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# 1

## Information/Action Item

### *California Student Aid Commission*

#### Consent Calendar

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**Recommended Action:** Approve the consent agenda, including:

- Tab 1.a Minutes of April 15, 2010 (Action)
- Tab 1.b Approve an interagency agreement with the Attorney General's Office for legal services in the amount of \$200,000 for 2010-11 (Action)
- Tab 1.c Approve an interagency agreement with the Office of Technology Services for data center support in the amount of \$190, 000 for 2010-11 (Action)
- Tab 1.d State budget update (Information)
- Tab 1.e Update on Master Plan recommendations (Information)

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**CALIFORNIA STUDENT AID COMMISSION  
MEETING MINUTES**

**April 15, 2010**

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A meeting of the California Student Aid Commission was held on Thursday, April 15, 2010 at the California Emergency Management Agency (Cal EMA) at 3650 Schriever Avenue in Mather, California.

Chair Barry Keene called the meeting to order at 8:39 a.m.

The following Commission Members were present:

Barry Keene, Chair  
Lorena Hernandez, Vice Chair  
Lynne de Bie  
Patricia Fong Kushida  
Alexander Gonzalez  
Lawrence Hershman  
Enrique Murillo  
Israel Rodriguez  
Antonio Solórzano, Jr.

The following Commission Members were absent:

Bonaparte Liu  
Fred Wood

Roll Call was taken and a quorum was recognized.

**PUBLIC COMMENT**

Mr. Fred Holland, Executive Director of West Coast University and Past-President of the California Association of Private Postsecondary Schools (CAPPS), provided general information about CAPPS.

Ms. Kate Jeffery, University of California Office of the President, reported on the results of the collaborative effort between the Commission staff and the members of the Education Roundtable in support of advocacy for full funding for the Cal Grant Program. The collaboration led to the development of two fliers that can serve as a tool in individual segments, communications on the state's 2010-11 higher education budget, and for any other entity interested in participating in advocacy efforts.

**CHAIR'S REPORT**

Chair Keene made the following remarks:

- The President has signed the Direct Lending measure into law, leaving the Commission with questions about the sale of EdFund and the issues relating to the transition.
- The Commission received a response letter from the Department of Finance on allegations of improper expenditures by EdFund management, which cannot be debated at this time, but members are urged to consider it and develop ideas before the next meeting.

**AGENDA ITEM 1 - CONSENT CALENDAR (Action)**

On **MOTION** by Commissioner Gonzalez, **SECONDED** and **CARRIED**, the Commission **APPROVED** the Consent Calendar, which included the following item:

- a. Minutes of February 25, 2010.

**AGENDA ITEM 2 - UPDATE ON COMMISSION IMPLEMENTATION OF CHAPTER 644, STATUTES OF 2009 (AB 187) AND THE PILOT PROGRAM FOR A CAL GRANT ALTERNATIVE DELIVERY SYSTEM (Information)**

Mr. Bryan Dickason, Manager of Grant Operations, provided an overview of the efforts of the Commission and the AB 187 Advisory Task Force to prepare for the implementation of the Cal Grant alternative delivery system pilot program. He noted some concerns, including program costs, auditing of pilot and non-pilot schools, tracking of Cal Grant eligibility use, and distribution of funds to schools to pay Cal Grant participants. There was further discussion and Commission staff indicated that the upcoming meeting of the AB 187 Advisory Task Force would allow segments the first opportunity to review and consider a conceptualized draft of the regulations.

**AGENDA ITEM 3 - CONSIDERATION OF THE ADOPTION OF FINAL REGULATIONS, SECTIONS 30730-30736, TITLE 5, CALIFORNIA CODE OF REGULATIONS, DIVISION 4, CHAPTER 1, TO INTERPRET, IMPLEMENT AND MAKE SPECIFIC SECTIONS 69999.10 – 69999.30 OF THE EDUCATION CODE, IMPLEMENTING THE CALIFORNIA NATIONAL GUARD EDUCATION ASSISTANCE AWARD PROGRAM (Information)**

Ms. Catalina Mistler, Chief of the Program Administration & Services Division, introduced the following representatives of the California National Guard:

- Colonel Promotable Lawrence Haskins, Assistant Adjutant General;
- Colonel John Crocker, Director of Governmental and Public Affairs;
- Lieutenant Colonel Thor Iljana, Chief of J1 Plans and Training;
- Captain Bevin Stokesberry, Plans and Operations Specialist;

- Major Chris Weaver, State Legislative Liaison Officer;
- Katrina Beck, California National Guard Education Assistance Award Program (CNG EAAP) Coordinator; and
- Larry Williams, CNG EAAP Coordinator based at the Commission.

Ms. Mistler provided an overview of the CNG EAAP and presented the staff recommendation to adopt the regulations. Some discussion followed and Commission staff indicated that the Commission would notify the institutions of fifth-year program eligibility.

On **MOTION** by Commissioner Hernandez, **SECONDED** and **CARRIED**, the Commission **APPROVED** the recommendation to adopt the proposed regulations [Sections 30730-30736, Title 5, California Code of Regulation, Division 4, Chapter 1, to interpret, implement and make specific sections 69999.10-69999.30 of the Education Code, implementing the California National Guard Education Assistance award Program (CNG EAAP)] 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.

#### **AGENDA ITEM 4 – UPDATE ON FEDERAL LEGISLATION AFFECTING COMMISSION PROGRAMS (Information/Action)**

Ms. Lori Nezhura, Legislative Liaison, and Ms. Patricia Landaker, Federal Policy & Programs Division, provided a power-point presentation on the Health Care and Education Reconciliation Act of 2010 (HR 4872) and the changes affecting Pell Grants, the College Access Challenge Grant, historically black colleges and universities and minority serving institutions; and the student loan program. Mr. Ed Emerson, Chief of Federal Policy & Programs, discussed the Commission's student loan portfolio and the proposed sale of EdFund. A general discussion ensued.

*The following agenda items were discussed out of sequence.*

#### **AGENDA ITEM 6 – POLICY DISCUSSION ON HIGHER EDUCATION POLICY PRIORITIES AFFECTING STUDENT ACCESS AND AFFORDABILITY WITH MICHELE SIQUEIROS, EXECUTIVE DIRECTOR OF THE CAMPAIGN FOR COLLEGE OPPORTUNITY (Information/Action)**

Ms. Michele Siqueiros, Executive Director of the Campaign for College Opportunity, provided an overview of her organization and presented its policy priorities, which include:

- Promoting the identification of additional revenues for higher education;
- Supporting the preservation of Cal Grants;
- Supporting moderate and predictable fees and the existence of a fee policy;
- Supporting the review of funding for higher education, i.e., community colleges; and
- Promoting early assessment for students.

The Campaign introduced legislation to allow five California community colleges to be funded based on completion instead of enrollment [AB 2542 (Conway)] and to provide a clear transfer path [AB 2302 (Fong) and SB 1440 (Padilla)]. The Campaign actively lobbied for the SAFRA Act and continues to support the American Graduation Initiative, which would have created an

additional vehicle for more funding to higher education institutions and promoted college completion as a key tenet to any additional funds.

Ms. Siqueiros invited the Commissioners to join the “One Million More by 2025 Campaign,” which is an effort to press upon the next governor to have a plan to reach the goal of one million more college graduates, who are needed to meet the State’s workforce demands of 2025. She encouraged the Commission to continue its efforts to increase the number of students completing the FAFSA so that they might access the Pell Grant and asked for the Commission’s support in creating a streamlined transfer pathway.

**AGENDA ITEM 7 – POLICY DISCUSSION ON FAFSA SIMPLIFICATION AND COMMUNITY COLLEGE RESEARCH WITH LAUREN ASHER, PRESIDENT, AND DEBORAH COCHRANE OF THE INSTITUTE FOR COLLEGE ACCESS AND SUCCESS (Information/Action)**

Ms. Lauren Asher, President of The Institute for College Access and Success (TICAS), provided an overview of FAFSA simplification on the federal level, including a proposal to reduce the income/asset information collected and two pilot programs: 1) to electronically transfer tax information from the IRS directly to the FAFSA, and 2) to allow high schools and school districts to receive real-time confirmations of students’ FAFSA completion. Ms. Asher also presented a power-point on TICAS’ preliminary findings from its research on FAFSA applicants in the California community colleges. General discussion followed.

**AGENDA ITEM 5 – CONSIDERATION OF THE STATE OF CALIFORNIA INTERNAL CONTROL AND STATE AND FEDERAL COMPLIANCE AUDIT REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2009, ISSUED BY THE BUREAU OF STATE AUDITS ON MARCH 30, 2010 (Information/Action)**

Ms. Keri Tippins, General Counsel and Chief of Legal & Audit Services, summarized the findings in the Bureau of State Audits (BSA) report on the California Internal Control and State and Federal Compliance Audit Report for the fiscal year ending June 30, 2009. She discussed Finding 1, which relates to EdFund information security and Finding 2, which relates to EdFund expenditures and internal controls over accounts payable. There was some discussion about providing EdFund with a timetable to respond to the findings. However, it was noted that the Commission is ultimately responsible and Commission staff will be drafting corrective action plans for the Commission’s consideration.

On **MOTION** by Commissioner Fong Kushida, **SECONDED** and **CARRIED**, the Commission directed staff to take the corrective actions recommended by BSA for Findings 1 and 2, and the Commission staff recommendations.

Ms. Margaret Dennis, a civil service employee assigned to EdFund, made a public comment expressing concern over EdFund’s use of taxpayer money.

**AGENDA ITEM 10 – EXECUTIVE DIRECTOR’S REPORT (Information), INCLUDING**

***Item 10.a – Laura Brown, President and CEO, The California Coalition of Accredited Career Schools (Information)***

Ms. Laura Brown, with Ms. Kristina Lopez of ITT Technical Institute, provided a power-point presentation, which included an overview of the California Coalition of Accredited Career Schools' mission, values and composition, etc. She also discussed the legislation and regulations affecting the private postsecondary segment.

***Item 10.b – Saffron Zomer, Program Director, California Public Interest Research Group (Information)***

Ms. Saffron Zomer provided a power-point presentation about the California Public Interest Research Group and its student activism efforts towards reforming federal student loans, increasing community college transfer rates, promoting financial aid awareness, and maintaining Cal Grant funding. There was some general discussion and Ms. Zomer requested the Commission's support for CALPIRG's Coalition Statement.

On **MOTION** by Commission Chair Keene, **SECONDED** and **CARRIED**, the Commission **ADOPTED** the CALPIRG Cal Grant Coalition Statement "No Cuts to Cal Grants."

***Item 10.c – EdFund Report (Information)***

A written report was provided.

***Item 10.d – California Student Opportunity and Access Program (Cal-SOAP) Project Directors' Report (Information)***

Mr. Ken Songco, Project Director for the San Francisco Cal-SOAP Consortium, presented a written report of Cal-SOAP project activities on behalf of the sixteen projects.

**AGENDA ITEM 8 – REPORT OF THE PROGRAMS, PLANNING AND BUDGET COMMITTEE, INCLUDING**

Committee Chair Hernandez reported that the Programs, Planning and Budget (PPB) Committee met on April 7, 2010 and discussed and made recommendations regarding the Cal Grant priorities for the 2010-11 state budget and the budget issues relating to the services provided by EdFund.

***Item 8.a – Consideration of establishing Cal Grant priorities for the 2010-11 state budget (Information/Action)***

Ms. Leanna Sinibaldi, Manager of Fiscal Services, provided a summary of the PPB Committee's discussion and an overview of the state budget process, and highlighted some important data on the Cal Grant program and budget.

On **MOTION** by Commissioner Solórzano, **SECONDED** and **CARRIED**, the Commission **APPROVED** the recommendation of the Programs, Planning and Budget Committee to establish the Commission's Cal Grant priorities for the 2010-11 state budget as the following:

- 1) Support Full Core Programs;
  - Ensure Cal Grant Entitlement program is protected
  - Ensure that the Operations Budget is protected
- 2) Consider Funding Options;
  - Student Loan Operating Fund
- 3) Maintain a Competitive Cal Grant Program (versus elimination as proposed by the Governor); and
  - Review options in the Legislative Analyst's Office report
  - Research other areas such as aligning with federal regulations
- 4) Educate the Legislature.

***Item 8.b – Consideration of budget issues relating to the sale of the state student loan guarantee program assets and the transition of services currently provided by EdFund to the Commission (Information/Action)***

Ms. Sinibaldi provided an update on the status of the Commission's Budget Change Proposal related to the transition of services provided by EdFund to the Commission and indicated that the Commission staff is experiencing difficulty in responding to questions from the Department of Finance in a timely manner because of the challenges in obtaining information directly from the EdFund staff. There was further discussion about the resources needed if the Commission assumed the services currently provided by EdFund.

Committee Chair Hernandez indicated that the PPB Committee recommended that the Commission send a letter to EdFund with a copy to the Department of Finance demanding cooperation.

The Commission directed Commission staff to submit requests for information to EdFund through email with "Transition" in the subject line and a copy to Mr. David Reid, General Counsel and Contract Manager, who will ensure that the requested information is provided in a timely manner. Additionally, Commission and EdFund staff will meet regularly to address high-level issues.

Ms. Dennis made a public comment about EdFund civil service employees' concerns regarding the sale of EdFund and the transition.

**AGENDA ITEM 9 – UPDATE ON STATE ISSUES AND LEGISLATION AND  
CONSIDERATION OF POSITIONS ON BILLS AFFECTING THE  
COMMISSION AND COMMISSION PROGRAMS (Information/Action)**

Due to time constraints, Chair Keene decided to table this agenda item.

**CLOSED SESSION**

Chair Keene announced that the California Student Aid Commission would meet in CLOSED SESSION to discuss and may take action on business matters of a proprietary nature pursuant to California Education Code, section 69525(g)(3). Topics will include:

**AGENDA ITEM 11 – STUDENT LOAN GUARANTEE PROGRAM ITEMS**

- a. Consideration of sale of the state student loan guarantee program assets (Information/Action)
- b. Consideration of cash flow forecast (Information/Action)
- c. Consideration of 2009-10 Annual Loan Program Budget, Business Plan and Goals (Information/Action)

Thereupon, the Commission recessed the OPEN SESSION at 3:02 p.m. and resolved into CLOSED SESSION at 3:10 p.m.

**RECONVENE IN OPEN SESSION**

Chair Keene reconvened the OPEN SESSION at 4:35 p.m., and reported that the Commission voted to deny the reimbursement of the EdFund contract for Esperanza Ross in the amount of \$90,000, and to inform the Department of Finance of the Commission's action.

There being no further business, the meeting of the California Student Aid Commission was adjourned at 4:37 p.m.

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LYNNE DE BIE  
SECRETARY

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# 1.b

## Action Item

### *California Student Aid Commission*

Approve an interagency agreement with the Attorney General's Office for legal services in the amount of \$200,000 for 2010-11

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The Commission is in the process of renewing its contract with the Department of Justice's (DOJ) Attorney General's Office for the period of July 1, 2010 through June 30, 2011 in the amount of \$200,000. Through this contract, DOJ provides the Commission with legal services in the area of employment law. The estimated costs are associated with the Bersinger lawsuit.

The Executive Director must obtain approval from the Commission prior to entering into a new contract or executing a contract amendment of over \$100,000.

**Recommended Action:** Authorize the Executive Director to enter into an Interagency Agreement for \$200,000 with the Department of Justice's Attorney General's Office for the period of July 1, 2010 through June 30, 2011.

**Responsible Person(s):** Janet McDuffie, Chief  
Administration and External Affairs Division

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# 1.c

## Action Item

### *California Student Aid Commission*

Approve an interagency agreement with the Office of Technology Services for data center support in the amount of \$190,000 for 2010-11

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The Commission is in the process of renewing its annual contract with the Office of Technology Services (OTS) for the 2010-11 fiscal year in the amount of \$190,000. Under this contract, the Commission will continue to receive services for:

- hosting of the Grant Delivery System;
- network connectivity to the mainframe and State's network;
- mainframe statistical research and reporting systems;
- network support, such as internet services;
- router management;
- peripheral equipment rental; and
- personnel transactions.

The Executive Director must obtain approval from the Commission prior to entering into a new contract or executing a contract amendment of over \$100,000.

**Recommended Action:** Authorize the Executive Director to enter into an Interagency Agreement for \$190,000 with the Office of Technology Services for the period of July 1, 2010 through June 30, 2011.

**Responsible Person(s):** Janet McDuffie, Chief  
Administration and External Affairs Division

John Bays, Chief  
Information Technology Division

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# 1.d

## Information Item

### *California Student Aid Commission*

State budget update

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The Legislature's Joint Budget Conference (Conference) Committee is currently in the process of reviewing all budget items that did not receive concurrence from the budget subcommittees of both houses. Only two items affecting the Commission's budget were under review by the Conference Committee. The June 7, 2010 letter from Chair Keene to the Conference Committee addressing these items is provided in Tab 1.d.1. The Conference Committee approved one item on June 16, 2010, leaving only one item remaining as noted below.

The decisions approved by the Legislative committees are noted below along with the outstanding item still being considered. Additional summary information on the Commission's budget is provided in Tab 1.d.2.

#### **Approved Items**

##### Programs

- Cal Grant Program:
  - 22,500 new awards for the Competitive Program.
  - Funding for fee increases at the UC (15%: already approved by the Regents) and CSU (10%: not yet approved by the Trustees).
  - 2010-11 income eligibility levels.
  - Additional funds to reflect revised program estimates.
  - \$324,808,000 in Temporary Assistance for Needy Families (TANF) from the Department of Social Services and a corresponding decrease in General Funding.
  
- Other Programs:
  - Additional funds to reflect revised APLE Program estimates.
  - All other program approved at the funding levels proposed by the Governor.
  
- College Access Challenge (Challenge) Grant Funding
  - \$7.2 million in additional Challenge Grant Funding will be used to offset General Fund expenditures for local assistance financial aid programs.

##### State Operations

- \$12,550,000 for operational support of the Commission's programs, including these additional funds:

- \$133,000 in Challenge Grant funds to publish and distribute Cash for College Program outreach materials.
- \$1.7 million for 10 new positions and operational expenses for the reestablishment of mailroom, printing, information technology, and other shared services currently provided by EdFund upon the sale of the state's student loan program assets.
  - The \$1.7 million includes \$1,151,000 in new General Funds and the re-appropriation of \$550,000 in prior year funds currently set-aside for any expenses that may be necessary or convenient for the Commission to assume activities currently provided by EdFund, to further the intent of the sale, or other authorized transaction of EdFund pursuant to SB 89. These funds shall not be expended unless first approved in writing by the Department of Finance.
  - The chart below is a summary of the Commission's 2010-11 Budget Change Proposal (BCP) for the Detangling of EdFund and the funding approved by the Legislature.

| Item                                     | BCP Request        | Approved           | Difference           |
|--|--------------------|--------------------|----------------------|
| Salary and Wages*                        | \$1,633,000        | \$694,679          | (\$935,321)          |
| Standard Complement                      | \$173,000          | \$55,000           | (\$118,000)          |
| Equipment and Other Operational Expenses | \$2,764,560        | \$951,519          | (\$1,813,041)        |
| <b>Total</b>                             | <b>\$4,570,560</b> | <b>\$1,701,198</b> | <b>(\$2,866,362)</b> |

\* 23 positions requested; 10 approved

- The Legislature approved the Governor's May Revision proposal and the following items:
  - \$280,000 in one-time funding for Fund Your Future Publications (Commission staff will determine actual amounts needed for on-going costs).
  - \$106,000 for one additional Information Technology position.
  - \$60,000 for equipment and software (additional to DOF amount). This includes network switches and database server and software to read the scanned documents that EdFund has processed for CSAC, and that only exist in electronic form now.
  - \$32,000 for security system/video surveillance.
- The Legislature also approved the following language:
  - Upon the sale or other authorized transaction of EdFund pursuant to Chapter 182 of the Statutes of 2007, the Director of Finance may reduce this appropriation by up to \$514,000. Any reduction shall be authorized no sooner than 30 days after notification in writing to the chairpersons of the committees in each house of the Legislature that consider appropriations, the chairpersons of the committees and appropriate subcommittees that consider the State Budget, and the Chairperson of the Joint Legislative Budget Committee, or not sooner than whatever lesser time the

chairperson of the joint committee or his or her designee may determine.

- The major items requested in the BCP but not funded are:
  - \$470,000 for a complete imaging system and associated staff (Commission staff will submit a 2011-12 Budget Change Proposal to request these needed resources in the event the sale of EdFund is completed.)
  - \$400,000 for institutional training staff and associated costs.
  - \$1,350,000 for new facility space other than business operations space (no boardroom and associated costs).
  - \$300,000 for additional Information Technology staff and equipment.

### **Joint Budget Conference Committee Item**

#### Programs

- Amount of Student Loan Operating Fund to support the Cal Grant Program:
  - *Senate*: Approved \$100 million.
  - *Assembly*: Approved \$115 million.

An oral update on this item will be provided during the presentation of the Executive Director's Report, Agenda Item 7. Once the Joint Legislative Budget Conference Committee has completed its work, additional negotiations will occur between the Legislature and the Governor that could still affect the Commission's 2010-11 budget.

**Responsible Person(s):** Janet McDuffie, Chief  
Administration and External Affairs Division

**CALIFORNIA STUDENT AID COMMISSION**  
OFFICE OF THE CHAIR

June 7, 2010

Senator Denise Ducheny, Chair  
Assemblymember Bob Blumenfeld, Vice Chair  
Senator Mark Leno  
Senator Alan Lowenthal  
Senator Bob Dutton  
Senator Bob Huff  
Assemblymember Connie Conway  
Assemblymember Felipe Fuentes  
Assemblymember Jim Nielsen  
Assemblymember Nancy Skinner

Re: 7980-101-0001 --- California Student Aid Commission  
Issue 008 Student Loan Operating Fund

Trailer Bill – 7980-101-0890 --- California Student Aid Commission

Dear Members of the Joint Legislative Budget Conference Committee,

On behalf of the California Student Aid Commission, we write to support the proposal to use the Student Loan Operating Fund to backfill General Fund payments for Cal Grants, and to ask that you authorize the Commission to use a portion of federal College Access Challenge Grant (Challenge Grant) funding allocated to the California Student Opportunity and Access Program (Cal-SOAP) to develop and implement a system to measure Cal-SOAP progress toward the Challenge Grant goals of increasing college access and completion.

We wish to preface our comments by noting that the Commission is encouraged by the proposals and actions taken, so far, to continue full funding of the Commission's Cal Grant Program, one of the most successful programs in the history of California. For over a half-century, Cal Grants have fulfilled the need for, and economic and social value of, college access for the academically eligible but economically disadvantaged students.

The Cal Grant Entitlement Programs enable recent high school graduates to earn degrees or certificates at institutions of higher education, while the Cal Grant Competitive Program enables older, non-traditional students to acquire new skills, update current skills, and earn their degrees or certificates.

At a time when California's economy demands higher skills, Cal Grants are necessary to prevent higher unemployment, greater pressure on the state budget and the erosion of California's quality of life.

I. The Student Loan Operating Fund (SLOF) should be used to backfill General Fund payments for Cal Grants.

Congress has required all new federal student loans issued as of July 1, 2010 to be issued through the federal Direct Loan Program rather than the Federal Family Education Loan Program (FFEL Program) administered by the Commission. This eliminates one source of revenue from the FFEL Program, but the Commission anticipates it will continue to earn revenue from loan guarantee services for the loans it has previously guaranteed, over 55% of which are from out-of-state.

The United States Department of Education has not yet defined an on-going role for guarantee agencies, such as the Commission, thus creating uncertainty about FFEL Program revenue prospects. The Department of Finance's attempt over the past three years to sell the state's FFEL Program assets creates additional uncertainty. Finally, the precise state of FFEL Program finances is uncertain because the Commission cannot provide any assurance of the accuracy of financial information supplied by EdFund, the contractor that provides FFELP services to the Commission, without independent verification of the data and underlying assumptions. We in no way speak for the Department of Finance, which may have greater access to EdFund information than the Commission because it has displaced the Commission's responsibility and authority over the FFEL Program while it attempts to sell the state's FFEL Program assets.

- We believe that appropriating \$100 million from the SLOF to backfill General Fund payments for Cal Grants is feasible if the Department of Finance is able to complete the sale of the state's FFEL program assets. Without a sale, we believe that the \$100 million is feasible if EdFund is required to manage to that amount and the timing of transfers from SLOF to the General Fund is managed appropriately.
- Further, we believe that returning authority over the administration of the FFEL Program and EdFund to the Commission might improve the possibility that the \$100 million will be available from SLOF. Without this change and in absence of a sale, the Department of Finance would have the responsibility for the \$100 million until January 10, 2011. The Commission's ability to achieve the \$100 million in the remainder of the budget year would be constrained by the lack of time to take meaningful action after it regained responsibility over the FFEL Program. We have enclosed draft trailer bill language toward this end. (Enclosure 1.)
- We also believe that appropriating \$115 million from SLOF to backfill General Fund payments for Cal Grants is possible if the sale is completed. However, without a sale, the feasibility of \$115 million and its effect on the on-going administration of the FFEL Program is uncertain even if EdFund is required to manage to that amount and the timing of transfers from SLOF is managed appropriately. However, should the Conference Committee adopt the \$115 million, returning authority over the FFEL Program to the Commission for the full fiscal year might provide a chance of achieving that amount.

- II. The Commission should be authorized to use a portion of federal College Access Challenge Grant funding allocated to Cal-SOAP to develop and implement a system to measure Cal-SOAP progress towards the Challenge Grant goals of increasing college access and completion.

As a preliminary matter, we wish to bring to the attention of the Conference Committee that the United States Department of Education representatives have indicated to us that costs of the Cal Grant Program and Chafee Grants for Foster Youth Program would not qualify to be funded from the federal Challenge Grant award. Loan repayment programs, such as the Assumption Program of Loans for Education (APLE), would qualify.

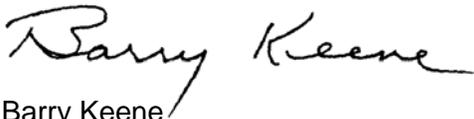
Our main subject arises from recent communication from the United States Department of Education encouraging programs funded by the Challenge Grant to use data to measure progress toward increasing college access and completion. We anticipate that this will be a significant factor in decisions by the federal government on future Challenge Grant funding in federal fiscal years 2011-2014.

There are two programs administered by the Commission that are currently funded from the Challenge Grant: Cash for College, which includes a specialized data-gathering function to measure college access and completion outcomes, and Cal-SOAP, which does not.

- We ask that you provide the Commission with authority to spend not more than 5% of Challenge Grant funding allocated to Cal-SOAP to develop and implement a system to obtain data and measure college access and completion outcomes for Cal-SOAP, in order to provide the State with programs best able to qualify for future Challenge Grant funding. We also believe it appropriate to exempt Cal-SOAP projects from the statutory requirement that they provide local matching funds for amounts to be spent on developing and implementing the system. We have enclosed draft trailer bill language toward this end. (Enclosure 2.)

Finally, as a general comment, we wish to underscore that the Commission has worked hard to mitigate the impact of its budget cuts on students, but has been forced to reduce some levels of service and timeliness of those services. The Commission has also had to delay, temporarily, critical investments in software and hardware necessary to continue to support the increased volume in its programs. We have reached a point where any further reductions would interfere with the State's historic commitment to provide educational opportunity by ensuring both access to and selection of an institution of higher education for students with financial need.

Sincerely,



Barry Keene  
Chair

Enclosures (2)

CC: Senate Pro Tempore Darrell Steinberg  
Senate Majority Leader Dean Florez  
Senate Republican Leader Dennis Hollingsworth  
Assembly Speaker John Pérez  
Assembly Majority Floor Leader Charles Calderon  
Assembly Minority Floor Leader Martin Garrick  
Paul Navarro, Deputy Legislative Secretary, Office of the Governor  
Steve Boilard, Higher Education Director, Legislative Analyst's Office  
Judy Heiman, Principal Fiscal and Policy Analyst, Legislative Analyst's Office  
Jeannie Oropeza, Program Budget Manager, Department of Finance  
Commissioners of the California Student Aid Commission  
Diana Fuentes-Michel, Executive Director, California Student Aid Commission

7980-101-0001 California Student Aid Commission  
Issue 008 Student Loan Operating Fund

*Amend section 69766(c) of the Education Code to read:*

\* \* \*

(c)(1) The contents of the Federal Student Loan Reserve Fund are federal funds, administered in accordance with federal laws and regulations.

(2) The contents of the Student Loan Operating Fund are state funds within the custody and control of the Student Aid Commission. Notwithstanding any other provision of law, the commission shall take any actions involving the administration of the Federal Family Education Loan Program and its auxiliary organization that are necessary to ensure that funds appropriated from the Student Loan Operating Fund in the annual state budget act are available when needed, and which shall not be subject to change, except by the commission. The commission's actions shall be consistent with its responsibilities as a student loan guarantee agency in the Federal Family Education Loan Program.

\* \* \*

*Trailer Bill – Item 7980-101-0890*

*Add Section 69561.5 of the Education Code to read:*

In furtherance of the goals of the federal College Access Challenge Grant from which the consortia and projects are funded, the commission shall use not more than five (5) percent of the funds appropriated for purposes of this article to develop and implement a system to gather data and measure the progress of college access and completion outcomes of consortia and projects. Notwithstanding any other provision of law, the funds for developing and implementing the system shall not be subject to the requirement of local matching funds.

**CALIFORNIA STUDENT AID COMMISSION  
2010-11 PROGRAM (LOCAL ASSISTANCE) BUDGET  
As of June 15, 2010  
(\$ in millions)**

| PROGRAM                        | 2009-10 Budget * | 2010-11          |                  |                        |                  |                         |                  |
|--------------------------------|------------------|------------------|------------------|------------------------|------------------|-------------------------|------------------|
|                                |                  | CSAC Projections | Subtotal         | Governor's Adjustments | Subtotal         | Legislative Adjustments | Total            |
| <b>Cal Grants</b>              |                  |                  |                  |                        |                  |                         |                  |
| Entitlement                    | \$894.6          | \$126.3          | \$1,020.9        | \$10.0                 | \$1,030.9        | \$0.0                   | \$1,030.9        |
| Competitive                    | \$113.5          | (\$5.5)          | \$108.0          | \$0.0                  | \$108.0          | \$0.0                   | \$108.0          |
| Cal Grant C                    | \$8.4            | (\$0.1)          | \$8.3            | \$0.0                  | \$8.3            | \$0.0                   | \$8.3            |
| Cal Grant A (Pre SB 1644)      | \$0.0            | \$0.0            | \$0.0            | \$0.0                  | \$0.0            | \$0.0                   | \$0.0            |
| Cal Grant B (Pre SB 1644)      | \$0.0            | \$0.0            | \$0.0            | \$0.0                  | \$0.0            | \$0.0                   | \$0.0            |
| <b>Subtotal Cal Grants</b>     | <b>\$1,016.5</b> | <b>\$120.7</b>   | <b>\$1,137.2</b> | <b>\$10.0</b>          | <b>\$1,147.2</b> | <b>\$0.0</b>            | <b>\$1,147.2</b> |
| <b>Other Programs</b>          |                  |                  |                  |                        |                  |                         |                  |
| APLE                           | \$36.4           | \$0.0            | \$36.4           | \$0.0                  | \$36.4           | \$0.0                   | \$36.4           |
| CAL-SOAP                       | \$7.3            | \$0.0            | \$7.3            | \$0.0                  | \$7.3            | \$0.0                   | \$7.3            |
| Chafee Foster Youth            | \$12.9           | \$0.0            | \$12.9           | \$0.0                  | \$12.9           | \$0.0                   | \$12.9           |
| BYRD                           | \$5.7            | \$0.0            | \$5.7            | \$0.0                  | \$5.7            | \$0.0                   | \$5.7            |
| Grad APLE                      | \$0.2            | \$0.0            | \$0.2            | \$0.0                  | \$0.2            | \$0.0                   | \$0.2            |
| Child Development              | \$0.3            | \$0.0            | \$0.3            | \$0.0                  | \$0.3            | \$0.0                   | \$0.3            |
| Law Enforcement                | \$0.1            | \$0.0            | \$0.1            | \$0.0                  | \$0.1            | \$0.0                   | \$0.1            |
| National Guard APLE            | \$0.3            | \$0.0            | \$0.3            | \$0.0                  | \$0.3            | \$0.0                   | \$0.3            |
| SNAPLE - NF                    | \$0.3            | \$0.0            | \$0.3            | \$0.0                  | \$0.3            | \$0.0                   | \$0.3            |
| SNAPLE - NSF                   | \$0.0            | \$0.0            | \$0.0            | \$0.0                  | \$0.0            | \$0.0                   | \$0.0            |
| CNG EAAP                       | \$1.5            | \$1.5            | \$3.0            | \$0.0                  | \$3.0            | \$0.0                   | \$3.0            |
| Cash for College               | \$0.2            | \$0.0            | \$0.2            | \$0.0                  | \$0.2            | \$0.0                   | \$0.2            |
| <b>Subtotal Other Programs</b> | <b>\$65.2</b>    | <b>\$1.5</b>     | <b>\$66.7</b>    | <b>\$0.0</b>           | <b>\$66.7</b>    | <b>\$0.0</b>            | <b>\$66.7</b>    |
| <b>TOTAL LOCAL ASSISTANCE</b>  | <b>\$1,081.7</b> | <b>\$122.2</b>   | <b>\$1,203.9</b> | <b>\$10.0</b>          | <b>\$1,213.9</b> | <b>\$0.0</b>            | <b>\$1,213.9</b> |

| FUNDING SOURCES             | 2009-10 Budget * | CSAC Projections | Subtotal  | Governor's Adjustments | Subtotal  | Legislative Adjustments** | Total   |
|-----------------------------|------------------|------------------|-----------|------------------------|-----------|---------------------------|---------|
| <b>Cal Grants</b>           |                  |                  |           |                        |           |                           |         |
| General Fund                | \$973.9          | \$152.7          | \$1,126.6 | (\$65.0)               | \$1,061.6 | (\$335.2)                 | \$726.4 |
| Student Loan Operating Fund | \$32.0           | (\$32.0)         | \$0.0     | \$75.0                 | \$75.0    | \$0.0                     | \$75.0  |
| Federal Trust Fund          | \$10.6           | \$0.0            | \$10.6    | \$0.0                  | \$10.6    | \$0.0                     | \$10.6  |
| Reimbursement               | \$0.0            | \$0.0            | \$0.0     | \$0.0                  | \$0.0     | \$335.2                   | \$335.2 |
| <b>Other Programs</b>       |                  |                  |           |                        |           |                           |         |
| General Fund                | \$37.3           | \$0.0            | \$37.3    | (\$7.2)                | \$30.1    | \$0.0                     | \$30.1  |
| Student Loan Operating Fund | \$0.0            | \$0.0            | \$0.0     | \$0.0                  | \$0.0     | \$0.0                     | \$0.0   |
| Federal Trust Fund          | \$7.5            | \$0.0            | \$7.5     | \$7.2                  | \$14.7    | \$0.0                     | \$14.7  |
| Reimbursement               | \$20.4           | \$1.5            | \$21.9    | \$0.0                  | \$21.9    | \$0.0                     | \$21.9  |
| <b>All Programs</b>         |                  |                  |           |                        |           |                           |         |
| General Fund                | \$1,011.2        | \$152.7          | \$1,163.9 | (\$72.2)               | \$1,091.7 | (\$335.2)                 | \$756.5 |
| Student Loan Operating Fund | \$32.0           | (\$32.0)         | \$0.0     | \$75.0                 | \$75.0    | \$0.0                     | \$75.0  |
| Federal Trust Fund          | \$18.1           | \$0.0            | \$18.1    | \$7.2                  | \$25.3    | \$0.0                     | \$25.3  |
| Reimbursement               | \$20.4           | \$1.5            | \$21.9    | \$0.0                  | \$21.9    | \$335.2                   | \$357.1 |

\* 2009-10 Budget includes the revised projections assumed in the Governor's May Revision to the 2010-11 Budget.

\*\* Amount of Student Loan Operating Fund to be used for Cal Grants is still being reviewed by the Joint Legislative Budget Conference Committee:  
Senate approved: \$100 million  
Assembly approved: \$115 million

**CALIFORNIA STUDENT AID COMMISSION**  
**2010-11 STATE OPERATIONS BUDGET**  
As of June 15, 2010  
(\$ in millions)

|                             | 2009-10<br>Budget* | 2010-11                       |                            |           |
|-----------------------------|--------------------|-------------------------------|----------------------------|-----------|
|                             |                    | Governor's<br>Proposed Budget | Legislative<br>Adjustments | Total     |
| <b>Personal Services</b>    | \$ 8,059           | \$ 10,050                     | \$ 101                     | \$ 10,151 |
| <b>Operating Expenses</b>   | \$ 2,946           | \$ 3,086                      | \$ 374                     | \$ 3,460  |
| <b>TOTAL</b>                | \$ 11,005          | \$ 13,136                     | \$ 475                     | \$ 13,611 |
| <b>Funding Sources:</b>     |                    |                               |                            |           |
| General Fund                | \$ 9,298           | \$ 11,233                     | \$ 475                     | \$ 11,708 |
| Student Loan Operating Fund | \$ 461             | \$ 514                        |                            | \$ 514    |
| Federal Trust Fund          | \$ 130             | \$ 263                        |                            | \$ 263    |
| Reimbursements              | \$ 566             | \$ 576                        |                            | \$ 576    |
| Carry-Over                  | \$ 550             | \$ 550                        |                            | \$ 550    |
|                             | \$ 11,005          | \$ 13,136                     | \$ 475                     | \$ 13,611 |

|                             | 2009-10<br>Budget | 2010-11                       |                            |       |
|-----------------------------|-------------------|-------------------------------|----------------------------|-------|
|                             |                   | Governor's<br>Proposed Budget | Legislative<br>Adjustments | Total |
| <b>Authorized Positions</b> |                   |                               |                            |       |
| <b>Permanent</b>            | 120.5             | 129.5                         | 1.0                        | 130.5 |
| <b>Temporary Help</b>       | 2.2               | 2.2                           | 0.0                        | 2.2   |
| <b>TOTAL</b>                | 122.7             | 131.7                         | 1.0                        | 132.7 |

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**1.e**

**Information Item**

***California Student Aid Commission***

Update on Master Plan recommendations

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The Report of the Joint Committee on the Master Plan for Higher Education is attached.

***Responsible Person(s):*** Lori Nezhura, Legislative Liaison  
Executive Division

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IRA RUSKIN

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Tab 1.e.1

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MARK WYLAND

May 15, 2010

## Report of the Joint Committee on the Master Plan for Higher Education

### APPRECIATING OUR PAST, ENSURING OUR FUTURE

#### A Public Agenda for Public Higher Education in California

Our review marks the 50<sup>th</sup> Anniversary of California's Master Plan for Higher Education. We convened in large measure because of the widespread concern that our system of public higher education is now at risk.

The Master Plan was - and remains - a comprehensive policy framework. Upon its advent and in the decades following, it signaled an unparalleled commitment to Higher Education, of unrivaled size and scale. Through planned and coordinated growth, it mandated universal opportunity and universal access – pioneering principles.

In our estimation, nothing has been more responsible over the past several decades for the quality of life in California and for California's economic prosperity than our system of higher education.

During our comprehensive hearings, there have been no experts to argue that California's economy and social fabric can now benefit from a contraction of either educational opportunities or educated people. Indeed, our systematic review of higher education, with broad public and stakeholder testimony, confirms that California's future depends on an even more effectively educated people. Private investment and growth are dependent upon an ever expanding number of women and men ably prepared to contribute and compete in the global market place, adding value through their superior knowledge, imagination and skill.

*In light of this challenge, this Committee now reaffirms the essential tenets of the Master Plan: universal access, affordability and high quality.*

However, we also believe that the Master Plan must be regarded as a living document. In many ways, California has transformed since the inception of the Master Plan. Therefore, in order for our state and people to meet the challenges of the twenty first century, we will need the vision and courage to ensure our system of higher education adapts when necessary to meet the demands of the new century and the needs of the society that sustains it.

Our hearings have demonstrated that, after five decades of success, our system of higher education is now threatened. The system will not continue to be effective automatically. It requires our attention and support.

After objective and close scrutiny, we assert that the following findings accurately describe what our people and state require from our public system of higher education to ensure California's success in the coming decades:

### **I. An Overarching Policy Framework:**

- **A system to provide clear, concise statewide goals or outcomes for California higher education attuned to the public interest of the people and State of California:**

The State of California has no articulated, comprehensive statement of goals for California's system of higher education. The Master Plan articulates values but not a set of public policy goals based upon the *outcomes* required to meet the needs of our state and our people. The lack of such goals makes it difficult to develop systems of criteria for advancement or systems of accountability.

Statewide goals, including the workforce needs of the state, are essential for the effective functioning of our system of public higher education, to adequately complement the work of institutions comprising the fourth segment, private colleges and universities.

### **II. Universal Access:**

- **Our need for higher education that is accessible to all eligible California students:**

In order for California to compete in a global marketplace, replace the baby boomer generation and ensure a cohesive and democratic multicultural society, the State must continue to support the unique genius of California's original 1960 Master Plan for Higher Education, namely its commitment to universal access for every qualified student. This access provided our State and people the distinction that enabled us to become the world leader in higher education.

Given the economic needs of our state and the labor-market needs of our economy, open access gives us the greatest possibility of meeting those long-term needs. In addition, in a state as diverse as California, the maintenance of this promise gives hope to all Californians who wish to attain a higher education. This hope is essential to our success and cohesion as a people.

### **III. Affordability:**

- **Our need for higher education that is affordable to our California students:**

Affordability must be established within a clearly articulated and agreed upon framework of shared cost, between the student who benefits directly from a quality education and the public, for whom the student's education is an investment for the public good. As a practical matter in the real world, the absence of affordability makes the achievement of universal access an impossible dream.

Our need is to take into consideration the entirety of the costs accruing to students and their families with regard to participating in higher education, the manner in which we recognize and balance the individual private and the overall social benefits of higher education, and the extent to which we are willing to subject our students to a future burdened by large loan debt.

- **Our need for a financial aid strategy that meets our goals:**

California should adopt clear metrics for measuring whether our goals are achieved by our financial aid policies. In designing those financial aid policies, we should evaluate the use of incentives that can help us reach our desired outcomes.

**IV. Accountability – both fiscal and programmatic:**

The establishment of statewide goals for California higher education attuned to the public interest of the people and State of California will enable increased accountability across and within systems. Such increased accountability, with increased efficiencies, must be both fiscal and programmatic.

- **Our need for a new focus on completion and results:**

It is no longer sufficient for our primary focus to be upon getting our students into our system of higher education. Our systems must lead our students systematically and readily to complete their courses of study in a timely manner. Best estimates show that, unless we improve our outcomes, by 2025 we will fall over one million postsecondary degrees short of the number needed for a robust economy in a global marketplace.

- **Our need for simultaneous commitment to quality higher education, to maintain California's distinction and our capacity to keep California competitive in our now globalized economy:**

The pledge of California's original Master Plan for Higher Education included, along with universal access and affordability, the assurance of quality.

Quality will be required in order for California to provide a higher education that will serve to keep California competitive in our global economy, especially because of the tripling now by both our global competitors, India and the People’s Republic of China, of the annual number of PhDs in science and technology above those produced by the entire United States.

In this regard, it is essential that the dimension of “quality” be examined and articulated, especially according to the definition of quality as “those capacities and skills that are essential for preparing Californians to live and work constructively in this 21st century.”

- **Our need to close the achievement gap between advantaged and disadvantaged students and communities:**

Our need for an educated populace capable of filling the necessary jobs to maintain a globally competitive economy requires education of disadvantaged communities traditionally underserved. The system must be accountable for closing the achievement gap in ways that do not require or allow restricting access to disadvantaged communities.

- **Our need for utilizing technology to meet our fiscal and programmatic challenges:**

As new technologies arise we must be flexible and open to new methods of higher education delivery and to the use of data systems that both provide information about outcomes and create efficiency in operations.

- **Our need for increased transparency:**

Transparency must be increased as part of an accountability system focused on meeting statewide goals. Transparency will help us find the optimum balance between administrative costs, teaching costs and other expenses.

**V. Effective Coordination and Articulation:**

- **Our need for coordination and efficiency in our delivery of higher education with sufficient authority placed in a coordinating body:**

The State and people of California do not have unlimited resources to fund our system of higher education. Hence it is essential that we have some designated agency with the role, responsibility, and capacity for advising the Legislature and Governor, the Segments of higher education and the California public with regard to essential coordination and needed efficiency in our delivery of higher education.

- **Our need for an agreed-upon system of simple, ready articulation, between our segments of higher education, grounded in a transfer associate degree:**

The original California Master Plan for Higher Education expected that our three public segments of California's higher education would operate as a system, with prescribed differentiation of functions, yet all collaborating to facilitate and assure the steady progress of each and every student from preparation through accessibility onto completion.

The State and People of California do not have the luxury of expending resources and time in an unnecessarily complex system of articulation among our segments of higher education. We need instead for all stakeholders in our respective segments to come together and adopt an agreed-upon, readily understood and effective system of articulation, namely a transfer associate degree.

This student centered approach will help students move more quickly toward their goals.

- **Our need for adequately preparing our students to undertake higher education:**

While this dimension is primarily the responsibility of our California K-12 schools, their well being and success are interdependent with our system of higher education, both in what higher education demands in the way of preparation by our K-12 systems, and because our system of higher education prepares almost all of the educators who will operate our systems of K-12 education.

Hence it is essential that our system of higher education pay explicit attention to its roles and responsibilities as an effective partner in adequate preparation of students for admission to, and success in, higher education and in the effective preparation of teachers for our K-12 system.

- **Our need for advancing career technical education, in both K-12 and higher education:**

The partnership between K-12 and higher education should include advancement of rigorous career technical education – in both K-12 and community colleges, so that students who do not choose to seek a four year degree may have the benefits of productive careers, helping eliminate the stigma often attached to those not seeking a four year degree or graduate study.

**VI. Sufficient Financing:**

The test of our goals, aspirations, commitment and of our capacity to assure the future well-being of the State and People of California is to be found in the arena of funding, and whether and how we in the California Legislature, together with the Governor and the people of California, prove willing and able to provide the funding essential to meeting the needs of the California system of higher education.

- **Our need to establish and articulate the nexus between public investment and public benefit:**

California needs a sound financing mechanism aligned with statewide goals to ensure that our state's needs are met. In determining the funding commitment, a clear nexus must be established between public financing and the economic benefits to the state, so that both the level of public investment and the return on that investment are articulated and verifiable.

***Moving Forward:***

- **Our need for the support of the people of California for our Committee's Public Agenda for Public Higher Education:**

It is essential, as we complete our work and file our report with its findings and recommendations with respect to the future of California higher education, and do our very best to shepherd our recommendations into enactment and successful implementation, that we recognize the importance of a comprehensive strategic action plan for enlisting the active and ardent commitment and support of the people of California. Toward that end, our public agenda for higher education must clearly articulate the correlation between public investment and public benefit.