

Action/Information Item

California Student Aid Commission

Approval of March 30, 2007, April 18, 19 & 20, 2007 and May 1, 2007 Minutes

The minutes of the March 30, 2007 Commission meeting are presented for review and approval.

The minutes of the April 18, 19 & 20, 2007 and May 1, 2007 Commission meetings will be presented for review and approval at a future meeting.

**CALIFORNIA STUDENT AID COMMISSION
SPECIAL MEETING**

**MINUTES
MARCH 30, 2007**

A meeting of the California Student Aid Commission convened on Friday, March 30, 2007, at 3300 Zinfandel Drive, Rancho Cordova, California.

Chair Louise McClain called the meeting to order at 8:34 a.m.

The following Commission Members were present:

Louise McClain, Chair
Dean Johnston, Vice Chair
Michele Dyke, Secretary
Chad Charton
Rory Diamond
Daniel Friedlander
Sally Furay
Dennis Galligani
Lorena Hernandez
Alice Perez

The following Commission Member was absent:

David Roth

**AGENDA ITEM 1 – DISCUSSION ON STRUCTURING ROLES, RESPONSIBILITIES AND
POLICIES OF THE COMMISSION AND EDFUND AND THEIR
RESPECTIVE STAFFS**

Chair McClain commented that the job of the Commissioners is to build a healthy infrastructure of governance by developing policy that supports the Commission’s mission because policy represents the most powerful lever for the exercise of leadership. Chair McClain expressed her gratitude to the Ad Hoc Governance Committee consisting of Commissioners Galligani and Johnston, and thanked Commissioner/EDFUND Board Chair Sally Furay for providing guidance from the EDFUND perspective. She also thanked The Results Group and Aurora Consulting for their work as well as Deputy Attorney General Kathy Lynch for her guidance.

Commissioner Galligani commented that as he worked on the Commission policies, it became clear that there was a real need to move from a culture of managing or overseeing management minutia to actual governance. He indicated that the Commission needs to develop a culture of positive governance so they can best serve those low-income students and families that they have been asked to serve.

Deputy Attorney General Lynch stated that the Attorney General's Office views oversight as a discretionary act; it is within the Commission's authority and this authority cannot be delegated. She explained that oversight means more than reporting and advised the Commissioners, as they develop their policies and procedures, to set up a system of checks and balances.

Mr. Michael Wright, The Results Group, commented that by developing comprehensive policies, the Commission will take a more active role in oversight to fulfill its statutory responsibility, which it cannot delegate, and ensure that oversight is both effective and efficient, protects the interest of the State of California, and makes the best use of all the Commission's resources. Mr. Larry O'Toole, Aurora Consulting, provided an overview of the different guaranty agency organizational structures in existence. In addition, Mr. Wright reviewed the statutory language pertaining to the Commission's and EDFUND's roles, responsibilities and oversight.

Executive Director Michel offered historical information regarding the 1998-99 Bureau of State Audits (BSA) finding about the conflict of interest between the Commission's Executive Director serving in a dual role as President of EDFUND. She noted that, in response to this audit finding, the Commission took an action to appoint a separate individual as head of EDFUND, but failed to define roles and responsibilities, particularly accountability. For disclosure purposes, Executive Director Michel informed the Commission that she had served as Secretary for Higher Education to Governor Davis at the time and was the individual who wrote all of the background documentation about the legal case involving EDFUND and CSAC that was pending at that time.

Commissioner Perez commented that it is extremely important to not only define the Commission's responsibility, but also to define what can and cannot be delegated, as well as what each organization must do in order to help the Commission's decision-making. She indicated that this is about what the Commission and EDFUND need to do to become the best entities they need to be in order to serve the State and the students. She noted that the Commission has focused on day-to day operations, so one focus should be to create more efficiencies in the daily operations so that, more importantly, the Commission can become more visionary.

Commissioner Friedlander remarked that hearing about the initial BSA response and the conflict of interest issue makes it clear that there is error in not knowing what oversight is, and that there is the responsibility on the part of CSAC, as the State agency, to be accountable to the State, and for EDFUND to be accountable to CSAC.

Commissioner Galligani pointed out that CSAC and EDFUND have two different cultures and yet the Commission has responsibilities for both and must determine the best way in which to oversee and allow both cultures to succeed towards the Commission's mission.

A question was raised as to whether the guaranty agency designation could be delegated away from the Commission. Executive Director Michel clarified that in previous business diversification-related discussions with the Offices of the Speaker and the Governor in 2004, it was determined that the guaranty designation could only be delegated by legislation.

Commissioner Johnston commented that one of the challenges the Commission faces in developing the policies is whether to be very prescriptive, which is more limiting, or to be general, which can sometimes mean more risk.

Commissioner Perez added that wherever the Commission needs to provide clarity in order to enable staff to perform their jobs, the Commission should do so. She also noted that the

Commission should be mindful of any opportunities to revisit and readjust the policies as issues arise in the future.

Discussion ensued regarding the "Initial Working Draft" of the Commission Governance Policies. The following represents the Commission's discussion as well as areas of consensus on key revisions to the document (italicized bullets):

Introduction – Purpose and Types of Policies (Monitoring Policies)

Commissioner Galligani raised the issue of determining which standing committees are needed to carry out the Commission's policies. Commissioner Friedlander mentioned that he had shared some ideas with Chair McClain about restructuring the committees to reduce the number and combine some functions. He indicated that it would allow more Commissioners to serve on the committees and build upon their knowledge and body of expertise. In addition, Executive Director Michel pointed out that the draft policies do not address whether or not there are staff members who support the director and the Commission in its role of oversight.

Introduction - Entity and Program Names

- *Provide clearer definitions of each entity and its staff as well as all of the Commission's programs.*

Global Policy – Ends

- *Indicate that the Commission is acting on behalf of the people of the State of California.*
- *Emphasize access and outreach.*

Commission Governance Policy 1 – Governance Approach

- *Emphasize language regarding policymaking and leadership.*

Commissioners Friedlander and Perez suggested revisiting at a future meeting the issue of whether the Commission should be a true policy leader, i.e. sponsor legislation on new initiatives.

- *Specify that the Commission will retain ultimate authority, responsibility and oversight.*

Commissioner Perez suggested including language indicating the Commission would cultivate a sense of group responsibility to ensure that the Commissioners are provided with all of the information they need to make their decisions. Commissioner Friedlander added that when dealing with issues pertaining to EDFUND, the information provided should be collaborative, meaning that, although CSAC and EDFUND staffs may disagree on the issue, the material presented to the Commission should be mutually agreed upon and should include the disagreements and alternatives. Mr. Wright suggested including this in the Commission's Executive Parameters Policies.

- *Clarify that the delineation of roles and responsibilities will avoid unnecessary duplication of effort.*
- *Clarify that once a decision is made by majority vote, the Commissioners will speak with a single voice irrespective of the individual's opinions or perspectives.*

- *Add language that the Commission will solicit stakeholder input when making policy changes.*
- *Specify that the Commission will evaluate its governance annually.*
- *Add language that Commissioners will receive mandatory comprehensive orientation and their continual development will include being informed of legislative issues or policies affecting the Commission.*

Commission Governance Policy 2 – Commission’s Role

- *Given the language regarding oversight of the loan program and EDFUND (bullet A), add parallel language on grant program oversight (bullet B), which will require the necessary outputs and documentation to assure control agencies that CSAC is fulfilling its mission as well as its statutory and regulatory obligations.*

Executive Director Michel gave an overview of the various guarantor-related items for which she has been delegated signature responsibility, ranging from basic guarantee and lender agreements to financial documents required to transfer funds, as well as other documents, which must all be certified as true and correct.

Commissioner Furay remarked that to implement Executive Director Michel’s point, the Commission will have to distinguish what they have no authority to delegate (because it is already in statutory law or regulations), and what is within the Commission’s authority to delegate, which they may want to continue, not continue or add to. She indicated that all delegations must be in writing to provide clarity for future Commissioners.

- *Given the language regarding performance reviews of EDFUND operations (bullet C), add parallel language on program reviews for the grant operations.*
- *Add language that the Commission will maintain a working relationship with stakeholders in order to make policy decisions.*

Commission Governance Policy 3 – Commission Chair’s Role

- *Include standard board chair practices and customized reporting responsibility.*

Commissioner Friedlander commented that the Commission should not have an Executive Committee, which consists of the Commission’s four officers, because the members cannot have consultation without potentially violating the Bagley-Keene Open Meeting Act. Abolishing the Executive Committee would allow the Chair of the Commission to speak freely to the other officers individually at any point if he or she desired. Executive Director Michel suggested that the issue be included in a future agenda for the Commission to consider and take action. In addition, the Commission may want to take a separate action to establish committees with functions.

- *Specify the chair’s role in relationship to the executive director and the president of EDFUND, versus the Commission’s role.*

Executive Director Michel raised the issue of executive responsibility. She explained that the Constitution requires that any executive officer furnish information to the Governor upon request and noted there have been problems in the past with other Commissioners in terms of relaying information to the Governor's Office, specifically to the Office of the Secretary of Education (OSE), or the Department of Finance (DOF). She clarified that when the Assistant Secretaries for Higher Education, Finance or Special Programs contact her, she is aware that they hold the title of Assistant to the Governor, which means she must respond. She indicated that this also holds true for DOF, which has employees with similar executive titles and direct confidential status. She added that many issues related to EDFUND involve information that is confidential and proprietary in nature, and she recommends that the Ad Hoc Committee and the Commission work on how information is relayed and what the Commission expects to be advised before, during and after the request.

Commissioner Johnston commented that since he began serving on the Commission, he does not believe there has been a case in which the Commission has decided not to provide the information requested. He indicated that the way information is delivered and in what context it is delivered are policy issues and should be consistent with the way the Commission desires the information to be delivered. He noted that this problem may be due to a style adjudicated out of a chair's discretion rather than a policy set by the Commission, so the Commission needs to specify what the Chair and the Executive Director can and cannot do with external regulators.

Executive Director Michel remarked that the issue is not just a matter of the Chair's style, but also goes to accountability and whether the Executive Director is responsible to the Chair or to the Commissioners. She indicated that there needs to be a decision-making tree. Commissioner Furay commented that this issue precedes Executive Director Michel's tenure and is endemic to the Commission's lack of clarity.

- *Clarify that the chair is a representative of the Commission who interacts directly with the leaderships of the organization, but is not empowered to give direction without first consulting with the Commission on some particular issues.*

Chair McClain expressed concern that the Chair should not have the power to communicate anything that the Commission has not already decided. Commissioner Perez clarified that the Commission needs to outline the Chair's responsibilities to ensure that one person who may have a very different vision does not lead the Commission in a very new direction. She added that the Commission must clearly define the types of issues that the Chair can direct and those that must come to the Commission for consideration. Commissioner Friedlander explained it would be like a delegation resulting from the decisions discussed within the context of an agenda meeting.

Commissioner Johnston indicated that the Commission should delineate and specify those items that Executive Director Michel should sign and determine whether that is the appropriate signature authority or not. Commissioner Perez voiced her apprehension about assigning responsibility to a Chair appointed for a term who may not have the knowledge needed to sign the document opposed to staff that oversees the day-to-day operations.

Chair McClain commented that many boards function very well with only two officers: a chairperson, responsible for the integrity of the board process; and a secretary, responsible for the integrity of the board documents. The chair would not be responsible for the functioning of the organization nor for the quality of the chief executive officer (CEO). Commissioner Perez reminded the Commission that they would need to define the role of the secretary as well.

Commission Governance Policy 5 – Committees

- *List the standing committees and define their responsibilities.*
- *Indicate that ad hoc committees, rather than standing committees, will be used sparingly.*
- *Define the structure of communication between the committees and staff.*

Chair McClain indicated that the structure of communication with staff needs to be clarified. Commissioner Furay noted that, on a number of boards, she has seen instances where information was given directly to committees without the knowledge or consent of the CEO. She clarified that this particular policy means that the process she described would not be allowed.

Ends Policy 1 – Grants to California Students:

- *The consultants will seek input from Commission staff regarding outcomes and the Ad Hoc Governance Committee will work on the language.*

Ends Policy 3 – Maximizing of Services and Revenues

- *Change “EDFUND revenues” to Federal Student Loan revenues.”*
- *Include the following as priorities for loan program revenues: 1) meet the needs of the students; 2) ensure financial viability/national presence; and 3) fund grant operations and administration.*

Discussion ensued regarding a potential fourth priority to use loan program revenues to fund Cal Grant awards.

Commissioner Friedlander disagreed with utilizing revenue for purposes of funding grants and noted that the Executive and Legislative Branch would decide whether to use revenues to support grant program administration. Although he does not advocate that the State do that, he suggested that the policy should leave open the possibility for it if there is extra money for other student financial aid activities that are consistent with federal law.

EDFUND President Sam Kipp offered historical background, explaining that California statute specifies the purpose of California’s participation in the FFEL Program is to provide essential services and financial aid to California students, first and foremost. However, it does not specify that the FFEL Program is to generate monies for other purposes. Furthermore, he noted that the enabling statute for the creation of the not-for-profit public auxiliary makes no reference to the purpose of creating the auxiliary to generate monies to support other Commission programs. He mentioned that the statute references providing support to the Commission’s mission and programs, but when the statute was passed, there was only a single fund in the loan program and it could only be used for loan program purposes. He added that recent State practice in financially difficult times for the State resulted in certain decisions but it is historically inaccurate to imply that was the reason for creating EDFUND. President Kipp stated that the more recent activity has focused almost exclusively on publicizing the grant program; however, he maintains that if it is a shared responsibility, then it is a State General Fund responsibility in the larger extent.

President Kipp clarified that the order of priorities for California’s participation in the Federal Family Education Loan (FFEL) Program is to ensure that a source of loans is available to assist the greatest number of eligible students; to ensure that loans are available to eligible resident students to meet the criterion; and to provide essential loan aid and resources to California students. He added that the enabling statute indicates the Commission has a fundamental

responsibility to support and ensure the financial viability and long-term success of EDFUND. Therefore, to the extent there may be money available at certain times for both, then so be it. However, first and foremost, if EDFUND is not financially viable or successful, then there is no money to argue about.

Executive Director Michel pointed out that the Annual Budget Act is statute and in place for a year. She explained that prior to 1999, there was only the Federal Fund. The decision to create the Student Loan Operating Fund (SLOF) was made so that the State would have access to the revenue from the loan program. Furthermore, the Commission's mission was the driving force behind the legislation to allow EDFUND to administer the FFEL Program out-of-state, ultimately for the purpose of serving the students of California. Executive Director Michel added that the 2004 legislation, which allowed business diversification, included intent language that set expectations for EDFUND that were to bring revenue to the State of California. She advised that the Commission needs to look at the legislative history in terms of the legislative side, the budget side, and the federal and state levels.

President Kipp responded that the Budget Act is an annual decision based on the financial circumstances of the case as to what may or may not be possible or desirable. He remarked that it is not a permanent decision that marks a demarcation point after which the decision will be the same regardless of the status of the Operating Fund. The decisions were understood to be one-time-only changes.

Executive Director Michel explained further that the decisions were made by the Governor and the Legislature. The Commission had advocated for a much lower amount of revenue to be transferred, but the Governor and the Legislature overruled the request every single year of the budget process. She added that for the last four years, the Commission would have had to cut the number of Cal Grant awards by 15 to 20 percent each year. If not for the SLOF, the Commission would have lost the ability to fund 20,000 students a year. If the Commission were to change policy and policy direction at this point, it would threaten the Cal Grant program. She stated that if the Commission does not have the revenue to support both programs, it will be a difficult year for everyone because the Cal Grant program is the priority of the Legislature.

Commissioner Hernandez remarked that the Legislature has already set the precedent for using loan program revenues to support the grant program and in the end, the Legislature will decide whether to do so again. She believes that students who are not eligible for grants need an alternative source at an affordable price, but she is very disturbed that there are students today who cannot afford loans and the only way they can receive access to education is through the grants program. She does not want to underrate the importance of EDFUND but she believes the Commission needs to focus on its true mission, which is to provide access to education.

President Kipp responded that loans are the fundamental access source and are critical when the grants fall short. Mr. Marco De La Garza, California Community College Student Financial Aid Administrators (CCCSFAA) expressed his support of the loan program and the grant program, but indicated that it would be detrimental to sacrifice one over the other. At the community college level, loans are the only source available to the middle class population, which is different than the Cal Grant eligible population. Mr. De La Garza indicated that unless the Commission changes the criteria to increase the awards, then they must consider keeping all resources. He added that his school utilizes EDFUND because they are in California and they provide the service, but if the delivery of services stops, there are other guarantors from which to choose.

Commissioner Galligani commented that ideally, every low-income student should be covered by a grant and the Commission should be very proactive in working towards that goal; however, the reality is loans and the Commission needs to accept it and provide some kind of balance between grants and loans. Secondly, he believes the Commission must try to make EDFUND as viable, flexible, nimble and competitive as possible and still maintain oversight. Lastly, the Commission should prioritize any remaining resources. He added that he personally does not believe that loan program revenue should be supporting the administration of the grant program, unless there are excess funds.

Mr. Tim Bonnel, Community Colleges Chancellor's Office, commented that colleges determine which guaranty agency they will use and if EDFUND's sustainability is brought into question, it makes a huge impact on perceptions in the marketplace and will affect the decisions of lenders as well. It is critical for the Commission to recognize that EDFUND needs to remain competitive and generate as much revenue as possible so that discussions can continue on how to spend the excess funds for the purposes of improving access and choice for students in California. He added that if the Commission is redefining EDFUND's role, they must take into consideration the stakeholders' and constituents' perspectives and input.

Commissioner Perez clarified that she does consider EDFUND to be a critical organization, but she is concerned about those students who cannot go to college because they do not have the means. She believes the Commission needs to continue to have outreach and educate students on the possibility of going to college and the means to get there. She considers grants to be a critical part of that.

Commissioner Furay commented that the Commission has a statutory obligation not only to oversee EDFUND, but also to implement and effectuate the work of the auxiliary so as to enhance the administration and delivery of the Commission's programs and services, including loans. She pointed out that over half of the loan program revenue comes from out-of-state, which poses a marketing problem for EDFUND because out-of-state institutions do not appreciate the idea of loan program revenues they helped generate are used to benefit California only. She indicated that it does not make a difference to her if CSAC's administrative costs are funded by the SLOF as long as the money is available. However, outreach is the responsibility of both organizations and she believes that it is a perfectly legitimate use of the SLOF. In light of other synergies between the two entities, such as information technology, she has been uncomfortable with the discussion over the past two years on which entity gets the money. She stressed that EDFUND is the Commission's auxiliary, not its adversary, and she considers both CSAC and EDFUND to be one entity.

Commissioner Friedlander concurred with Commissioner Furay and pointed out that the Commission adopted loan program guiding principles, which clarified that the Commission's priority is not to jeopardize the financial viability of EDFUND. However, he does not agree that the priority should necessarily be EDFUND's national viability.

Commissioner Johnston raised the issue of the discretionary use of excess revenues, explaining that federal law requires the Commission to approve any use of operating funds for non-loan activities. He believes, from a policy standpoint, that the Commission needs to make that very clear to Legislative staff that may or may not understand the complexity of how the SLOF operates. Understanding that the Legislature will make the decision, Commissioner Johnston believes the Commission should have a policy statement in place that goes beyond the recently adopted guiding principles, and explains to the Legislature the consequences of their decisions.

Executive Director Michel advised the Commissioners to prepare themselves for the reaction of the Legislature, which may decide it cannot fully fund the Cal Grant or Cal-SOAP programs. The Commission will need to examine that issue because there is no other revenue source.

President Kipp responded that the SLOF is governed by the federal statutes that created it and the Legislature does not have unilateral authority to use it however it chooses. His understanding is that when the Commission approved the loan program guiding principles, the Commission recognized that it is incumbent upon both Commission and EDFUND staff to educate the Legislature, the Governor's Office and the Department of Finance. The State needs to recognize that if the Commission's programs are important to them, they need to start thinking about adding some of their own money to reflect that. Along those lines, Commissioner Perez suggested that staff continue to look at ways to create more synergies between the two entities, thereby creating savings.

Due to time constraints, Chair McClain decided to proceed with discussion of the Monitoring and Oversight Policies in order to provide guidance to Commission and EDFUND staffs currently working on the new Operating Agreement. Ms. Janet McDuffie, Acting Chair of Federal Policy & Programs, and Mr. David Reid, EDFUND General Counsel, provided an update on staffs' progress on the Operating Agreement. Ms. McDuffie indicated that staffs completed the basic components, but would need the Commission's guidance on oversight issues, including delineation of functions and expectations, in order to move forward on the Operating Agreement.

Monitoring and Oversight Policies

The Commission continued its discussion and reached consensus that the following issues must still be worked through:

- Establish any delegation of authority in writing.
- Distinguish between the policy and management levels of oversight.
- Determine what level of validation is required.
- Seek legal counsel on whether there are other constitutional reporting responsibilities of the Commission beyond those of the Executive Director.
- Seek legal counsel with regard to possible delegation of signature authority.

During a discussion of the Executive Director's role, Executive Director Michel presented a draft document listing the various guarantor-related items for which the Commission has entrusted her with signature responsibility, ranging from basic guarantee and lender agreements to financial documents required to transfer funds, as well as other documents, which must all be certified as true and correct. She commented that she needs to have access to information that may exist at EDFUND in order to certify these documents. She explained that she is a Commission appointee and the Commission may change her job duty description, but the Department of Personnel Administration has the final approval and must determine whether any changes in responsibility are within the existing law and the Commission's authority.

Commissioner Galligani mentioned that there is an extensive amount of certified audit work that takes place at EDFUND regarding a variety of oversight issues, and asked to what extent do those audit reports help meet the Commission's responsibilities in a legitimate oversight way. Commissioner Johnston is interested in knowing what amount of that audit work can be used to put the Executive Director at ease as far as signing documents. Executive Director Michel

indicated that she does not see audits as an issue because audits are after the fact. The issue in contention with regard to financial reporting, for example, has been accessing information for purposes of validating invoices before paying expenditures. With regard to the lender agreements, the issue has been accessing information on issues that EDFUND has negotiated on behalf of the loan program.

Commissioner Johnston expressed his frustration with regard to the lack of internal audits performed on the Grants area and Federal Policy & Programs Division (FPPD). He indicated CSAC does not have the expertise in helping to identify, suggest and streamline processes compared to EDFUND. In addition, he pointed out there is no internal or external auditing function at FPPD. Furthermore, there is resistance to move forward with obtaining the auditing function.

Commissioner Furay commented that she does not see it as resistance but rather as integral to the whole process of defining the roles and responsibilities. She understands that some issues desperately need be done, but cannot be dealt with because the Commission is unsure of surrounding issues.

Commissioner Johnston commented that the Commission needs to transcend staff and focus on the bigger picture. He indicated that the Commissioners need to decide how they want to govern their management team and their responsibility for their programs. Commissioner Perez added that it would be helpful to understand the difference between what the Commissioners want and what is mandated because in the past, some oversight responsibilities that were not to be delegated were, in fact, delegated. Commissioner Friedlander remarked that it would have been much more helpful to have had some legal analysis and education with regard to the possibilities when the discussions began last July. In fact, he had requested it at the July workshop and at every public meeting since then.

Deputy Attorney General Lynch stated that statutorily, the Commission can delegate what they lawfully can delegate, but she reiterated that oversight cannot be delegated to the Executive Director or the EDFUND President and cautioned the Commission against setting up a mechanism where EDFUND is merely reporting without the Commission's review and analysis.

Mr. Keith Yamanaka, Chief Deputy Director, clarified that State employees are subject to the systems specified for example in the State Administrative Manual and State law, which define how public funds are to be treated, and which establish a method of accountability over those funds. He indicated the problem is there is overlap in the responsibility for information for loan program oversight and the responsibilities for actual day-to-day oversight and accountability that State employees have for State funds.

Ms. McDuffie discussed the validation process for invoices from EDFUND and indicated that it would save Commission staff a significant amount of time if EDFUND would provide access to the system, which Commission staff has been requesting for two years. Mr. Martin Scanlon, Vice President and Chief Financial Officer, EDFUND Finance & Administration, responded that EDFUND is bound by Government Accepted Standards, IRS direction and non-profit organization law. To have all the expenses that EDFUND does, in addition to the budget process, flow through all of these policies, be audited annually and be validated on a monthly basis is a big duplication of effort. Commissioner Johnston commented that it seems Commission staff would only be using the system, not asking EDFUND to provide additional resources. However, Mr. Scanlon disagreed.

Commissioner Perez emphasized that staff should be given access to the information they need to do their jobs easier. Mr. Scanlon responded that EDFUND believes they provide an appropriate level of detail, taking into consideration the levels of materiality. System access is not the issue and it can be easily provided, but there is resistance because EDFUND feels it is not a good use of their staff time to track items that would not meet what they consider a reasonable threshold. President Kipp clarified that the delay in providing access was related to EDFUND waiting for Commission staff to specify which screens they required in order to do their jobs.

Commissioner Friedlander commented that the fact EDFUND feels they already provide an appropriate level of detail is symbolic of the problem as well as the difference in culture. Lack of sensitivity exists on both sides with regard to the culture and environment in which each operates. CSAC staff, as State officials, are reporting that the level of detail they receive from EDFUND is much less than what they receive from other vendors and contractors. Specifically in this area, there is a lack of appreciation or level of accountability to State Government with regard to public funds.

Commissioner Charton commented that when there is a failure to provide necessary information, it results in a conflict that makes its way to the Commissioners, who end up dealing with the day-to-day managerial functions. He indicated that should not be the case and the Commission needs to resolve it so that they can move on to other issues. In addition, he understands the strain on human capital when dealing with unnecessary or unreasonable requests and thinks there should be further clarity on what those limitations should be. This includes very clear, concise explanations of requests so that each party can conceptualize and understand the necessity or merit behind the requests.

President Kipp mentioned that when he served as Executive Director for nine years and had responsibilities over both programs, it was never as complicated as it is now. Handling the State obligations and being responsive to State bodies and others did not involve this incredible set of procedures and impediments to believing the information coming from his accounting staff or checking invoices. Commissioner Friedlander pointed out that a major distinction is that, at the time, Dr. Kipp was a State official and the level of accountability to the State was there in a way that is different from the arrangement now. Additionally, the loan program was much smaller than it is today.

Some discussion followed regarding the next steps and it was announced that the Commission would continue its discussion of the Governance Policies at its April 18, 2007 meeting.

The meeting of the California Student Aid Commission adjourned at approximately 5:30 p.m.

Michelle Dyke, Secretary