

Information Item

California Student Aid Commission

Executive Director's Report

Enclosed for review is a written report from the Executive Director of the California Student Aid Commission.

Recommended Action: For information only. No action required.

Responsible Person: Diana Fuentes-Michel,
Executive Director



Executive Director's Report June 26-27, 2008

Dear Commissioners,

The June Commission meeting marks the end of the 2007-08 academic year. Most high schools and colleges will have closed another school year with graduation ceremonies across the state. On May 30, I had the honor of presenting on behalf of the Commission, this year's Arthur Marmaduke High School Counselor of the Year award. This year's award was presented to Becky Jauregui, a financial aid and college information counselor at Lodi High School. Ms. Jauregui was selected for this honor in a statewide competition. Ms. Jauregui was recognized for her exemplary work with high school juniors and seniors as they prepare themselves for postsecondary education and training beyond high school. Over 150 Lodi High School seniors have been awarded a Cal Grant over the last two years. Ms. Jauregui is known for her dedication to students and for her consistent guidance and assistance in helping students and their families plan for their education and careers beyond high school. The recognition, which included a beautiful engraved plaque and a \$1,500 monetary award, was presented during the graduation ceremonies for the Class of 2008.

Since the last Commission meeting, the staff has been very busy managing the activities and operations of the Commission. The following are highlights.

I am pleased to report that the high school graduation date project was deployed this month. This project was recommended by Commission staff and approved by the Commission to allow Cal Grant applicants to self-validate their graduation from high school to establish their eligibility to receive their Cal Grant awards upon enrollment in a participating Cal Grant college, university or vocational trade school. Commission staff had originally recommended the project to make it easier for students to validate graduation after their dates of graduation, and to minimize additional administrative demands on high schools and institutions. Commission staff, especially the Program Administration and Services Division and the Information Technology Services Division, deserves congratulations for their diligent work, especially during this time of organizational and budget uncertainty.

Governmental and External Affairs

On June 9, the Assembly Banking and Higher Education Committees held an informational hearing on the Credit Market Crisis and its Impact on Student Loans. The two committees' memberships focused on the availability of student loans, the issue of college affordability and recommendations by students, lenders, colleges and universities on what the state could do to ensure accessibility to student loans and yet educate and inform students of the various forms and terms of student loans (publicly subsidized and private credit-based loans) and their repayment. The Commission was represented by me and Sam Kipp, the president of EDFUND, in presenting testimony before the committees.

Since the last Commission meeting, I also have represented the Commission's positions and concerns on outstanding budget issues before the Legislature's budget subcommittees. At this time of year, the full Assembly and Senate budget committees adopt their respective budget plans and send them to their full budget committees before sending them to the conference committee for further deliberations between the two houses and the Governor.

Here are items adopted by the budget committees that amend the Governor's revised budget relating to the Student Aid Commission:

1. The Senate Budget Subcommittee #1 and Assembly Budget Subcommittee #2 rejected the Governor's proposal to eliminate the Competitive Cal Grant program and appropriated \$57 million to continue funding new awards.
2. Subcommittee #1 and Subcommittee #2 rejected the Governor's proposal to earmark \$1.0 million of the new Federal College Access Challenge Grant for outreach associated with Career Technical Education (CTE) and augmented funding of \$500,000 to Cal-SOAP and \$500,000 to Cash for College program to be spent on existing programs.
3. Subcommittee #2 allocated \$1.5 million to Cal-SOAP from the Student Loan Operating Fund (SLOF) to prevent a disruption in program planning and services due to the difference in the start of the state and federal fiscal years. Subcommittee #1 did not adopt the use of the SLOF to support gap funding. This item will go to conference committee.
4. Subcommittee #1 accepted the Department of Finance's proposed language on Lender-of-Last-Resort (LLR) to allow loan origination and loan capitalization under the LLR program. Subcommittee #2 amended and expanded the Governor's proposed LLR language to required the Department of Finance to report periodically to the Legislature on the progress of the sale of state student loan guarantee program assets, and to clarify that the EDFUND Board of Directors and management shall act or cease to act, as directed by the Commission, among other provisions. This item will go to conference committee.

I will update the Commission at its June 26 and 27 meeting as to any further developments on the budget at that time. The Legislature's policy committees continue to meet and act on measures before each house. At the Commission's last meeting, the Commission took support positions on eight bills. A detailed report of state financial aid related legislation will be provided before the June Commission meeting by our governmental affairs staff.

1. Five of the eight Commission-supported bills passed out of the house of origin and are being heard in committees:
 - SB 1355 (Corbett) Private Student Loans
 - SB 1158 (Scott) Student Financial Aid: Assumption Program
 - AB 2082 (Salas) Student Financial Aid: Military Service
 - AB 2083 (Nunez). Student Financial Aid: Institutional Eligibility
 - SB 1301 (Cedillo) Student Financial Aid (California Dream Act)
2. AB 2260, the Commission-sponsored bill for technical amendments to the Education Code for Competitive Cal Grant B grade point averages, also passed out of the house of origin and is being heard in committees.
 - AB 2260 (Portantino) Committee on Higher Education: Postsecondary Education
3. Three of eight Commission-supported bills did not pass out of the house of origin prior to May 30 and would normally be considered dead bills. However, Senator Gloria Romero, who is a member of the Senate Budget and Fiscal Review subcommittee on education, is pushing to include provisions of SB 1656 in the budget bill, and SB 1219 has been reconsidered for late passage to the Assembly.
 - AB 2365 (De La Torre) Cal Grant B Awards: Award Amounts
 - SB 1219 (Cedillo) Student Financial Aid: Member of the Armed Forces
 - SB 1656 (Romero) Assumption Program of Loans for Education

Much thanks to Ann Shimaiki and Lori Nezhura for their strong advocacy and representation of the Commission and its programs over the legislative session.

During the past month, the Commission and its staff met to discuss its plans for establishing a process for strategic planning and its senior management held an off-site meeting to plan for implementation of the 2008-09 State Budget. The Commission's plans for the strategic planning process will be brought forward at its September meeting for discussion.

Over the last several months, the Commission's management has had to implement two phases of staff reductions due to the Governor's executive order to reduce all State agency and department budgets by 1.5 percent in the last quarter of the current fiscal year, and due to, and in anticipation of, the Governor's January budget, which proposed a 10-percent reduction in state operations and the redirection of CSAC staff assigned to EDFUND to non-loan assignments within the Commission. In addition, the Governor's January proposal to sell EDFUND included provisions to separate the information technology and business functions of the Commission's operations from the support of its auxiliary. The Commission also had to make plans to move its operations to another location as the initial facility plan approved by the Commission and EDFUND Board of Directors identified a joint facility plan for both organizations. As a result of these actions, the Commission management has reduced its workforce by eliminating the employment of its student assistants, retired annuitants and 16 members of its permanent civil service workforce. The Commission has asked for management to provide the Commission with specific information at the June Commission meeting about the consequences of these reductions on services to students and participating colleges and universities served by the Commission. This analysis is included in Agenda Item 13.

Update on the Commission's Information Technology Initiatives

The Commission's Information Technology Services (ITS) Division has been working closely with all of the Commission's divisions in preparation for the EDFUND move from the current Zinfandel location to the new location at Mather Field, and potential sale. The physical separation of EDFUND from CSAC's headquarters location required the preparation and transfer of several key support functions to new locations.

1. In preparation for EDFUND's move to Mather Field, ITS has taken the following actions to mitigate the impact on Cal Grant services to students, staff, and schools:
 - The Grant Delivery System (GDS) has been moved to the state data center for hosting. CSAC now provides in-house system maintenance and support.
 - The microwave network link to the CSAC Headquarters (HQ) building has been moved from the EDFUND building to the CSAC South Building. This transfer was done to ensure network connectivity for the HQ building after EDFUND moves to Mather Field in July.
 - A replacement phone system has been ordered and will be installed by June 30th, and automated call distribution on July 1. This change will require the Commission to change some of its telephone numbers from the 526 prefix to the 464 prefix.
 - The Interactive Voice Response system which supports the Commission's 1-800-information call center on questions related to Cal Grant and specialized program eligibility and payment status will be moved to the Data Center by mid-June.
2. Assumption Program of Loans for Education (APLE) automation is continuing for this academic year, with MyAPLE and the APLE application scheduled for implementation by July.
3. We continue to work with program staff to prioritize ITS activities and automate those tasks that will provide the greatest business efficiencies, cost reductions, and reduced impact on students and schools. As an example, we are increasingly relying on the use of WebGrants for Students as the main way for students to provide us with supplemental information needed to make awards or payments. Additionally where it makes sense, Program Administration & Services and ITS are increasing notification of students using media such as email and postcards rather than letters.

Management Services

- With the departure of the Commission's fiscal officer, Mr. Robert Illa, Ms. Janet McDuffie has resumed responsibility for the various branches within Management Services, including Personnel Services and Fiscal & Administrative Services.
- The interim CSAC move from CSAC Headquarters to CSAC South began in May with the Accounting staff. The Program Administration & Services Division (PASD) will be moving in June and all other moves will take place in July/August.
- The Department of General Services (DGS) is negotiating a sublease with the California Northstate College of Pharmacy to continue to occupy approximately 7,000 square feet of the CSAC HQ Building through the end of November.
- DGS is also negotiating with the landlords for two sites in consideration for the Commission's move to a new facility.

Program Administration & Services Division (PASD)

At this time of year, the Commission's PASD has summary information most closely reflecting this year's grant application status. The following information represents a growth in the number of students served over the previous academic year. It is important to note that this data represents offers made to eligible students. Final data regarding the actual number of students who receive a Cal Grant award offer and enroll in the late summer or early fall will not be available until later in the calendar year.

1. Cal Grant Program

- Over 67,200 Entitlement Cal Grant offers have been made to date.
- Over 21,000 Transfer Entitlements have been offered and students must complete a G6 form verifying the applicant's California residency at the time of high school graduation to determine eligibility. Staff will process the G6 forms and award eligible students.
- March 2 Competitive Cal Grant tentative awards were processed and students received a postcard informing them to check WebGrants for Students for status. Awards will be confirmed after the State budget is final.
- Cal Grant C Supplements were mailed to all potentially eligible applicants, including new March 2 Competitive Cal Grant students in case the Competitive Cal Grant program is eliminated.

2. Specialized Programs

- Staff is testing the APLE web application and anticipates launching it in July 2008.
- Over 750 Robert C. Byrd Honor Scholarship awards were processed and mailed to high schools.

3. Transitioning and Reorganization of Functions Begin

- School Support Training staff has been merged into the Call Center Branch creating a Customer Relations Branch. Staff has to reduce the amount of training to schools based on the budget cuts. Staff is working on power point training tools and researching other web tools to continue providing training to new schools and new financial aid administrators.

Public Affairs, Research & Policy Analysis

1. Cash for College

- More than 22,000 statewide Cash for College evaluations were collected and tabulated from over 500 workshops offered during the 2008 Cal Grant application season. Early results indicate a 60 percent increase in attendance to workshops with continued high ratings, higher parent turn-out, and high need for the assistance as 86% of students reported they could not have completed the FAFSA on their own, or as well, without the assistance provided at the workshop. The Cash for College incentive scholarship continues to be a significant motivator for attendance. Sixty-three percent (63%) of students responded that the scholarship definitely motivated them to attend a workshop.
- This spring, the College Access Foundation of California provided funding to Cash for College to work with the National Student Clearinghouse information system to learn more about enrollment rates for Cash for College workshop participants. Nearly two-thirds, or 63.5 percent, of 2007 Cash for College high school seniors were

enrolled in post secondary education in California or around the nation in either fall of 2007 or spring of 2008. Nearly half (47.8%) of students attended California Community Colleges, 15.8 percent attended a UC, 27.3 percent attended a CSU, 4.8 percent attended a California private college or university, with the remaining 4.2 percent attending schools in other states.

2. Federal College Access Challenge Grant Program

- Commission staff is working with the Office of the Secretary of Education to finalize California's application for the Federal College Access Challenge Grant Program to obtain \$7.7 million in Federal funds to support the Cal-SOAP and Cash for College Programs. Federal funds requested in the application are a part of the 2008 Budget process.

3. The Commission has completed the following reports required by the Legislature in the last couple of months and they can be found at www.csac.ca.gov and clicking on the **New Reports** link:

- 2007 Report to the Legislature on the Cal Grant T Program;
- 2006-07 Report to the Legislature on the Assumption Program of Loans for Education;
- 2006-07 Annual Report to the Legislature on EDFUND;
- 2004-07 Competitive Cal Grant Report to the Legislature; and
- 2006-07 Cal Grant Transfer Entitlement Report.

The attached chart includes the actions taken by the Commission at its recent meetings and the status of completion. See Attachment 1.

The Commission staff is here to answer any questions you might have on the issues before you at the June meeting. I look forward to seeing all of you on June 26-27, 2008. I can be reached at (916) 526-8271, should you have any additional informational requests or questions.

Sincerely,

Diana Fuentes-Michel
Executive Director
California Student Aid Commission

	ACTIONS TAKEN BY THE COMMISSION	STATUS UPDATE
1	<p>Commission Meeting Minutes</p> <p>On April 17, 2008, the Commission approved the February 26-27, 2008 Commission Meeting minutes, with edits.</p>	<p>Revised minutes to the February 26-27, 2008 Commission meeting will be submitted to the Commission's Secretary, Yasmin Delahoussaye, for review and signature.</p>
2	<p>Cal Grant Competitive Awards</p> <p>At its February 2008 meeting, the Commission strongly urged that the Cal Grant Competitive award continue at a negotiated level through budget negotiations.</p>	<p>In the April Executive Director's Report, I reported that Commission staff submitted letters to Assembly Member John Laird, Chair of the Committee on Budget, and Senator Denise Ducheny, Chair of the Budget and Fiscal Review Committee on March 5, 2008.</p> <p>Update: CASFAA sent a letter to Governor Schwarzenegger asking that he reinstate the Competitive Cal Grant Program.</p>
3	<p>Operating Agreement</p> <p>At the February 2008 meeting, the Commission approved the amendment/extension of the Operating Agreement between the Commission and EDFUND.</p>	<p>In the April Executive Director's Report, I indicated that the Operating Agreement amendment/extension was hand-delivered to the Joint Legislative Budget Committee and the Department of Finance (DOF) on March 17, 2008 for comment. Commission staff had requested a response by April 30, 2008.</p> <p>Update: DOF requested an amendment to the Operating Agreement which was approved by the EDFUND Board of Directors and will be considered by the Commission at its June 26-27, 2008 meeting.</p>
4	<p>The Commission's Move to a New Facility</p> <p>At the February 2008 meeting, the Commission approved the drafting of letters to the Department of Finance (DOF) and Legislature noting the lack of funding for a move to a new facility, due to unexpected cuts.</p>	<p>In the April 2008 Executive Director's Report, I indicated that Commission staff has had on-going communications with the Department of Finance (DOF) and the Department of General Services (DGS), the control agencies which have the authority to approve the Commission's move to a new facility.</p> <p>Update: The Commission's governmental relations staff has kept legislative budget staff informed of the progress of this decision to date. DGS continues to negotiate on the lease terms for a permanent facility</p>

	ACTIONS TAKEN BY THE COMMISSION	STATUS UPDATE
		<p>move expected in early 2009. The Commission's operations are being moved temporarily to 10834 International Drive. The Governor's May Revise indicated that due to the delay in the sale of EDFUND, the \$1.8 million set aside in 2008-09 for transitions costs was being redirected to assist with the Commission's move to a new facility. The Legislative Budget Subcommittees allocated \$1.1 million of these funds for the move and \$.7 million to the Commission's ongoing operating budget. The Governor will have the final approval or veto authority of these allocations.</p>
5	<p>Cal-SOAP Criteria and Methodology</p> <p>At its February 2008 meeting, the Commission directed staff to meet with the Cal-SOAP Advisory Committee and project directors group to discuss concerns and bring them to the next Programs, Planning and Budget Committee (PPB) meeting.</p>	<p>In the April Executive Director's Report, I reported that the Cal-SOAP Advisory Committee met on March 17 and their recommendations were brought forward to the PPB Committee, which met on March 28, 2008.</p> <p>Update: The Commission met on April 17-18, 2008 to discuss this issue. See Item #6 below for an update.</p>
6	<p>Process for Developing the Criteria and a Procedure to Evaluate the Performance of Cal-SOAP Projects and a Method for Funding Cal-SOAP Projects in Future Fiscal Years</p> <p>On April 17, 2008, the Commission approved a process for developing the criteria and a procedure to evaluate the performance of Cal-SOAP projects and a method for funding Cal-SOAP projects in future fiscal years based on the following guidelines:</p> <ol style="list-style-type: none"> 1) that the Annual Program Plans (APPs) include the projects' plans for meeting the staff's proposed evaluation criteria; 2) that the evaluation criteria and process for scoring and allocating funds be developed through a collaborative process with the Cal-SOAP Advisory Committee, Project Directors and external evaluators; and 3) that the APPs go through a practice scoring process during the year (after the criteria, weighting, and scoring process are finalized) with an understanding that 2009-10 funding will 	<p>The Cal-SOAP Advisory Committee meeting scheduled for May 20, 2008 was canceled due to lack of a quorum. Staff is working with the advisory committee to schedule another date. The Cal-SOAP Project Directors have met with Commission staff to further discuss the methodology and proposals related to the 2008 State Budget.</p>

	ACTIONS TAKEN BY THE COMMISSION	STATUS UPDATE
	be based on performance.	
7	<p>Amendments to the SNAPLE NF and SNAPLE NSF Regulations</p> <p>At the April 2008 meeting, the Commission adopted the proposed SNAPLE NF (for Nursing Faculty) and SNAPLE NSF (for Nurses in State Facilities) regulations and accompanying documents, requested that the effective date of the regulations be the date of filing and authorized Commission staff to take the necessary steps to complete the regulatory process.</p>	<p>Staff submitted the regulations and accompanying documents to the Office of Administrative Law for review by Tuesday, June 10, 2008. The Commission recently received the Notices of Approval of Regulatory Action for the proposed amendments to the SNAPLE NF and SNAPLE NSF regulations on June 13, 2008. According to the Notices of Approval, the regulatory actions became effective June 10, 2008.</p>
8	<p>State Legislative Bills Affecting the Commission</p> <p>At the April 2008 meeting, the Commission adopted SUPPORT positions in the Policy and Appropriations Committees for the following bills, except where otherwise noted:</p> <ul style="list-style-type: none"> • AB 2082 (Salas)—Student Financial Aid: Military Services (SUPPORT in Policy Committee; NO SUPPORT in Appropriations Committee) • AB 1158 (Scott)--Student Financial Aid: Assumption Program • AB 1656 (Romero)--Assumption Program of Loans for Education • AB 2365 (De La Torre)--Cal Grant B Awards: Award Amount • SB 1219 (Cedillo)--Student Financial Aid: Member of the Armed Forces • AB 2083 (Nuñez)--Student Financial Aid: Institutional Financial Aid Eligibility • SB 1301 (Corbett)—Postsecondary Education: Private Student Loans (SUPPORT IF AMENDED in Policy Committee; SUPPORT in Appropriations Committee) 	<p>Five of the eight Commission supported bills passed out of the house of origin and are being heard in committees:</p> <ul style="list-style-type: none"> • SB 1355 (Corbett) Private Student Loans • SB 1158 (Scott) Student Financial Aid: Assumption Program • AB 2082 (Salas) Student Financial Aid: Military Service • AB 2083 (Nunez). Student Financial Aid: Institutional Eligibility • SB 1301 (Cedillo) Student Financial Aid (California Dream Act) <p>Three of eight Commission supported bills did not pass out of the house of origin and are considered dead bills, with the exception of SB 1656; Senator Gloria Romero is pushing for consideration to include provisions of SB 1656 in the budget bill.</p> <ul style="list-style-type: none"> • AB 2365 (De La Torre) Cal Grant B Awards: Award Amounts • SB 1219 (Cedillo) Student Financial Aid: Member of the Armed Forces • SB 1656 (Romero) Assumption Program of Loans for Education

	ACTIONS TAKEN BY THE COMMISSION	STATUS UPDATE
9	<p>Nominations to Advisory Committees</p> <p>On April 17, 2008, the Commission approved the following appointments:</p> <p><u>Loan Advisory Council</u></p> <ul style="list-style-type: none"> • Craig Anderson, Participating Lending Community Representative (April 17, 2008 – September 9, 2009) • Juan Gutierrez, Private (Non-Profit) Postsecondary Education Institution Representative (Term: April 17, 2008 – April 17, 2010) • <p><u>Grant Advisory Committee</u></p> <ul style="list-style-type: none"> • Rick L. Diffenderfer, California Community Colleges Student Representative (April 17, 2008 to April 17, 2010) • Coleeta McElroy, California Association of Student Financial Aid Administrators (CASFAA) Executive Council Representative (April 17, 2008 to April 17, 2010) 	<p><u>Loan Advisory Council</u> Mr. Anderson and Mr. Gutierrez have accepted their appointments. A Loan Advisory Council meeting was scheduled for June 10, 2008 but was canceled. Staff is in the process of rescheduling.</p> <p><u>Grant Advisory Committee</u> Mr. Diffenderfer and Ms. McElroy have also accepted their appointments. Ms. McElroy attended her first Grant Advisory Committee meeting on May 15, 2008. Mr. Diffenderfer had planned to participate in the May 15 meeting; however, due to unexpected circumstances, he was unable to attend.</p>
10	<p>EDFUND’s Closed Session Meetings on the Executive Change-in-Control Severance Agreement</p> <p>At the May 27, 2008 meeting, the Commission voted to send a letter to the EDFUND Board of Directors indicating that no further meetings regarding the Change-in-Control Severance Agreement should take place in closed session until the Commission has the opportunity to have further discussion during its June 26-27, 2008 meeting.</p>	<p>On May 30, 2008, Commission Chair Dennis J. Galligani sent a letter to EDFUND Board Chair Sally Furay requesting that the EDFUND Board avoid any meeting, discussion, or action in closed session that directly or indirectly advances the issue of severance, retention, or existing compensation for EDFUND executive management until the matter is fully addressed following the Commission’s June meeting.</p> <p>As of the writing of this report, the EDFUND Board of Directors has complied with this request.</p>