

Action/Information Item

California Student Aid Commission

Approval of February 22-23, 2007 and March 29, 2007 Minutes

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

**CALIFORNIA STUDENT AID COMMISSION
COMMISSION MEETING**

**MINUTES
FEBRUARY 22-23, 2007**

A meeting of the California Student Aid Commission was held on Thursday, February 22, 2007, at 3300 Zinfandel Drive, Rancho Cordova, California.

Acting Chair Louise McClain called the meeting to order at 8:35 a.m.

The following Commission Members were present:

Louise McClain, Acting Chair
Chad Charton
Rory Diamond
Michele Dyke
Daniel Friedlander
Sally Furay
Dennis Galligani
Lorena Hernandez
Dean Johnston
David Roth

The following Commission Member was absent:

Alice Perez

Roll Call was taken and a quorum was recognized.

NEW BUSINESS

- Acting Chair Louise McClain introduced the newest member of the California Student Aid Commission, Lorena Hernandez. Commissioner Hernandez is the Senate Rules Appointment and fills the seat vacated by Josefina Baltodano.
- Acting Chair McClain announced two new Standing Committee appointments – Commissioner Dennis Galligani to the Audits Committee, and Commissioner Chad Charton to the Governmental Relations Committee. She also reminded the other members of the Commission of the need to restructure the membership of all the Committees and asked for volunteers.
- Acting Chair McClain announced the appointment of Catalina Mistler as the new Chief of the California Student Aid Commission's (CSAC) Program Administration and Services Division.
- Acting Chair McClain reported that she has approved a new Travel Expense Claim (TEC) process to begin with today's meeting. She will ask the Commission Liaison, Gloria Lopez and/or staff to e-mail a copy of the Commissioner's Travel Expense Worksheet to each member to complete and return, along with all necessary receipts. Staff will then complete the TEC and send it to the Commissioners to print out, sign and return for processing. This process should expedite payment.

- Acting Chair McClain expressed her appreciation to Commissioner Furay for all of her work on the Roles and Responsibilities. In addition, she expressed her appreciation to Mr. Tom Mays and his staff for all of their successful work throughout this year's Public Awareness Campaign.
- Executive Director Diana Fuentes-Michel reported that staff has prepared Resolutions for the four departed Commissioners – James Fousekis, Josefina Baltodano, J. Michael Ortiz and Joseph Yew, and will send to each former member an invitation to the April Commission meeting, so the Resolutions can be presented. If they are unable to attend, staff will send the Resolutions to them.
- Executive Director Michel also expressed her appreciation to Maria Hernandez. Ms. Hernandez was a member of the Commission's Grant Advisory Committee (GAC) and resigned due to personal reasons. A Certificate of Appreciation will be presented to Ms. Hernandez at a later date. Acting Chair McClain added that Mary Lindsey, current Vice Chair and former Chair, has agreed to assume Ms. Hernandez's duties as the Chair of GAC.
- Commission Liaison Gloria Lopez reported that copies of the updated EDFUND Bylaws have been provided to each member of the Commission

TAB 1 – 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) TO PROVIDE INFORMATION ON VERIFICATION AND ACCOUNTABILITY

Ms. Beth Asmus, CCCSFAAA President, and Ms. Mindy Bergeron, CASFAA President, provided Part II of their presentation to the Commission entitled *Integrity, Accountability and Responsibility*. Ms. Asmus also introduced Mr. Rob Smith, CLFE President.

TAB 2 – AUDIT ISSUES

Commissioner Dean Johnston, Chair of CSAC's Audit Committee, reported that the Committee met jointly with the EDFUND Audit Committee on January 26th and received updates on:

- Audit Committees Charters
- EDFUND External Audits – Financial Statements
- EDFUND Internal Audits
- On-Going Legal Matters

Commissioner Johnston reported that Diane Manning created a detailed report that provides an overview of the CSAC and EDFUND Audit Committees' background and encouraged everyone to read this detailed report. Executive Director Michel indicated that staff has not received a copy and asked that Ms. Manning provide a copy to her and CSAC staff.

Tab 2.1 – Update on Status of Implementing the Recommendations Cited in the Cal Grant Disbursement and Reconciliation Internal Audit Report was Released to the Committee in February 2006

Ms. Catalina Mistler, Chief of CSAC's Program Administration and Services Division provided a status report on the six findings:

Audit Finding #1: The current practice of disbursing funds does not effectively manage the state's cash flow, resulting in excess funds being disbursed to and held by institutions.

Actions Taken to Implement Recommendations: At the June 23, 2006, meeting, the Commission approved the CSAC staff recommendation that no modifications were required to be made to the current methodology for calculating and issuing term and supplemental advances for the 2006-2007 and 2007-2008 award years.

Audit Finding #2: The timeframes in which institutions report disbursements and adjustments to CSAC often exceed the timeframes defined in the Institutional Participation Agreement (IPA), creating cash flow issues and impacting CSAC's ability to effectively forecast future cash flow needs.

Actions Taken to Implement Recommendations: CSAC staff originally recommended that the IPA deadline of October 15 for reporting disbursements and adjustments be retained and enforced by staff. The Commission approved the CSAC staff recommendation at the September 7, 2006 Commission meeting. However, after several meetings and discussions with the GAC about the new IPA, CSAC staff became convinced that because institutions with summer terms could face practical difficulties in complying with the October 15 deadline, and with the addition of a requirement in the new IPA that institutions report payment transactions within 60 days after each term, a December 31 deadline for making all disbursements and adjustments was appropriate. This will provide time for institutions with late summer terms to complete both their final term and year-end reconciliation. This change will be presented to the Commission during the Commissioners' consideration of the new IPA.

Audit Finding #3: There is no mechanism in place to ensure the collection, tracking and reporting of interest earned on Cal Grant funds by institutions.

Actions Taken to Implement Recommendation: At the September 7, 2006 Commission meeting, the Commission approved CSAC staff's recommended action requiring institutions to hold Cal Grant funds in an interest-bearing account and to remit interest payments to CSAC at the end of the award year. The long-term solution is being addressed with the writing of the new IPA for the 2007-2008 academic years. CSAC staff and GAC held many discussions on the specific parameters of an interest-bearing account which are documented in the most current draft of the new IPA.

Audit Finding #4: Refunds received from institutions cannot always be recorded in the Grant Delivery System (GDS).

Actions Taken to Implement Recommendations: At the June 23, 2006 meeting, the Commission approved the CSAC staff recommendation that the GDS be modified to record refunds and to reconcile differences between GDS and the California State Accounting and Reporting System (CALSTARS). CSAC staff has created a temporary tracking mechanism to identify and record refunds received from institutions related to the closed award year. Cal Grant Operations staff and Accounting staff have identified a temporary process to resolve reconciliation issues between GDS and CALSTARS. Cal Grant Operations staff calls institutions directly to resolve discrepancies before the data is keyed into the CALSTARS system.

Audit Finding #5: Refunds are not consistently handled in accordance with CSAC established procedures.

Actions Taken to Implement Recommendation: At the June 23, 2006 meeting, the Commission approved CSAC staff's recommendation that procedures for requesting and receiving refunds be modified as a result of the audit finding. The audit found that some refund checks from institutions were sent to the Program Compliance Branch and were opened outside the controlled environment prescribed by the Fiscal and Administrative Services Branch's established procedure. CSAC staff has revised its procedures by having Program Compliance staff issue a special invoice to institutions with instructions to remit checks to the Fiscal & Administrative Services Branch.

Audit Finding #6: CSAC lacks procedures, as required by the State Administrative Manual (SAM), to collect amounts owed from institutions.

Actions Taken to Implement Recommendations: At the June 23, 2006 meeting, the Commission approved CSAC staff's recommendation to improve yearly invoicing and follow-up procedures for collecting amounts owed to CSAC by instituting a sequence of 30-, 60-, 90-, and 120-day collection letters following an institution's failure to respond to an invoice. CSAC staff will adhere to a process of imposing a gradual set of penalties for non-compliance.

Tab 2.2 – Update on Status of the Recommendations cited in the Cal Grant Grade Point average (GPA) Internal Audit Recommendations

At the request of Commissioner Johnston, Ms. Mistler, provided the status of the Cal Grant Grade Point Average (GPA) Collection Audit findings.

Recommendation #1: Ensure compliance with the statutory requirements regarding the acceptance of GPA submissions after the March 2nd statutory deadline. Additionally, establish and formally document a policy for the acceptance of GPAs to help ensure that the data is processed uniformly for all applicants.

Update on Recommendation: CSAC staff completed the process of the Commission's adoption of an emergency regulatory change to clarify the late GPA submittal process. CSAC staff is currently in the final stage of the rulemaking process to enact permanent amendments to the regulations. The process detailed in this regulation will ensure consistent treatment of GPAs. All GPAs submitted late for the 2007-2008 academic year will be required to follow the proposed regulation to be considered.

Recommendation #2: Develop and implement processes and procedures to test the accuracy of GPAs submitted to CSAC.

Update on Recommendation: Cal Grant Operations Branch staff, in collaboration with Internal Audits, will evaluate GPAs calculated and submitted by a selected sample of high schools to determine if this is an area of significant concern. The initial proposal is to visit approximately thirty schools and recalculate the GPAs they submitted in line with the requirements. Once an assessment is made and data is evaluated, further action will be recommended based on the results of these evaluations. A similar evaluation will be recommended for post-secondary school institutions.

Recommendation #3: Ensure that personally identifiable information maintained on GPA Verification Forms is safeguarded at all times.

Update on Recommendation: As a short term measure, Commission staff has begun to store documents in file cabinets that are locked. Management is also implementing prudent security practices among staff by way of providing in-house training with the help of CSAC's Information Security Officer on handling sensitive information. Also, management is ensuring staff is taking appropriate steps to lock sensitive data away when they are not at their work stations.

Recommendation #4: Develop a process to independently validate GPAs submitted to CSAC on paper GPA Verification Forms. Furthermore, implement additional measures to encourage the use of WebGrants for the submission of GPAs, thereby reducing the risk of GPA falsification and reducing the cost of handling paper forms.

Update on Recommendation: Since all of the paper GPA forms are manually processed, any forms with alterations or white-outs are set aside and the schools in question are called to verify the data. A call log is kept to track the frequency of such alterations. Furthermore, the School Support Services Branch is continually conducting training and providing guidance for schools on submitting GPAs electronically via WebGrants. Commissioner Friedlander expressed concern that validation requires more than looking for alterations. CSAC staff will present further procedures to strengthen the response to the recommendation at a future Commission meeting.

Recommendation #5: Implement procedures to document the date on which paper GPA Verification Forms and appeal letters are received to provide evidence that GPAs are processed within statutory and Commission approved deadlines.

Update on Recommendation: Beginning on March 2, 2007, Cal Grant Operations staff will retain the envelopes of all GPA forms that are postmarked on or after March 2. The forms will also be date stamped with the receipt date. Those that are post marked after the March 2nd deadline will be set aside and processed later for the September award cycle. Since these GPA forms will be scanned and made available via Optical, the date-stamp on these forms will provide evidence in case of an appeal.

Recommendation #6: Ensure procedures are updated to reflect the activities currently performed when processing GPA Verification Forms.

Update on Recommendation: CSAC staff will work on formalizing the procedures currently used and kept in various locations and make them available to appropriate staff. The procedures will be updated on an ongoing basis based on any changes to the process.

Ms. Mistler closed her presentation by reporting that staff will bring back the final report to the Commission at a future meeting for their approval.

Tab 2.3 – Status of California Student Aid Commission’s (CSAC) Pending Legal Matters

Ms. Kathleen Lynch, Deputy Attorney General, Office of the Attorney General did not have a report.

Tab 2.4 – Discussion Regarding the Commission’s Chief Audit Executive Position

Executive Director Fuentes-Michel reported that the California Student Aid Commission is currently seeking to fill its vacant Chief of Internal Audits (Chief Audit Executive) position. This is a civil service position and was vacated in 2001, with the retirement of the previous incumbent – Reginald Treece. At that time, CSAC and EDFUND mutually agreed to use one auditor to lead audit activities for both the loan program and grant program audits. They agreed the auditor would be an EDFUND employee. However, the Bureau of State of Audits (BSA) has found that having the same person serve as both CSAC’s and EDFUND’s internal auditor could pose potential organizational and personal independence impairment.

In July 2006, the Commission approved separating the Internal Auditor position into two separate positions and directed staff to begin the process of filling the CSAC Chief Audit Executive position. However, because the position had been vacant for a long-term, CSAC was required to seek approval from the California Department of Personnel Administration (DPA) to re-establish and subsequently fill this position. In December 2006, CSAC received approval from DPA to fill the position as a Senior Management Auditor, and therefore, under the direction of former Commission Chair James Fousekis, began the process to fill the position. In February 2007, Commissioner Johnston requested that staff halt the hiring of this position until the Commission could discuss concerns about the responsibilities of the Chief Audit Executive.

Ms. Glenda Smith, CSAC Personnel Manager, explained the process and stated that the specific duties of this position are within the job specifications of the Senior Management Auditor classification determined by the California State Personnel Board (SPB). CSAC does not have authority to change any of the duties. In staff’s discussion with DPA, DPA emphasized that the specific duties will be the same as the previous incumbent. Ms. Smith assured the Commission that in preparing the package for approval in July 2006, CSAC followed all of the correct policies and procedures required by SPB and DPA.

Commissioner Johnston provided an overview of his concerns and his reasons for asking staff to halt the process:

- Staff informed DPA that CSAC’s Chief Audit Executive will perform audits of EDFUND, and indicated that audits may be recommended by CSAC’s Federal Policy and Programs Division (FPPD) as part of its oversight function of the loan program. He does not feel this is appropriate.

- The job posting stated that CSAC's Chief Audit Executive position will be responsible for the oversight of EDFUND's audit program. Such responsibilities have not been discussed, nor authorized by the Commission or its Audit Committee.
- Although he agrees that there is a need for an internal auditor for the grants side of CSAC, his concern is that internal audit standards prohibit the internal auditor from performing operational responsibilities of other divisions, which would include performing audits for FPPD. Therefore, he recommends that the hiring of this position be placed on hold until after the Roles and Responsibilities issue is resolved.

After much discussion, the consensus of the Commission was to withhold action on this item until the presentation from The Results Group on roles and responsibilities.

Acting Chair McClain announced that the Commission would consider Tab 12, which was originally to be considered on Friday, February 23, 2007.

Tab 12 – CONSIDERATION OF RATIFICATION OF DEPARTMENT OF JUSTICE CONTRACT AMENDMENT

Mr. Robert Illa, CSAC Fiscal Officer, reported that due to the lengthy process of hiring a new Legal Counsel and the need for continued legal assistance, staff is seeking approval to ratify the Department of Justice contract amendment for a total contract amount of \$250,000 for the period of July 1, 2006 through July 30, 2007.

Ms. Glenda Smith, CSAC Personnel Manager, explained that since the Legal Counsel position has been vacant for a long term, as was required for the Chief Audit Executive position, CSAC will need to submit a request for approval to re-establish the position to DPA prior to advertising for this position. Staff began the paperwork process and will submit to DPA as soon as possible. DPA then has 60 days to approve and/or disapprove.

Per the request of the Commission, staff will contact DPA to schedule a meeting to attempt to expedite the process.

On **MOTION** by Commissioner Johnston, **SECONDED** and **CARRIED**, the Commission unanimously approved ratifying the Department of Justice contract amendment for \$155,000 for a total contract amount of \$250,000 for the period of July 1, 2006 through June 30, 2007.

Tab 3 – GRANTS AND PROGRAMS COMMITTEE

Tab 3.1 – Grant Advisory Committee (GAC) Chair's Report

Ms. Mary Lindsey, Interim Chair of CSAC's Grant Advisory Committee provided an overview of the composition of the Grant Advisory Committee. Ms. Lindsey continued by reporting that the GAC Workgroup met on February 14, 2007, and discussed the following:

Reconciliation Process – The current process for reconciling the Cal Grant Program Funds consists of an annual reconciliation, to be final by October 15 each year following the close of the award year. The October 15 deadline has historically not been enforced. A recent audit found that large sums of money remain outstanding well past this deadline, and this resulted in an audit finding.

A Special Operations Memo extended this deadline to December 31st for the 2005-06 year. Summer term was excluded from this initial Commission action and was referred back to GAC. In addition, GAC is in agreement on the following actions taken:

1. Establish a December annual final reconciliation deadline for institutions with traditional academic years.
2. For institutions that do not return outstanding funds by the deadline date or that return less than the appropriate amount, CSAC would generate invoices for outstanding funds, payable 30 calendar days from receipt of the invoice. If the refund to the State does not occur within the 30 days, a series of penalty letters would commence. Upon payment in full, an institution would receive an invoice indicating a zero balance.
3. Consistent with current practice, students whose payments remain pending at the Institution, beyond December 31, would be permitted to enter an appeal process that permits them to receive payment of their grant.

Institutional Participation Agreement (IPA) - GAC recommends that the existing IPA be extended pending a full review of the delivery process that evaluates the feasibility, cost-effectiveness, and efficiency of the following possibilities:

1. Movement to a fully centralized process with additional resources allocated to CSAC to take on responsibility for final determination of Cal Grant eligibility.
2. Movement to a fully institution-based process with additional resources allocated to campuses to take on full responsibility for final determination of Cal Grant eligibility.
3. Modification of the current hybrid process to clarify CSAC and institutional responsibilities for determination of Cal Grant eligibility with additional resources allocated where needed.

Due to time constraints, Acting Chair McClain suspended the remaining Grants and Programs Committee discussion until Friday, February 23, 2007.

TAB 5 – DISCUSSION ON STRUCTURING ROLES AND RESPONSIBILITIES BETWEEN THE COMMISSION AND EDFUND

Mr. Michael Wright, Project Coordinator of The Results Group, introduced the following members of the consulting team:

- Mr. Stephen Thomas, Partner, The Results Group
- Ms. Suzie Shupe, Senior Consultant, The Results Group
- Mr. Larry O'Toole, President, Aurora Consulting Group, LLC

Mr. Wright reported that The Results Group was engaged by the Commission to review the roles and responsibilities of the Commission, EDFUND, and Commission staff overseeing EDFUND. Mr. Wright provided an overview of the specific Federal law and regulations, State law regarding auxiliary organizations, other relevant State statutes, and laws governing tax exempt organizations.

At 1:01 p.m., Acting Chair McClain announced that the Commission would recess the Open Session portion of the meeting to conduct a Closed Session to discuss and possibly take action on business matters of a proprietary nature pursuant to California Education Code, section 69525(g)(3).

Closed Session was adjourned at 4:05 p.m.

The Open Session of the Full Commission meeting reconvened at 4:20 p.m. Acting Chair McClain reported that there was no action to report from the Closed Session.

At the request of The Results Group, the Commission considered Tab 10, which was originally scheduled to be considered on Friday, February 23, 2007.

TAB 10 – DISCUSSION ON STRUCTURING ROLES AND RESPONSIBILITIES BETWEEN THE COMMISSION AND EDFUND (CONTINUED)

Mr. Wright continued with a Powerpoint presentation entitled - *Progress Update and Preliminary Report of Findings by The Results Group and Aurora Consulting Group* discussing the meaning of oversight the components governance policy, goals, strategies, procedures accountability and oversight, and interactions with constituencies.

The Results Group's final report will be completed prior to the June Commission meeting. After much discussion, the Commission considered next steps to clarify oversight roles and responsibilities and approved the following motion:

On **MOTION** by Commissioner Galligani, **SECONDED** and **CARRIED**, the Commission approved the following:

To develop roles and responsibilities of the Commission, EDFUND and their respective staffs, the Commission will follow this process:

1. Commission establishes the foundational elements:
 - Define purpose of CSAC/EDFUND programs and the expected "public benefit" outcomes from EDFUND regarding:
 - Services to key constituencies
 - Financial performance over the next 3-5 years
 - Identify the EDFUND Board's role as the Board of Directors of the Nonprofit Corporation
2. Commission defines "parameters and limitations" policies
3. The Commission determines oversight roles and responsibilities.
4. Commission finalizes and adopts a new Operating Agreement

Acting Chair McClain requested that the Commission meet again prior to the regularly scheduled April Commission meeting to discuss this issue and come to some kind of agreement on what the next steps will be.

The Open Session of the February 22nd meeting was adjourned at 6:16 p.m. Acting Chair McClain announced that the meeting would continue on February 23, 2007, and begin promptly at 8:30 a.m.

The meeting of the California Student Aid Commission continued on Friday, February 23, 2007, at 3300 Zinfandel Drive, Rancho Cordova, California.

Acting Chair Louise McClain reconvened the meeting at 8:31 a.m.

The following Commission Members were present:

Louise McClain, Acting Chair
Chad Charton
Michele Dyke
Daniel Friedlander
Sally Furay
Dennis Galligani
Lorena Hernandez
Dean Johnston

The following Commission Members were absent:

Rory Diamond
Alice Perez
David Roth

Roll Call was taken and a quorum was recognized.

ITEM 7 – APPROVAL OF MINUTES OF THE NOVEMBER 29-30, 2006 COMMISSION MEETING

On **MOTION** by Commissioner Friedlander, **SECONDED** and **CARRIED**, the Commission approved the minutes of the November 29-30, 2006 Commission meeting with one minor correction on Page 15.

Commissioner Hernandez abstained.

TAB 8 – EXECUTIVE DIRECTOR’S REPORT

Executive Director Diana Fuentes-Michel reported the following:

- The Legislative Analyst’s Office released its analysis of the Governor’s 2007-2008 budget. Copies were provided to all. Items affecting CSAC in the report are: Cal Grant Program – fee increase and size of the proposed budget augmentation, APLE Program – concern about the unused awards. In addition, other items referenced are structural reform, the Operating Agreement and discussions with Legislature regarding EDFUND. Executive Director Michel indicated that she is working closely with CSAC’s governmental relations staff to address all items noted in their report.

- CSAC is making good progress in filling vacant positions. The Governmental and Public Affairs Division currently has one vacancy, for which an offer has been made. The Program Administration and Services Division will be making significant management changes, and has made significant hires within the past few months.

TAB 9 – EDFUND PRESIDENT’S REPORT

EDFUND President, Sam Kipp reported on the following:

- EDFUND staff participated in key annual conferences, including the CCCSFAAA/CASFAA Conference in December, and the CLFE Conference last month.

Acting Chair McClain noted that Tab 10 was considered on Thursday, February 22, 2007, to accommodate one of the consultants who could not attend the second day of the Commission meeting.

TAB 11 – PROGRESS UPDATE DIRECTLY FROM THE DEPARTMENT OF FINANCE AUDITORS CURRENTLY PERFORMING THE CAL GRANT NEW APPLICATION ELIGIBILITY AUDIT

Ms. Kim Tarvin, Manager, Department of Finance, Office of State Audits and Evaluations, introduced her colleagues, Mr. Richard Hebert, Supervisor, and Ms. SueAnne Gawal, Staff Auditor, and reported that they are performing an audit of CSAC’s controls over, and compliance with, Cal Grant new applicant eligibility requirements. Ms. Tarvin continued by giving the following status report:

- This audit has never been conducted before; therefore, they had to start from the beginning.
- Their review consisted of four specific areas – record maintenance, eligibility determination, data collection and the Commission approval process.
- They have conducted numerous background work/interviews.
- They have identified three basic issues: (1) What are the risks to the existing system that might impair the integrity, reliability and accuracy of the Grant Delivery System? (2) Is there a reliable, stable system in place for implementing relevant legislation and regulations into the CSAC system? (3) Is there a process in place for managing these changes to the Grant Delivery System to ensure that the legislative intent continues to be met?

Ms. Tarvin concluded that they have placed a request for an extension of their deadline. Their original deadline was April 30, 2007, but, due to the complexity of the audit, would require until June 30, 2007, to complete their final report.

The Commission continued returned to consideration of Tab 3.2, which had been continued from the Thursday, February 22, 2007 agenda.

Tab 3.2 – Consideration of Approval of National Guard Assumption Program of Loans for Education (NGAPLE) Regulations

Ms. Catalina Mistler, Chief, CSAC Program Administration and Services Division, reported that the NGAPLE is a loan assumption program established to provide an incentive for persons who have completed or who seek degrees in institutions of higher education in California or vocational diploma programs to enlist or reenlist in the National Guard, the State Military Reserve, or the Naval Militia. CSAC completed the required notice of proposed regulations process and received two comments, which were incorporated into the final proposal submitted to the Office of Administration Law. Therefore, the following motion was presented on behalf of the Grants and Programs Committee to the Commission for approval:

On **MOTION** by the Committee, and **CARRIED**, the Commission approved the recommendation to adopt the proposed regulations and accompanying documents, request that the effective date of the regulations be the date of filing, and authorize staff to take the necessary steps to complete the regulatory process.

Commissioner Friedlander asked that staff send out acknowledgements to those who submitted changes for this process, as well as all future ones.

Tab 3.3 – Update on Status of Revised New Institutional Participation Agreement (IPA)

Ms. Mistler, Mr. Tom Mays, Manager, CSAC Outreach Branch, Mr. Bryan Dickason, Acting Manager, CSAC School Support Services Branch, and Ms. Lori Nezhura, Financial Aid Analyst, CSAC Program Administration and Services Division, provided an update on the Institutional Participation Agreement (IPA) process.

IPA Provisions that remain open for discussion include:

- High school graduation verification
- Summer term and final reconciliation
- Grade Point Average certification
- Interest-bearing accounts
- Line-by-line analysis and wordsmithing

Ms. Mistler reported that staff had met with the Grant Advisory Committee three times and went word-by-word on the document. A Public Comment period began on Friday, February 16th and would be open until March 28, 2007. In addition, two open forum/workshops have been scheduled – March 9th at Sacramento State University, and March 12th at the Department of General Services building in Downtown Los Angeles, to provide the public an opportunity to provide their feedback in person. For those that are unable to travel, arrangements have been made with the California Community Colleges to utilize their Web Conference accommodations on March 28, 2007.

Public Comments were presented by:

Mary Lindsey, on behalf of GAC

Mary Robinson, on behalf of California State University's Chancellor's Office

Beth Asmus, on behalf of the California Community Colleges Student Financial Aid Administrators Association (CCCSFAAA)

Kristin Shear, on behalf of Santa Rosa Junior College

Lora Jo Bossio, on behalf of the University of California, Davis

Extensive discussion including: the need to extend the existing IPA; concerns over the limited time schools have to implement an IPA that will be effective in July; California residency determination issues; time for schools to review the IPA; the issue of who has primary responsibility for implementation of the Cal Grant Program; confirmation of high school graduation; and other issues.

A final recommendation will be brought forward to the Commission for approval at its April Commission meeting.

TAB 4 – PROPOSED 2007-2008 CAL GRANT SELECTION CRITERIA

Ms. Mistler, reported that staff has identified a change in the 2007-2008 Federal Needs Analysis Methodology, which is used to construct the income and family-size matrices. The change would affect how independent students with dependents other than a spouse are treated. This federal change would require a modification to the Commission's Selection Criteria methodology. Because of the work needed to implement the change, a slight delay to the competitive grant cycle may result. Staff recommended the Commission modify the Selection Criteria.

On **MOTION** by Commissioner Furay, **SECONDED** and **CARRIED**, the Commission approved the modification of Selection Criteria methodology as presented in Tab 4.a to treat independent students with dependents other than a spouse consistent with the Federal Needs Analysis.

After Tab 4, Acting Chair continued the February 23, 2007, agenda as noticed, continuing with Tab 13.

TAB 13 – CONSIDERATION OF APPROVAL OF THE STUDENT ASSISTANT CONTRACT

Mr. Robert Illa, CSAC Fiscal Officer, reported that in February 2006, the Commission approved the current student assistance contract in the amount of \$400,000 for the period of March 17, 2006 through March 16, 2007. Per the direction of the California Department of General Services, the Commission must now enter into a new contract for student assistant services through June 30, 2007. This new contract will extend the contract period, but will require no additional funds.

Staff anticipates the need to enter a longer-term contract for student assistants beginning July 1, 2007, and will require approval by the Commission at its June meeting.

On **MOTION** by Commissioner Furay, **SECONDED**, and **CARRIED**, the Commission authorized the Executive Director to enter into a short-term contract with University Enterprises for \$120,000 for the period of March 17, 2007 through June 30, 2007.

TAB 14 – CONSIDERATION FOR GUIDING PRINCIPLES FOR THE 2007-2008 BUDGET DISCUSSIONS

Ms. Janet McDuffie, Chief, CSAC Management Services Division presented the guiding principles for the Grant Program's 2007-2008 budget for approval.

On **MOTION** by Commissioner Galligani, **SECONDED**, and **CARRIED**, the Commission approved the Cal Grant Guiding Principles for the 2007-2008 budget discussions with the following modifications to Tab 14.a:

- Add bullet under Award Value under both headers – Support increases to the Cal Grant B Access award and the first year Cal Grant B award coverage.
- Add bullet under Award Value under both headers – Cal Grant C access award
- Modify last bullet under Preserve and Expand the Cal Grant Entitlement Programs header to read: Recommend and fully support increases in the number of awards.
- Modify last bullet under Preserve and Expand the Cal Grant Competitive Program header to read: to recommend and fully support increases in the number of awards.”

Discussion on Tab 14.b - Loan Program Guiding Principles for the 2007-2008 Discussions was postponed to a future meeting.

TAB 15 – CONSIDERATION OF CLOSED SESSION POLICIES AND PROCEDURES (TO COMPLY WITH BUREAU OF STATE AUDITS RECOMMENDATION AND COMMISSION RESPONSE)

Commissioner Friedlander stated that the Bureau of State Audits (BSA) had concluded that the EDFUND Board of Directors was in violation of the Bagley-Keene Act by not maintaining minutes from their Closed Session meetings, as well as not keeping within the policy for open meetings. EDFUND staff has since established a book of minutes for their Closed Session meetings, as well as created and set forth various policies.

The Commissioners discussed whether the Commission should adopt a meetings and closed session policy that applies to both the Commission and EDFUND, or whether EDFUND's Board of Directors shall be allowed to adopt its own policies.

Ms. Kathleen Lynch, Deputy Attorney General, Attorney General's Office indicated that there is nothing wrong with establishing one policy for both entities; however, she also does not see anything wrong in having separate policies set forth. Whatever the outcome, if EDFUND establishes its own policies, CSAC should have the right to review their minutes if requested.

On **MOTION** by Commissioner Friedlander, **SECONDED** by Commissioner Charton and **CARRIED** by Roll Call Vote, the Commission directed legal counsel of CSAC and EDFUND to work together to develop a joint policy that is unified and consistent with respect to the conduct of closed session for CSAC and EDFUND, and bring it to the Commission, as well as the EDFUND Board of Directors, for review/approval by the April Commission meeting.

Commissioner Furay abstained.

On a separate note, Commissioner Friedlander noted that the deadline to provide a response to BSA is April 20th and asked whether that deadline will be met. Ms. Diane Manning, Vice President, EDFUND Audit Division, stated that the next response would probably be delayed. Therefore, the Commission directed Ms. Manning to initiate immediate correspondence to BSA

indicating those areas that are still problematic, and to describe what is being done to address the problems. In addition, Ms. Manning was directed to provide a copy of this correspondence to all members of the Commission.

TAB 16 – CONSIDERATION OF NOMINATIONS TO ADVISORY BODIES

Commissioner Furay, Chair of the Personnel, Evaluation and Nominations (PEN) Committee reported that the Committee met on February 20, 2007. She presented the Committee's nominations to Commission's Advisory Bodies.

On **MOTION** by the Committee and **CARRIED**, the Commission approved the appointment of Mr. Ricardo Tejada, as the Independent Colleges and Universities Student Representative on the Grant Advisory Committee. Mr. Tejada will first complete the term of Aram Nadjarian through March 16, 2007. He then will hold a new appointment for the term from March 16, 2007 through March 16, 2009.

On **MOTION** by the Committee and **CARRIED**, the Commission approved the appointment of Ms. Susan Gutierrez, as the California State University Representative on the Grant Advisory Committee. Ms. Gutierrez will serve the remainder of Ms. Maria Hernandez's term through November 18, 2007.

Tab 16.2 – Election of Commission Officers

Commissioner Furay reported that the PEN recommended that Louise McClain be elected as Chair of the Commission, and Dean Johnston be elected as Vice Chair, for terms ending June 30, 2007. The Treasurer position would remain vacant, and Michele Dyke would continue as Secretary.

On **MOTION** by the Committee, and **CARRIED**, the Commission elected Louise McClain as Chair, and Dean Johnston as Vice Chair with term's expiring June 30, 2007.

TAB 17 – CONSIDERATION OF STATE LEGISLATIVE PRINCIPLES AFFECTING POSITIONS ON LEGISLATIVE PROPOSALS

Mr. Steve Caldwell, Chief, CSAC Governmental and Public Affairs Division reported that at its February 14, 2007 meeting, the Governmental Relations Committee voted to recommend approval of the draft Legislative Principles with some changes. Staff made the changes and presented the new Proposed Statement of Legislative Principles for 2007-2008 for approval.

On **MOTION** by Committee and **CARRIED**, the Commission approved the Proposed Statement of Legislative Principles for 2007-2008.

Tab 17.2 – Update on State Legislation and Issues and Consideration of Positions on Pending Legislation Affecting the Commission

Mr. Caldwell provided an overview of newly introduced bills.

Tab 17.3 – Update on Federal Legislation and Issues and Consideration of Pending Legislation Affecting the Commission

There were no items to report.

Tab 17.4 – Consideration of Annual Report on EDFUND

Mr. Caldwell reported that at their last meeting, the Governmental Relations Committee went page-by-page through the report. However, there are a few items that staff are still waiting to receive from EDFUND.

EDFUND President Kipp stated that he was not at the Governmental Relations Committee meeting and was not aware of the changes that were presented and noted that there are some minor wordsmithing/edits needed; otherwise, the Report should meet their approval. Commissioner Friedlander clarified that although President Kipp was not present at the Governmental Relations Committee, Mr. Reid was present and was aware of the changes.

On **MOTION** by the Committee and **CARRIED**, the Commission adopted the recommendation to approve the draft Annual Report to the Legislature on EDFUND with some minor changes.

Commissioner Friedlander closed the Committee report by requesting that the Governmental Relations Committee be placed higher on the agenda for the April Commission meeting.

TAB 18 – UPDATE ON THE CAL GRANT PUBLIC AWARENESS CAMPAIGN AND CONSIDERATION OF 2007-2008 CAMPAIGN BUDGET AND TIMELINE

Mr. Tom Mays, Manager, Outreach Branch and Ms. Cheryl Lenz, Manager of the Public Awareness Campaign, provided the following Public Awareness Campaign report:

- This year's Ticket to Success Campaign went very well. Radio and TV spots are still being run and are available to view at the calgrants.org website.
- Staff has distributed approximately 4,500 Cash Boxes, which include a DVD prepared by Bryan Dickason with instructions to the schools on how to do the GPA downloads/uploads
- Three very successful Spanish language shows were held in Los Angeles, San Diego and Fresno. The English show was here in Sacramento.
- The Call-In Event at KCRA attracted approximately 1,300 calls and e-mails. They are still waiting for the actual numbers from the Los Angeles Univision Call-in Event.
- Special recognition was given to Ms. Linda Doughty from the San Diego Cal-SOAP Consortium and also to Lynne Tafoya, Principal at Sacramento Hiram Johnson High School, for their great efforts in making the Southern and Northern California Kick-Off Press Events successful.
- Staff is working with the California Community College Chancellor's Office on a project for outreach "after" the March 2nd deadline.
- Staff is beginning to wrap-up the campaign by preparing thank you letters to all of the sponsors.
- Staff will begin to look at what worked versus what didn't for next year.

Commissioner Johnston asked that staff identify in their full report, the elements of this year's campaign that resulted in improvements from the previous years'.

Executive Director Michel added that at the last Outreach Committee meeting, discussion included how CSAC is going to fund next year's campaign and concerns were expressed about funding sources. Executive Director Michel stated that she and President Kipp met after the Committee meeting, and he has committed to continue their conversation after today's meeting to try and resolve this issue. Acting Chair McClain questioned whether or not the funding issue could be resolved in time for the special Commission meeting being scheduled for sometime in March. President Kipp stated that the issue is whether there are any funds left from the \$25 million.

The Commission, along with Executive Director Fuentes-Michel, expressed their appreciation to all CSAC and EDFUND staff for the excellent and successful campaign.

Tab 18.2 – Update on California Cash for College and Consideration of 2007-2008 Budget Timeline

Ms. Despina Costopolous, CSAC Cash for College Coordinator, provided the following report:

- So far this year, there have been 400 workshops versus the 280 held last year.
- A year-round campaign is being considered.
- There is approximately \$350,000 scholarships to award, which will provide one scholarship per workshop.
- This year's Program had improved integration with the Cal Grant campaign.
- This Program is utilizing e-mail to send out reminders and/or requests for additional information to students and/or their parents.

Commissioner Furay asked that at a future meeting, Ms. Costopolous provide the Commission with specifics on what is happening in the smaller rural/less populated areas in Southern California, such as – San Bernardino, Inland Empire, Central Valley, etc.

Tab 18.3 – Cal-SOAP Update

Mr. Mays provided a Cal-SOAP update including: most of the Cal-SOAP contracts are in place; and the Solano SUCCESS Cal-SOAP is working to secure a new fiscal agent to keep the program funding.

Tab 18.4 – Update on the Preparation of an Annual Work Plan for Commission Outreach and Communication Programs

Mr. Mays provided a Public Affairs Unit update: After March 2nd, staff will start the next cycle of the campaign by moving ahead with the various tools and planning mechanisms; staff will be considering cross-promotional marketing opportunities with CSAC's Nursing APLE Program to assist other entities who are developing outreach; staff will continue to utilize CSAC's Fast Blast monthly newsletter to inform our constituencies; and staff will continue to develop internal staffing and resources to promote and support the Cash for College program.

All Commissioners will receive the Fast Blast monthly newsletter.

CLOSING BUSINESS

- Acting Chair McClain asked that each Commission member review the calendar on the last page of the agenda and place the meeting dates on their calendars as a priority.
- Acting Chair McClain relieved the Audit Committee of its responsibility for the roles and responsibilities, and appointed an Ad Hoc Committee of only Commissioners Johnston and Galligani to lead the roles and responsibilities process.

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

MICHELE DYKE
SECRETARY

**CALIFORNIA STUDENT AID COMMISSION
COMMISSION TELECONFERENCE MEETING**

**MINUTES
MARCH 29, 2007**

A teleconference meeting of the California Student Aid Commission was held on Thursday, March 29, 2007, at the CSAC Headquarters Building, 10811 International Drive, 2nd Floor, Executive Board Room, Rancho Cordova, CA.

Chair Louise McClain called the meeting to order at 9:02 a.m.

The following Commission Members were present via conference call:

Louise McClain, Chair
Chad Charton
Rory Diamond (departed upon adjournment of the Closed Session)
Michele Dyke
Daniel Friedlander
Sally Furay
Dennis Galligani (departed upon adjournment of the Closed Session)
Dean Johnston
Alice Perez

The following Commission Member was present on-site:

Lorena Hernandez

The following Commission Member was absent:

David Roth

Roll Call was taken and a quorum was recognized.

TAB 1 – CONSIDERATION OF RATIFICATION OF CONTRACT AMENDMENT WITH THE RESULTS GROUP TO INCREASE THE CONTRACT AMOUNT OF \$107,000 FOR A TOTAL OF \$417,000, AND TO EXPAND THE TASKS REQUIRED TO ASSIST THE COMMISSION WITH ROLES AND RESPONSIBILITIES

At their February Commission meeting, the Commission directed staff to amend The Results Group's contract to allow them to facilitate the discussions regarding roles and responsibilities at a special meeting to be held the last week of March.

ON MOTION by Commissioner Furay, **SECONDED**, the **CARRIED**, the Commission approved by roll call vote to ratify The Results Group contract amendment for \$107,000 for a total contract amount of \$417,000, for the period of November 29, 2006 through October 31, 2007.

TAB 2 – CONSIDERATION OF APPROVAL OF REGULATIONS AMENDING THE GRACE PERIOD FOR SUBMISSION OF GRADE POINT AVERAGE AFTER CAL GRANT APPLICATION DEADLINE

Ms. Catalina Mistler, Chief, CSAC Program Administration and Services Division, reported that the Notice of the Proposed Regulatory Action amending the regulations for the grace period for submission of grade point averages was published by the Office of Administrative Law (OAL) in December 2006, beginning the required 45-day public comment period. Staff did not receive any public comments

On **MOTION** by Commissioner Friedlander, **SECONDED** and **CARRIED**, the Commission approved by roll call vote the adoption of the proposed regulations and accompanying documents, authorized staff to request that the effective date of the regulations to be the date of filing, and authorized staff to complete the necessary documents and to take the necessary steps to complete the regulatory process.

TAB 3 – CONSIDERATION OF APPROVAL OF STATE NURSING ASSUMPTION PROGRAM OF LOANS FOR EDUCATION FOR NURSING FACILITY (SNAPLE NF) REGULATIONS

Ms. Mistler reported that the Notice of the Proposed Regulatory Action adopting regulations for State Nursing Assumption Program of Loans for Education for Nursing Faculty (SNAPLE NF) was published by OAL in December 2006, beginning the required 45-day public comment period. Staff received one comment. Staff then revised the proposed regulations, and on February 21, 2007, proceeded with a 15-day public comment period, which ended on March 8, 2007. No additional comments were made.

On **MOTION** by Commissioner Dyke, **SECONDED** and **CARRIED**, the Commission approved by roll call vote the adoption of the proposed regulations and accompanying documents, authorized staff to request that the effective date of the regulations be the date of filing, and authorized staff to complete the necessary documents to take the necessary steps to complete the regulatory process.

TAB 4 – UPDATE ON STATE NURSING ASSUMPTION PROGRAM OF LOANS FOR EDUCATION FOR NURSES IN STATE FACILITIES (SNAPLE-NSF) REGULATIONS

Ms. Mistler reported that the Notice of the Proposed Regulatory Action adopting regulations for the SNAPLE-NSF Program was published by OAL in January 2007, beginning the required 45-day public comment period. Staff received one public comment within the 45-day public comment period from the Department of Veterans Affairs, which revealed concerns regarding who is eligible to apply for the program. Staff revised the proposed regulations based on the comment received and proceeded with the required 15-day public comment. Staff also began a second 15-day comment period to make further revisions. Staff expects to bring the final regulations to the Commission for adoption at their April meeting.

Upon completion of Tabs 3, 4 and 5, Commissioner Friedlander asked staff to provide all of the author(s) of public comments with a written response to their comments.

TAB 5 – INFORMATION ON PROPOSAL BY THE CALIFORNIA DEPARTMENT OF MENTAL HEALTH (DMH) FOR THE CALIFORNIA STUDENT AID COMMISSION TO ASSIST IN THE ADMINISTRATION OF A LOAN ASSUMPTION PROGRAM UNDER THE MENTAL HEALTH SERVICES ACT

Executive Director Diana Fuentes-Michel reported that CSAC was contacted by the Department of Mental Health (DMH) for assistance in administering a loan assumption program for mental health professionals to assist state, county and community-based organization mental health employers to hire and retain staff. DMH proposed to partner with CSAC to administer the program.

Executive Director Fuentes-Michel reported that CSAC staff met with the Director of the California Department of Mental Health and his staff to get a better understanding of CSAC's role in the administering this program. Staff is currently developing an interagency agreement with DMH. Staff will inform the Commission of the progress toward the interagency agreement and bring any final agreement to the Commission for approval.

At 9:45 a.m., Chair McClain stated that the California Student Aid Commission will meet in Closed Session to discuss and may take action on business matters of the proprietary nature pursuant to California Code, section 69525)(g)(3).

The Closed Session meeting adjourned at 11:17 a.m.

At 11:18 a.m., Chair McClain reconvened the Open Session meeting of the California Student Aid Commission meeting and reported no action was taken during the Closed Session.

TAB 7 – CONSIDERATION OF GUIDING PRINCIPLES FOR THE LOAN PROGRAM FOR 2007-2008 BUDGET DISCUSSIONS

Ms. Janet McDuffie, Chief, CSAC Management Services Division stated that a revised Tab 7.a – Proposed Loan Program Guiding Principles for the 2007-2008 Budget Discussions had been e-mailed to each member of the Commission in the morning.

The change included on Page 2 - under EDFUND Recommendation –should read – “EDFUND has projected several financial scenarios, based on federal proposals, categorized as best case, worse case, and most likely case to better understand and prepare for changes in federal law.

In addition, Commissioner Friedlander requested the following change:

- Page 2 - under EDFUND Recommendation, the first bullet – “The Guiding Principles are consistent” - be moved to the last sentence under the second paragraph that begins– “Pursuant to section 69526(b)(2)....”

On **MOTION** by Commissioner Friedlander, **SECONDED**, and **CARRIED**, the Commission approved by roll call vote the Loan Program Guiding Principles for the 2007-2008 Budget Discussions with the changes discussed.

Ms. McDuffie will make the necessary revisions and will provide the members of the Commission copies of the final document.

DRAFT

Tab 4.b

There being no further business, the teleconference meeting of the California Student Aid Commission was adjourned at 11:29 a.m.

MICHELE DYKE
SECRETARY