Barbara
Carlene Ellis, Retired, Vice President, Intel
Molly Greek, EdFund, Assistant Vice President, Strategic Project Management & Analysis
Conny Jamison, Retired, City Treasurer, City of San Diego
Dr. Dale Rogers Marshall, President Emerita, Wheaton College, MA
Frederick M. Weis, Interim President, Scripps College

The Executive Director of the Commission and the EdFund President are *ex officio*, non-voting members of the EdFund board.

As the Committee is aware, the Legislature has authorized the Department of Finance to sell state student loan guarantee program assets, i.e., “the sale of EdFund.” (Educ. Code, § 69521.3.) The Legislature gave the Department of Finance general oversight authority over the loan program activities by requiring Department of Finance approval before any Commission actions affecting the loan program become effective. (Educ. Code, § 69521.5(c)(3).)

Upon the completion of the sale, the statutory requirements that the EdFund board include a student director and an EdFund employee director will be repealed. Further, the new owner of EdFund will likely revise the EdFund bylaws and articles of incorporation consistent with the business goals of the new owner. It is not certain that the board of EdFund will be continued with its current membership or with the same structure as provided in the current bylaws.

The current board of EdFund has functioned and continues to function with its current membership. While a new member to the board would provide additional insight and expertise, there is no indication that the current board is incapable of exercising its responsibilities for the corporation, particularly since the Commission, with responsibility for loan program policies and administration, and the Department of Finance, with final approval authority over any actions by the Commission for loan program issues and the responsibility for executing the sale, provide additional levels of oversight over the loan program and EdFund.

There is, therefore, no need to change the status quo by adding new members to the EdFund board.

Responsible Person: Keith Yamanaka
Chief Deputy Director

Sister Sally Furay

March 5, 2008

MEMORANDUM

To: Commissioner Yasmin Delahoussaye
Chair, CSAC PEN Committee
From: Sally Furay
Re: Recommendation for Commission Appointment to EdFund Board
Cc: Commissioner Dennis Galligani, PEN Liaison Keith Yamanaka

I wish to nominate former Commissioner Dean Johnston as a Director of the EdFund Board. Dean Johnston has a longstanding knowledge of the operations of EdFund, stemming not only from his role as Commissioner of the California Student Aid Commission, but also his past role as member and former Chair of CSAC's Loan Advisory Committee. His work on LAC for the Commission and EdFund long precedes his appointment to the Commission.

Although it is probably not wise to try to seek broad expansion of the EdFund Board at this time, when the results of the potential sale are unknown, Dean Johnston has several levels of experience which could be helpful to the Board during and after this sale process. He has extensive knowledge both in the specialized business education community nationwide and in the internal operations of an EdFund client at a postsecondary institution. This level of expertise would add a dimension not currently present on the EdFund Board, which could assist the Board in whatever direction the various possible sale scenarios go.

Former Commissioner Johnston is pleased to serve if appointed. If the PEN Committee recommends his appointment, it would be advantageous if the nomination came before the Commission at CSAC's April meeting, since the quarterly EdFund Board takes place in mid-May.

Commission staff already has Mr. Johnston's resume and other information usually sent to PEN with a nomination, so I have not included anything here. However, if the PEN Committee wants further materials, I can procure them upon request.