

Action/Information Item

California Student Aid Commission

Approval of February 23-24, 2006 Minutes

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

**CALIFORNIA STUDENT AID COMMISSION
COMMISSION MEETING**

**MINUTES
FEBRUARY 23-24, 2006**

A meeting of the California Student Aid Commission was held on Thursday, February 23, 2006, at 3300 Zinfandel Drive, Rancho Cordova, California.

Chair James Sandoval called the meeting of the California Student Aid Commission to order at 9:04 a.m.

The following Commission Members were present:

James Sandoval
Josefina Baltodano
Rory Diamond
Michele Dyke
Sally Furay
James Fousekis
Dean Johnston
Louise McClain

The following Commission Members were absent:

Adele Levine
Charles Moore
David Roth

Chair Sandoval called for public comment and, hearing none, recessed to the Standing Committee meetings at 9:05 a.m.

Due to the lack of a quorum for each Standing Committee, the Commission operated as a Committee of the Whole.

STANDING COMMITTEE MEETINGS

Outreach Committee

AGENDA ITEM 1.1 – PUBLIC AWARENESS CAMPAIGN UPDATE

Ms. Carole Durante, Manager, Public Relations Branch, summarized the public awareness activities, which included: media strategy; public relations; integrating the Cash for College initiative activities into our Campaign, and on ethnic and legislative Outreach.

Mr. Scot Crocker, President and CEO of Crocker Flanagan, and Mr. David Flanagan, Partner/Creative Director reported that Crocker Flanagan's role was to reach priority schools, within the age demographics of 16 to 19 year olds, as well as counselors and parents. Mr. Bobby Pena, President of BPcubed Inc., provided a report on the ethnic and legislative outreach. He also reported that more than 65 television stations, radio, print interviews, articles and stories have been secured, specifically on the ethnic side.

In closing, Mr. Crocker reported that the campaign would now move towards producing a research project that will be two phases. The first is targeting graduating seniors at the priority high schools and their parents. The second phase will be working with Commissioner McClain to connect with high school counselors to determine what tools and materials were useful.

AGENDA ITEM 1.2 – REPORT ON OUTREACH ACTIVITIES

Ms. Kim Taylor, Manager, Outreach Branch, reported that the outreach activities are generally in response to directed requests and include classrooms, college fairs, or Cal Grant and/or panel type presentations. Many of the events attended include activities supported by EDFUND. Ms. Taylor added that staff participates in outreach activities throughout the year, and as of today, they have reached out to over 12,000 students, with the expectation to reach an additional 6,000 more before the end of this fiscal year.

Executive Director Diana Fuentes-Michel stated that Commission staff is aware that resources are a concern, and has directed staff to begin to brainstorm on how to improve the Commission's outreach efforts. In addition, she suggested that the Committee consider this issue at the April meeting.

The Committee discussed the status of the outreach grants and whether or not funds were allocated for next year's public awareness campaign and outreach grants.

AGENDA ITEM 1.3 – CALIFORNIA CASH FOR COLLEGE UPDATE

Ms. Despina Costopoulos, Cash for College Coordinator, provided a summary of the Cash for College activities:

- 280 workshops were planned through the March 2nd deadline at community colleges, universities, high school, and community sites.
- 35 workshops will be held in 32 cities, from San Diego, to Ukiah, to Marysville.
- Eight press conferences or concerted press activities will be held from San Diego, Riverside, Los Angeles, Bakersfield, Fresno, Oakland, San Francisco, and Sacramento.
- Several elected officials support the Cal Grants Workshops, such as: Superintendent Jack O'Connell, Speaker Fabian Nunez, Senate Pro Tem Don Perata, Senator Nell Soto, and Assemblyman Joe Baca. Other members of the Central Valley, who are participating in the East Bay, were Assemblymember Alberto Torrico, Assemblymember Loni Hancock, Congressman George Miller, and Congressman Barbara Lee.

- Senator Deborah Ortiz has conducted these workshops for six years.
- Ms. Karen Micalizio, CCCSFAAA President and Ms. Louise Jones, CASFAA President were acknowledged for their participation in the Cash for College efforts.
- Other important partners include Univision, the EOPS community, the Parent Institute for Quality Education (PIQE) and the Commission staff with hours of volunteer work who reached so many families in so little time.
- The Cash for College campaign will offer follow-up support to students who attended the workshops, as well as refer them to the May workshops sponsored by the community colleges.

Commissioner McClain acknowledged Assemblymember Lori Saldana of the San Diego area and San Diego's Cal-SOAP Consortium, who organized four different workshops, including one in East County. Commissioner Fousekis reported that he attended Cash for College workshop at Richmond High School, in which Congressman Miller, Congresswoman Lee, Ms. Beverly Johnson, Mayor of Alameda County, and Assemblymember Hancock also attended. He indicated that he was very impressed that these individuals took the time and that they were interested. He asked if the Commission had drafted a letter for Chair Sandoval's signature thanking them for their participation. Commissioner Fousekis, with Chair Sandoval's approval, requested that staff prepare letters for his signature.

Governmental Relations Committee

AGENDA ITEM 2.1 – STATE LEGISLATION AND ISSUES UPDATE AND POSSIBLE ACTIONS ON BILLS THAT AFFECT THE COMMISSION

Mr. Steve Caldwell, Acting Chief, Governmental Relations and Research Division, reported that February 24, 2006, is the last day to introduce bills in the Legislature and indicated that a supplemental bill list had been provided.

Mr. Caldwell summarized the following bills:

- **AB 1399** (Garcia) which would add points to the Competitive Cal Grant program scoring criteria for students whose parents ever served on active duty in the National Guard. *No action was taken.*
- **AB 2040** (Chu) which would add a summer and Saturday administration of the California High School Exit Exam (CAHSEE). *No action was taken.*
- **SB 1264** (Alquist) which would change the annual March 2nd Cal Grant deadline to June 30th. The committee discussed the bill, but decided to wait to take action until they could hear the segmental perspectives. *The Committee directed staff to include a discussion of SB 1264 in the upcoming Grant Advisory Committee agenda in order to receive input from the segments.*
- **SB 1383** (Ortiz) which would allow students who have met all graduation requirements except for passing the CAHSEE to be eligible to receive Cal Grant awards if all other Cal Grant requirements are met. *The Committee decided to schedule another Governmental Relations Committee meeting to discuss SB 1383.*

The Commission took action on the following bills:

AB 840 (Arambula) which would allow students who were notified that they qualified for a Cal Grant Transfer Entitlement award without reference to whether or not they were California residents at the time of high school graduation to continue to receive their awards through the end of their eligibility for Cal Grants.

- On **RECOMMENDATION** by the Governmental Relations Committee, and **CARRIED**, acting as a Committee of the Whole, the Commission voted to approve the position of SUPPORT IN CONCEPT on AB 840.

AB 1315 (Liu) which would provide for an increase to the Cal Grant B access stipend at a rate of 5 to 10 percent annually until it reached a specified portion of the students' total budget as calculated from the SEARS.

- On **RECOMMENDATION** by the Governmental Relations Committee, and **CARRIED**, acting as a Committee of the Whole, the Commission voted to approve the position of SUPPORT IN CONCEPT on AB 1315.

AB 1532 (Bass) which would allow former foster youth students to apply for Cal Grants on a rolling year-round basis.

- On **RECOMMENDATION** by the Governmental Relations Committee, and **CARRIED**, acting as a Committee of the Whole, the Commission voted to approve the position of SUPPORT IN CONCEPT on AB 1532.

AGENDA ITEM 2.2 – FEDERAL ACTIVITIES UPDATE INCLUDING REAUTHORIZATION AND STATUS OF THE FEDERAL RECONCILIATION BILL

Mr. Caldwell reported that the Federal budget includes \$1.475 billion for high school reform, which has also been a California issue. It also proposes to increase student loan limits from \$2,625 to \$3,500 for freshmen, and \$3,500 to \$4,500 for sophomores. The aggregate loan limits would remain the same. The question on the FAFSA related to drug conviction would apply to students who have offenses when they are enrolled in college and receiving Title IV aid.

Mr. Sam Kipp, EDFUND President, reported that the Voluntary Flexible Agreement negotiations are in the final stages, but that the process was not yet complete.

AGENDA ITEM 2.3 – ANNUAL REPORT TO THE LEGISLATURE ON EDFUND

The Committee discussed the California Student Aid Commission's Annual Report to the Legislature on EDFUND. Mr. Caldwell and President Kipp discussed several issues that had been agreed upon by Commission and EDFUND staff. Staff agreed that the Annual Report would be taken up by the Governmental Relations Committee in a separate meeting to be scheduled at a later date.

Grants and Programs Committee

AGENDA ITEM 3.1 – CAL GRANT UPDATE

Ms. Mary Lindsey, Chair, Grant Advisory Committee (GAC), provided the following updates:

- Introduced new Vice-Chair Maria Hernandez from California State University, Fresno
- **State Nursing Assumption Program of Loans for Education (SNAPLE)** – The GAC met on February 21, 2006, to discuss and provide input on the proposed SNAPLE regulations that will be forwarded to the Office of Administrative Law (OAL). The normal process for the adoption of a regulation by a State agency requires that public notice be published first, by the OAL, followed by a 45-day public comment period, in writing, to the Commission. The notice for SNAPLE regulations will be published by OAL by March 3, 2006, with the public comment period closing on April 17, 2006. The notice has to be mailed out to the Commission's normal mailing list and others requesting notice. Fifteen days before the close of the comment period, anyone can request a public hearing where oral comments can be made for the record. Therefore, the GAC was encouraged to submit, in writing, any concerns they may have to the Commission within the 45-day comment, so the Commission could consider them in their analysis. If OAL accepts the regulations, the Commission would request an immediate effective date. If the regulations are not accepted, the Commission would have to review the OAL recommendations and make the changes and again, submit the revised regulations to the Commission for adoption. CSAC is working at getting the SNAPLE regulations passed by June 2006, so that awards can be issued. Ms. Lindsey assumed the responsibility of writing up any public comments, to be submitted to the Commission, and will present the comments as needed at the next Commission meeting.
- **CSAC's Uniform Policies for the California Student Aid Commission on Advisory Bodies** – Ms. Lindsey noted GAC's concern on the role of the advisory bodies and recommended a review of the CSAC Uniform Policies by GAC and Commission staff. Executive Director Michel explained that executive orders, management memos and changes in the law have occurred in the last five years, so review of the document is in order. Therefore, she has agreed that a subcommittee could be established to discuss the review and revision of CSAC's Uniform Policies

Mr. Max Espinoza, Chief of CSAC's Program Administration and Support Division gave the following Cal Grant updates:

- 8,250 Cal Grant Entitlement awards had been issued to date for the 2006-07 high school entitlement program.

- In their efforts to improve the Cal Grant program administration, staff have:
 - ✓ Strengthened the New Cal Grant Recipient Reference Manual
 - ✓ A promotional tool on the use of the WebGrants for Students was included with the California Aid Report (CAR).
 - ✓ New letters were created by the Commission's External Letter Review Committee.
 - ✓ Collaborative work with the financial aid community produced the insert "Your Financial Aid Does Not Stop Here" describing other sources of financial aid for students who did not qualify for a Cal Grant award.
- Staff has been working with students and schools to help meet the March 2nd deadline in order to maximize opportunities for students to receive a Cal Grant.
- State Superintendent of Public Instruction, Jack O'Connell agreed to broadcast the California High School Exit Exam (CAHSEE) communication to the counselor community.
- E-mail notifications to encourage students to file a verified Grade Point Average (GPA) are set to go out before March 2nd. These emails will go out to students who reflect a Free Application for Federal Student Aid (FAFSA) on record with the Commission, but have yet to file a GPA.
- School counselors, and the overall financial aid community, are being encouraged to get their California Chafee Grant Program (Chafee) students to file GPAs. Preliminary reports show that a noticeable number of Chafee students would have secured a Cal Grant had a verified GPA been filed.

Agenda Item 3.2 – CSAC Training Academy

Mr. Bryan Dickason, Acting Manager, School Support Services Branch provided the following training updates:

- Staff held GPA Verification training sessions online for high school counselors to provide them with the information needed to help potential Cal Grant students get their information into the Commission before the March 2nd deadline. The training was co-sponsored by the California Community Colleges. A total of 215 high schools logged on to receive training on how to submit electronic GPAs.
- The Corporation for Education Network Initiatives in California (CENIC), the Sacramento County Office of Education, and State Superintendent of Public Instruction, Jack O'Connell, joined forces to get the message out to high school counselors via a taped informational piece. Executive Director Michel will provide commentary on the filing of the forms and Commission staff expect to post the taped session on the Commission website for later use by other industry members.
- The work completed by the CSAC's Letter Review Committee will be reflected in the letters received by students for the upcoming academic year. Commissioner McClain commented that the letter review committee is to be commended. Executive Director Michel shared that the CSAC has thanked the committee members individually, but offered to have a formal letter drafted on behalf of the Commission leadership. Mr. Espinoza explained that a framed certificate of appreciation, signed by the Executive Director, was also issued to each committee member.

- CSACs Interactive Voice Response (IVR) system is handling 30 percent (30%) of the calls that come into the Commission. Feedback is still being considered and the system is updated accordingly
- CSAC's WebGrants for Students continues to be promoted. Inserts, discussing the site, have been added to all pertinent outgoing mail. Additionally, the Commission has created two posters and bookmarks promoting WebGrants for Students that will be distributed en masse to campuses and high schools across the state. These posters and bookmarks will reflect the message, "Anytime, Anywhere."
- The abandon rate in 2004, for the call center was listed at twenty-four percent (24%). The goal of 2005 was to reduce that rate to ten percent (10%) in an effort to improve customer service to students. In 2005, the Commission received 168,925 calls of which 146,000 were answered. The abandon rate for 2005 was effectively reduced to fourteen percent (14%). For the 2006-07 award cycle, the abandon rate is hanging at approximately four percent (4.4%).
- CSAC's School Support Services Branch has improved their telephone system, by adding a new phone tree that will have a menu of options that will allow schools to select the type of assistance they want (e.g., operations, GPA, etc.). A contact card will be released discussing the phone tree.
- Individualized training sessions are set to become part of the California Student Aid Commission's Training Academy (CSAC Training Academy). Most schools do not know that this service exists, but the intent is to address those specific training concerns for the individual school. These training session last from two to four hours.
- During the last six months, CSAC staff has been working to assess and restructure the Commission's training program in an effort to be more responsive to school training needs and to help keep schools current on changes in the financial aid industry at both state and federal levels.
- As of March 2005, the School Support Services Branch's Training Unit has been staffed with new employees. The new employees include Dianna Ximenez, Corazon Manuel, Drew Schrepel and Justin Ngo.
- The first training session of the CSAC Training Academy is set to launch late March-early April 2006.

Agenda Item 3.3 – CSAC/EdFUND Synergy Projects

Mr. Espinoza reported that the Synergy projects, which are collaborative work between CSAC and EdFUND, are very effective and ultimately provide better service to the schools and the students. Mr. John Bays, Chief, Information Technology and Ms. Jacque Silver, Vice President, Technology Solutions and Services, added that the Project's overall goal is to leverage resources, provide better service to schools and students, reduce calls, improve efficiencies, and increase the Commission's program flexibility.

The on-going projects include the following:

- Grant Delivery System (GDS) letter printing. The Project was successful in changing the printing source; allowing for greater flexibility in product processing; setting the tone for future synergistic projects; improving the turnaround time for releasing system letters to students; and saving the EDFUND operating fund a hundred thousand dollars a year.
- Collaborative work monitoring grant processes system jobs by the larger EDFUND staff providing network support for CSAC.
- EDFUND providing CSAC with “tier one help desk.” CSAC was tasked with providing coverage for the help desk and providing technical support for CSAC staff. EDFUND’s Help Desk staff now works collaboratively with CSAC’s Help Desk to cover help desk duties. Currently, CSAC staff handles the more complicated help desk and technical support issues.
- Synergistic efforts have allowed Commission staff to provide more expansive and timely service to over 600 or 700 high schools, and approximately 400 postsecondary education institutions, as well as supporting approximately 140 internal staff.
- The Assumption Program of Loans for Education (APLE) was another major project requiring commitment to effective collaboration between CSAC and EDFUND staff. There were over 100 boxes of documents warranting review and update to the new processing system. Imaging would allow staff to bring up information on a particular account that provides, in real time, the whole history of correspondence with the Commission.
- The Risk Assessment project, CSAC and EDFUND staff to jointly select a vendor to conduct a joint study, with separated results, on the level of risk for the organization. The results were shared with both the Commission and the EDFUND Board of Directors with recommendations taken from both organizations—another example of effective collaborative work in an effort to provide quality program service to students and schools. Mr. Bays thanked Janet McDuffie, Chief, Management Services Division, and the Information Security Office.
- The WebGrants for Students site had an implementation date that under other conditions, using other sources, would have been difficult to complete. Identified as a high priority project, it was ultimately decided that the website would be hosted at the EDFUND data center. The EDFUND Technology and Services staff completed the network connectivity and server installation infrastructure while CSAC staff completed the analysis, design, programming, testing, and installation of the web application and services. Mr. Bays recognized Ms. Brenda Keebaugh, Senior Program Analyst (Supervisor) for her significant contributions to the project and ensuring it was completed on time.

- The Interactive Voice Response (IVR) has allowed for the handling of 30 percent (30%) of calls coming into the center, resulting in a drop in the abandon rate. CSAC and EDFUND staff looked at different solutions for addressing the abandoned calls; assessed different vendor options and decided on one; and Commission staff, with help from the vendor, set out to design the IVR phone tree. The IVR system addresses the issue of abandoned calls, but also allows for effective tracking of call activity so that the Commission can address issues as they surface and report out the current status of incoming calls.
- The Imaging project for the GPA kicked off in January 2006, and has a completion target date of July 10, 2006. The goal is to have this project completed prior to the real time database project and the September 2nd competition cycle.
- Executive Director Michel added that the Commission has increased capacity of the Cal Grant program 131 percent (131%) and with the initiation of WebGrants for schools and students, the Commission is reaching server capacity and it is critical that the July 10th deadline be met so that effective delivery of the Cal Grant programs continues.

Joint Grants and Programs Committee and Fiscal Policy and Long-Range Planning Committee

Agenda Item 4.1 – Cal Grant Disbursement/Advance Payments/Reconciliation Processes and Proposed Changes

Mr. Max Espinoza, Chief, Program Administration & Services Division reported that CSAC staff has been reviewing the Cal Grant disbursements, advance payments, reconciliation processes and considering changing certain aspects of the existing processes. CSAC's Internal Audit Division has been looking at this issue as one of a series of audits that will be conducted on the Cal Grant administration. In particular, staff will be discussing issues of program eligibility, fiscal oversight, and bigger disbursement of funds. The discussion today, he continued, will focus on the actual reconciliation disbursement of funds, advances to schools and repayment reporting.

Ms. Diane Manning, Chief, CSAC's Internal Audit Services and Ms. Tina Kilgore, Assistant Vice President of Audit Services, reported on the two-year plan for conducting Cal Grant audits. Their goal is to have all audits completed by December 2007. Ms. Manning explained that the audit process would begin with the review of CSAC's method of collecting verified GPAs. They will continue by reviewing the program eligibility; the method in which the Commission projects funding needs for the Cal Grant program; and the selection and notification of Cal Grant recipients.

Ms. Manning discussed the recent audit conducted on the disbursement and reconciliation process. A very important part of the process is checking with CSAC staff to ensure accurate understanding of Commission operations.

Through the collaboration and exchange of information, six recommendations have been made to help strengthen internal controls and improve business processes.

1. **Payment advances and supplemental payments** - Currently, schools are advanced 95 percent (95%) of the money disbursed in the previous year for the same term (fall). Schools are funded based on previous enrollment levels and not levels reflective of the year for which the payment advance is given. This is being reviewed especially since there are other aspects of this process, such as the listing of students on school rosters due to their first school choice, that do not reflect accurate enrollment information.
2. **Reporting requirements placed on schools** - Schools are required to report student payments (reconcile records) by October 15th of that year (end of award year). If schools receive advance payment in the fall of the academic year, but do not report payment on some student accounts until the October 15th deadline, an entire academic year has passed without accounting for those funds and that is a concern. The recommendation on this issue is that annual reconciliation of funds be done on a term basis to ensure accountability of funds. Mr. Espinoza concurred that the process needs to be reassessed.
3. **Interest earnings** - Schools are required to remit any interest that they may have earned according to their institutional participation agreement they have with the CSAC. The agreement does not state that schools have to invest those funds in an interest earning account. The audit shows that schools are not remitting their interest back to the Commission and, in the case of a compliance review for 2004-05, ten out of 52 schools did not remit their earnings. The Commission does not currently have the mechanisms in place to track remittance interest. The recommendation is for CSAC to establish procedures for use by schools on remitting unused funds. Additionally, schools should be provided the tools to report interest; be required to keep Commission funds in interest bearing accounts; and establish procedures at the school for Commission staff to monitor compliance.
4. **Grant Delivery System (GDS)** - Need to look at refunds from schools. The audit found that only four of 20 refunds sampled successfully posted to GDS. There is a problem with the system design.
5. **Refunds from Schools**- Refunds are incorrectly returned from schools to the compliance address. Funds need to be sent to accounting. This matter will be fixed.
6. **State Administrative Manual (SAM)** - SAM procedures pertaining to collection funds from schools are not being followed. The Commission needs to follow the procedures as prescribed in the manual.

Staff acknowledged that CalSTARS and the GDS need to have matching data and are looking forward to having those system changes corrected. CSAC has implemented new procedures to encourage compliance from schools on refunds and staff is already using SAM guidelines in their operations.

Fiscal Policy and Long-Range Planning Committee

AGENDA ITEM 5.1 – APPROVAL OF THE NOVEMBER 14, 2005 AND JANUARY 25, 2006 MINUTES

On **MOTION** by Commissioner Furay, **SECONDED** and **CARRIED**, the minutes of the November 14, 2005, and January 25, 2006, were **APPROVED** by the Committee of the Whole as presented.

AGENDA ITEM 5.2 – APPROVAL OF THE STUDENT ASSISTANT CONTRACT

Ms. Janet McDuffie, Chief, CSAC Management Services Division, reported that the Commission has been contracting for student assistant services for more than a decade, and at any given time the Commission employees 20 to 40 students depending on peak periods. Student assistants are employed at various levels such as clerical to open mail or process paperwork, technical staff in the call center, and analytical in various Commission's division areas. Student assistants will also be used for the SEARS survey. Ms. McDuffie concluded that the student assistants are a very valuable resource and requested that the Commissioners approve the contract.

On **MOTION** by Commissioner Fousekis and **SECONDED** and **CARRIED**, the Commission, acting as the Committee of the Whole, authorized the Executive Director to enter into a contract with the California State University Foundation for the period March 17, 2006 through March 16, 2007, in the amount of \$400,000 for student assistants.

AGENDA ITEM 5.3 – DISCUSSION OF THE PROPOSED 2006-07 COMMISSION BUDGET

Ms. McDuffie explained that the information provided at this meeting was previously presented to the Fiscal Policy and Long-Range Planning Committee at its January 2006 meeting. Since that time the Legislative Analyst's Office (LAO) issued a budget analysis which contained comments regarding the proposals in the Governor's budget and a recommendation regarding the future administration of the California grant and loan programs.

Mr. Robert Illa, Manager, CSAC Fiscal and Administrative Services Branch, highlighted the LAO analysis as it relates to the Commission programs. The Governor's 2006-07 proposed budgets restores the maximum award from \$8,322 to \$9,708 for new Cal Grant A and B recipients at non-public institutions. This will be an increase in program funding of \$11.9 million. LAO supports this action but at the same time would like the Legislature to adopt a policy that sets parity between the public and non-public institutions.

Mr. Illa explained that the Governor's proposal sets aside 600 new APLE program awards for the University of California (UC) and California State University (CSU) institutions, specifically for math and science teachers. The LAO did not agree with designating these 600 awards specifically for UC and CSU, as it restricted the administration of the program.

Chair Sandoval discussed the LAO recommendation regarding the structural options for the California grant and loan programs. Chair Sandoval requested that a teleconference meeting of the Governmental Relations Committee take place on March 6, 2006, in order to discuss the LAO recommendation prior to the Joint Senate Education and Assembly Higher Education hearing scheduled for March 8, 2006. Chair Sandoval asked that President Kipp be present.

AGENDA ITEM 5.4 – REPORT FROM THE LOAN ADVISORY COMMITTEE

Ms. Janet McDuffie, Interim Chief, CSAC Federal Policy and Programs Division, reported that the Loan Advisory Council (Council) held an in-person meeting on February 9, 2006. Unfortunately, on the morning of the meeting, two members indicated they were not able to attend, which resulted in the Council not having a quorum; therefore a Chair could not be elected.

Ms. McDuffie reported that members were concerned that the Council was not being taken seriously and they want to ensure that the Commission values their input. The Council participated in a roundtable discussion, and it was suggested that they identify two or three issues that would be most meaningful to the Commission, such as the various segmental perspectives on the LAO report on structural options of California's Federal Family Education Loan (FFEL) Program. During the roundtable discussion, Council members discussed the affects of California High School Exit Exam (CAHSEE) and the recently passed Federal Deficit Reduction Act.

Ms. McDuffie indicated that the Council also reviewed the most recent draft of the "Roles and Responsibilities" for comment. Council members commented that EDFUND should have the flexibility to operate like its competitors in the industry, that there is an inherent value to EDFUND's connection with the Commission, and that there is some loyalty to EDFUND due to the State connection. The Council also noted that any perceived instability with regard to the relationship between the Commission and EDFUND is a concern and a school's decision to partner with the Commission and EDFUND is based, ultimately, on what is in the best interest of the students.

At the request of the Council, Commission staff have begun to poll members to meet prior to the April Commission meeting. Commissioner Baltodano requested that President Kipp work closely with Ms. McDuffie to ensure that the next Council meeting takes place prior to the April Commission meeting.

CLOSED SESSION

At 3:40 p.m., Chair Sandoval reconvened the Full Commission and recessed into Closed Session to discuss matters of a proprietary nature.

RECONVENING OF THE FULL COMMISSION

CLOSED SESSION

On Friday, February 24, 2006 at 8:30 a.m., Chair Sandoval reconvened the Closed Session portion of the Commission meeting to discuss matters of a proprietary nature.

Chair Sandoval reconvened the Open Session of the Commission meeting and 8:51 a.m., and reported from the Closed Session pursuant to the California Government Code §11126(a)(1) and the disclosure of the actions taken in Closed Session pursuant to California Government Code §11126-3(f). No action was taken during the Closed Session.

The following Commission Members were present:

James Sandoval
Josefina Baltodano
Rory Diamond
Michele Dyke
Sally Furay
James Fousekis
Dean Johnston
Louise McClain
David Roth

The following Commission Members were absent:

Adele Levine
Charles Moore

COMMISSION CHAIR'S REPORT

Chair Sandoval reported that the Commission's highest priority is dealing with the matters revolving around the CSAC/EDFUND relationship. He continued by stating that although the Commission had developed a consensus with regard to the roles and responsibilities, action is still pending the outcome of the Bureau of State Audits audit. He also advised the Commissioners to stand ready, as individual Commissioners, as well as within the context of the individual committees, to participate in any number of activities that will be occurring as a result of the Legislature's interest in the restructuring of CSAC and EDFUND. In closing, he indicated that the Commission's number one objective must be to position EDFUND to continue to do the great work that it has done for the State of California and students across the nation.

AGENDA ITEM 6.1 – EXECUTIVE DIRECTOR'S REPORT

Executive Director Michel provided the following update:

- Executive Director Michel recently taped a video stream on the Grade Point Average (GPA) Verification Training video, which will likely be available by February 27, 2006.

- Commission staff have been working on the Cash for College Workshops across the state. She noted that she has participated in many of the workshops and wished to thank all of the Commissioners who have also participated.
- Effective February 27, 2006, Keith Yamanaka will assume the position of Chief Deputy Director.
- The Commission will be searching for a new legal counsel to replace Mr. Yamanaka. In the interim, the Commission is working on an agreement with the Attorney General's Office to provide legal counsel advice when the Commission needs it.
- Executive Director Michel expressed her appreciation to the staff of the Federal Policy & Programs Division and Management Services Division for their time and effort in providing responses to the Bureau of State Audits (BSA) auditors, as well as the EDFUND investigators.

AGENDA ITEM 6.2 – APPROVAL OF NOVEMBER 17-18, 2005 MINUTES

On **MOTION** by Commissioner Furay, **SECONDED**, and **CARRIED**, the November 17-18, 2005 meeting minutes were **APPROVED** as presented.

AGENDA ITEM 6.3 – EDFUND PRESIDENT'S REPORT

Mr. Sam Kipp, EDFUND President expressed his appreciation for the confidence that has been shown him by the EDFUND Board in selecting him as the permanent President of EDFUND, as well as the level of positive response he has received from staff and the school and lender community. He stated that EDFUND will continue to work closely with all of its customers and partners to continue to make EDFUND the premier service provider. He continued with the following update:

- Through the work of the Client Relations staff, EDFUND has received continued interest and support from existing school customers as well as new school customers.
- On November 17th, President Kipp welcomed four institutions from the Eastern United States for a tour of EDFUND.

Referring to the written report, Commissioner Furay congratulated John Bays, Chief, CSAC Information Technology Services Division, and Jacque Silver, Vice President of EDFUND Technology Solutions and Services, and their respective staffs for completing the Imaging Optimization and Call Center projects ahead of schedule.

Commissioner Johnston wished to recognize the customer service exhibited by a new EDFUND employee during a meeting to garner information about the market place, and commended EDFUND for reaching out to the community.

Out of the order of the agenda, Chair Sandoval presented a resolution of the California Student Aid Commission honoring former Chair of Commission David Roth. In addition, Chair Sandoval stated that it was the Commission's intent to recognize former Commissioner Maria Elena Serna, but unfortunately, she was unable to attend today's meeting.

AGENDA ITEM 6.4 – REPORT FROM THE STANDING COMMITTEES

Item 6.4.1 – Personnel, Evaluations and Nominations (PEN) Committee Report from January 24, 2006 Meeting

Commissioner McClain, Vice Chair of the Personnel, Evaluations and Nominations (PEN) Committee, reported that the Committee met on January 24, 2006, and discussed and/or took action on the following: (Additional information may be found in the January 24, 2006 agenda materials and/or transcripts.)

EDFUND Board of Directors

On **MOTION** by the PEN Committee, **CARRIED**, the Commission **APPROVED** the appointment of Dr. Patricia Hurley of Glendale Community College for the term from February 24, 2006 to February 24, 2008.

Loan Advisory Council

On **MOTION** by the PEN Committee, **CARRIED**, the Commission **APPROVED** the appointment of Ruth Tesfai as the Private Post-Secondary Education Non-Profit Student Representative for the term of February 24, 2006 to February 24, 2008.

Commissioner McClain continued her report by reporting that the PEN Committee discussed the following timeline for the election of the slate of officers:

- March – Nomination ballots are distributed to Commissioners.
- April – The PEN Committee reviews the nominations and develops a slate of officers.
- June – The Commission votes on the slate of officers.
- July – The officers' terms begin.

The PEN Committee, in consultation with CSAC's Advisory Bodies, will review the Commission's *Uniform Policies for Advisory Bodies*, specifically, the policy for term limits of the advisory bodies and will plan to provide its recommendations to the Commission at its June meeting.

Commissioner Furay commented that the descriptions for each committee also need revision and advised each committee to review its committee description and update it according to the current way of operating. Commissioner McClain will provide the Commissioners with a copy of the detailed description of the duties for Commission officers and reported that the PEN Committee will continue to work on revisions to it.

At Commissioner Furay's request, and upon Chair Sandoval's approval, staff were directed to provide each of the committee chairs with a description of what the various committees do, and to bring forward for clarification, addition, or changes at their next committee meetings.

Item 6.4.2 – Joint CSAC/EDFUND Audit Committee Report from February 16, 2006 Meeting

Commissioner Dean Johnston, Chair of CSAC's Audit Committee reported that CSAC and EDFUND's Audit Committees met jointly on February 16, 2006, and discussed and/or took action on the following: (Additional information may be found in the February 16, 2006 agenda materials and/or transcripts.)

1. The Committee **APPROVED** the minutes of the November 7, 2005 meeting. The Committee received an update on internal audit activities, legal proceedings, the Bureau of State Audit (BSA) annual Federal Family Education Loan compliance audit and, the ongoing Joint Legislative Audit Committee audit.
2. The Committee met in closed session, with special counsel, and received a confidential presentation in connection with ongoing audits.
3. The Committee unanimously **ACCEPTED** the presentation.
4. The Chairs of the Committee have been authorized to take further action on behalf of the Committee, as may be required to conclude the audits.

Commissioner Johnston expressed his appreciation to the staff of EDFUND for their cooperation and turnaround time on responding to BSA's inquiries and requests.

Item 6.4.7 – Fiscal Policy and Long-Range Planning Committee Report

Commissioner Baltodano, Chair of the Fiscal Policy and Long-Range Committee, reported that the Committee met on January 12, 2006, and discussed and/or took action on the following: (Additional information may be found in the January 12, 2006 agenda materials and/or transcripts.)

1. Staff presented the changes to the Governor's 2006-07 Budget. The items presented are included in Tab 5.3 of the February 23-24, 2006 Commission meeting agenda.
2. Staff provided an update on the issues related to the Cal Grant Community College Transfer Entitlement Program. The Committee reached consensus on the direction Commission staff should take at meetings with legislative staff, as follows:
 - The Committee supports the proposal in Assembly Bill (AB) 840; the funds already paid to the affected students need not be recovered.
 - The Committee supports the proposal in AB 840 that students and institutions should be held harmless for current year disbursements.
 - The Committee is currently neutral, regarding the proposal in AB 840 allowing the cohort of students affected to continue to receive payments to complete their education programs, until more information is available.

Governmental Relations Committee

Agenda Item 2.3 – Annual Report to the Legislature on EDFUND

Commissioner James Fousekis, Chair of the Governmental Relations Committee reported that the Committee met on February 23, 2006 to discuss and consider the approval of the Annual Report to the Legislature on EDFUND. (Additional information may be found in the February 23, 2006 agenda materials and/or transcripts.)

Based on the February 23, 2006 discussion, it was noted that the Commission agreed to include a bullet on business diversification that includes a factual history. Additionally, Executive Director Michel noted that she would be reviewing the cover letter with President Kipp. After continued discussion, Chair Sandoval directed Commission staff to schedule a Commission meeting to be convened in ten days, to discuss and approve of the final Annual Report to the Legislature on EDFUND.

Other Business

Commissioner Johnston inquired as to the status of the Commission's long-range planning. Chair Sandoval commented that this issue would become a focus of the Commission after the BSA audit report is received, and the Commission is able to better determine the direction it will take. He suggested that this discussion take place at either the June Commission Meeting/workshop scheduled for June 22-23, 2006, or the Joint CSAC/EDFUND Joint Workshop scheduled for July 26-27, 2006.

After further discussion, the Commission agreed on the following items to prepare for these meetings:

- Chair Sandoval to create a planning group to consist of 2-3 Commissioners. Commissioner McClain is one of the selected members. Commissioner Baltodano volunteered to assist Commissioner McClain.
- Identify issues to help CSAC staff to prepare. (*Executive Director Michel*)
- Hire an external facilitator (not to plan) for the retreat. (*Commissioner Furay*)
- Differentiate between work at the Commission workshop and work at the Joint CSAC/EDFUND workshop - outside EDFUND issues, in terms of organization, officers, committee structure, strategic planning regarding Cal Grant, post audit discussions on what needs to be addressed. (*Executive Director Michel*)
- Bring planning issue back at next meeting in April (may not have full program, but at least selection of site and similar issues).
- Request CSAC staff input on what kinds of discussions they would like to have. (*Commissioner McClain*)
- Consider guest speaker to talk about structure after the BSA and LAO reports. (*Commissioner Fousekis*)
- Limit each Workshop to be no longer than 1½ days.

PUBLIC COMMENT

- Mindy Bergeron, representing CASFAA requested that the Commission include members of CSAC's Advisory Bodies in the development of the Commission's revised 5-Year Strategic Plan.

The meeting of the California Student Aid Commission was adjourned at 9:48 a.m.

Josefina Baltodano
Secretary