6.d

Action/Information Item

Governance and Monitoring Committee

Review/Adoption of Proposed Changes to the Governance Policy

The Commission's Governance Policies are the primary expression of the roles and responsibilities of the Commission, the Executive Director, the EDFUND Board, the EDFUND President, the State administered financial aid staff and the loan program staff. The Governance Policies were adopted by the Commission on September 6, 2007 and revised on November 27, 2007. On December 10, 2007, the Committee proposed additional changes to the beginning of Assignment Policy 1: Executive Director.

The changes proposed to the Governance Policies are intended to enhance the oversight of EDFUND through a direct reporting relationship from the auxiliary, through the Executive Director, to the Commission. This reporting structure was previously adopted by the Commission in November 2003, but was not carried through the creation of the Governance Policies.

The following enclosures are being provided for your consideration:

- Attachment 6.d.1: Current Governance Policy
- Attachment 6.d.2: Redline draft of the current Governance Policy showing the proposed amendments to the Governance Policy.
- Attachment 6.d.3: Minutes of the November 21, 2003 Meeting of the California Student Aid Commission

Recommended Action: Recommend Adoption of the proposed changes to the Governance Policy to the Commission.

Responsible Person: Keri Tippins
General Counsel

CALIFORNIA
STUDENT AID
COMMISSION

Governance Policies

Adopted by the Commission on

September 6, 2007

**INCLUDES CHANGES APPROVED BY
THE COMMISSION AT ITS NOVEMBER 29, 2007 MEETING**

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Introduction

In April 2006, the California Student Aid Commission began working to develop the Governance Policies and to clarify the roles and responsibilities for itself, the EDFUND Board of Directors and their respective staffs.

On September 6, 2007, the Commission adopted Governance Policies. The Governance Policies are a result of an open collaborative process led by the Commission. The Commission developed the Governance Policies through the leadership of an Ad Hoc Committee and assistance of a consulting group with input from EDFUND and CSAC management and their respective staffs.

The Commission's Governance and Monitoring Committee is responsible for reviewing the policies and recommending to the Commission any further necessary enhancements. The goal of the Commission is to continue to strive to improve and refine its policies.

This document is subject to revision given the dynamic financial aid environment with pending and new federal and State legislation. For example, Senate Bill 89 (Chapter 182, Statutes of 2007), enacted on August 24, 2007, authorizes the sale, or an alternative financial arrangement to the sale, of the California Student Aid Commission's loan guarantee function and nonprofit auxiliary, EDFUND. This law authorizes the Director of the Department of Finance to act as the agent for the sale. The Commission recognizes that, in some instances, the provisions of this law may necessitate certain deviations from the policies.

Items noted with an asterisk (*) identify policies that may require modification.

Purpose and Types of Policies

By statute, the California Student Aid Commission is the governing body responsible for California's student State administered financial aid and loan guaranty programs. The policies in this document set forth how the Commission will govern and oversee these programs – its expectations, and the roles and responsibilities of the Commission and program staff in fulfilling those expectations. There are five categories of policies:

Ends Policies. These policies set forth the broad outcomes to be achieved by the Commission's State administered financial aid and loan guaranty programs.

Commission Governance Process Policies. These policies define how the Commission itself will operate (for example, the role of the Chair and committees).

Assignment and Responsibility Policies. These policies delineate the responsibilities assigned by the Commission to the Executive Director, the EDFUND Board/President, and staff in the Federal Policy and Programs Division.

Executive Parameters. These policies state the parameters within which the Executive Director and EDFUND Board/President will carry out the responsibilities assigned to them.

Monitoring and Oversight Policies. These policies define how the Commission will monitor organizational performance, based on the policies in the other four categories.

Within each of these five areas, policies are written at three levels:

- First Level: A succinct, global statement as an "umbrella" covering the policy category.
- Second Level: Policies defining the major sub-categories within that policy category.
- Third Level: Specific policy statements delineating each sub-category in more detail.

Entity and Program Names

Throughout this document, the California Student Aid Commission organization as a whole (including its auxiliary, EDFUND) is referred to as "CSAC."

- The Commission's State administered financial aid programs, including related specialized grant, scholarship, loan assumption, and outreach programs administered by CSAC staff, are referred to as the "State administered financial aid program."
- The Commission's loan guaranty programs and related outreach efforts, administered by EDFUND, are referred to as the "loan program."
- The five entities that comprise CSAC are referred to as:

  The Commission: the appointed governing body of the entire organization.

  State administered financial aid staff: civil service staffs who operate the State administered financial aid and outreach programs.

  FPPD staff: Federal Policy and Programs Division staff who support the Commission in its oversight of EDFUND.

  The EDFUND Board: the Commission-appointed governing body of the nonprofit.

  Loan program staff: the employees of EDFUND who operate the loan program.

Reasonable Interpretation

Those being directed by these policies (the Commission, Executive Director, EDFUND President, etc.) are authorized to act based on a "reasonable interpretation" of them as written. This is similar to the "reasonable person test" that has been utilized in law for generations.

Ends Policies

These policies set forth the broad, long-term outcomes to be achieved by the Commission's State administered financial aid and loan programs.

Global Policy: Ends

The Commission's State administered financial aid and loan programs provide students and families access to postsecondary education by:

- Informing them about the postsecondary education opportunities available to them.
- Providing financial resources – grants, scholarships, loan guarantees, etc. – to enable them to finance a postsecondary education.
- Serving and caring about each student and his or her family, in a manner that is supportive, sensitive, and empowering.

Ends Policy 1: Grants and Specialized Aid to California Students

Eligible California students will receive financial assistance in the form of grants through the Cal Grant Entitlement Program (Cal Grant A and B), the Cal Grant Community College Transfer Entitlement Program (Cal Grant A and B), the Cal Grant C Program, the California Chafee Foster Youth Program, and other specialized programs as authorized by the Governor and the Legislature in the annual Budget Act and through interagency agreement, and approved by the Commission. Examples of these specialized programs include:

- APLE – Assumption Program of Loans for Education, a teacher incentive program
- SNAPLE NF - State Nursing Assumption Program of Loans for Education for Nursing Faculty
- Robert C. Byrd Honors Scholarship Program
- Child Development Grant Program
- Law Enforcement personnel Dependents Grant Program
- National Guard Assumption Program of Loans for Education

Prospective students and their families, particularly those who are low-income and first in their family to attend college, will participate in the Commission's outreach programs (such as Cal-SOAP and Cash for College) and will receive information about college planning and preparation, the cost of attending college, and accessing all types of financial aid (including from federal, state, institutional, and private sources).

The Commission may add new programs provided that adequate funding is available to operate those programs in the manner and to the standards delineated by the Commission. As the state agency responsible for administering statewide financial aid programs, the Commission will work with the executive and legislative branches of state government to identify appropriate funds to effectively administer the Commission's programs.

Ends Policy 2: Student Loans and Services*

Through the Commission's loan guaranty programs ("loan program") administered by the Commission's auxiliary EDFUND, students and families will receive financial assistance in the form of loans through the Federal Family Education Loan Program (FFELP) and other programs as authorized by State and federal law and approved by the Commission. In addition, borrowers may refinance any or all of their outstanding federal student loans into a FFELP Consolidation Loan guaranteed by CSAC. California will be a primary focus for the loan program; however, given the national competitive nature of the FFELP program, the loan program is available to students and families nationally, pursuant to annual and strategic plans, approved by the EDFUND Board and adopted by the Commission.

To assist students in reaching their educational goals, EDFUND will provide a range of products and premier customer service to borrowers, schools, and lenders that meet or exceed those provided by EDFUND's competitors in this highly competitive national marketplace. EDFUND will also:

A. Continuously invest in the development of technology to enhance the effectiveness and efficiency of EDFUND programs internally and for customers.

B. Provide effective and responsive default aversion programs.

C. Provide students and families with useful information on college planning and selection, career planning, financial aid, and debt management.

D. Provide administrative, technical, and programmatic support to the Commission.

E. Partner with external organizations in an effort to reach all students, especially underserved communities.

F. Identify ways to consistently collaborate with CSAC to work more effectively and efficiently.

Ends Policy 3: Maximizing of Services and Revenues*

In order to provide the greatest range of services at the least cost to students, families, and institutions, and "to maintain the fiscal viability of the auxiliary" per California Education Code Section 69526(b)(2), the Commission, EDFUND Board, and loan program staff will take all reasonable steps to optimize FFELP revenues, within the limitations prescribed in other policies herein.

EDFUND will seek to generate annual loan program revenues net of expenses to accomplish the following outcomes, in order of priority:

First Priority: Fund EDFUND operations in a manner that ensures the availability of FFELP loans and the provision of high quality, caring services to students and their families.

Second Priority: Fund the loan program in a manner that maintains EDFUND's short- and long-term financial viability, as well as Commission oversight. Short-term viability includes maintaining the minimum reserve levels established by the Commission for the FFELP Federal Fund (pursuant to the Higher Education Act), Operating Fund, and EDFUND Operating Reserve Fund. Long-term financial viability includes the ability to maintain these reserve levels, and to invest in program development and service delivery enhancements that will maintain competitiveness and enhance long-term revenue generation to better serve students and our customers.

Third Priority: To the extent that funds are available, fund the administrative costs of the State administered financial aid program, outreach programs, and any costs related to the operation of the Commission itself without reliance on state general fund support.

Commission Governance Process Policies

These policies delineate how the Commission will operate – its governance approach, as well as the role of the Commission, Commission Chair, Commission Committees, and individual Commissioners. In addition, they delineate the authority of the Commission, its Committees, and individual Commissioners in making requests of staff.

Global Policy: Commission Governance Process

The Commission is the governing body that has statutory responsibility for CSAC State administered financial aid and loan programs, on behalf of the people of California and the executive and legislative branches of state government. As such, the Commission will ensure that the CSAC organization and its component entities achieve the desired outcomes set forth by the Commission in these policies, the Operating Agreement, their respective strategic and annual plans, and other relevant outcomes. The Commission will ensure that the CSAC organization and its component entities avoid unacceptable actions and situations, as set forth in the policies herein. The Commission will also take a proactive role in legislative matters in order to maximize the effectiveness of its programs in serving students and their families.

The EDFUND Board is the Board of Directors of a California nonprofit corporation, EDFUND, which is the auxiliary of the Student Aid Commission. California Education Code section 69522(b) states: "*The auxiliary organization shall be established and maintained as a nonprofit public benefit corporation subject to the Nonprofit Public Benefit Corporation Law … except if there is a conflict between this article and the Nonprofit Public Benefit Corporation Law, this article shall prevail*." Furthermore, section 69525 states: "*The auxiliary organization established pursuant to Section 69522 shall be governed by a board of directors nominated and appointed by the commission*." Thus, the Commission holds the EDFUND Board accountable to fulfill its fiduciary responsibilities, and will work with the Board to achieve effective oversight of the loan program while minimizing unnecessary duplication of effort.

Commission Governance Policy 1: Governance Philosophy

Integrity and sound stewardship are paramount in the governance of all Commission activities. The Commission will govern according to all applicable laws and based on policies set forth in this Commission Policy document. The Commission will also conduct itself according to the following principles:

- In deliberating and making decisions, maintain a central theme of serving the interests of students.
- Make the greatest possible contribution to ensure the success of the State administered financial aid and loan programs.
- Operate these programs in a manner that makes efficient use of organizational resources, including the resources used to support the activities of the Commission itself.
- Maintain the highest ethical, legal, and accounting standards.
- Focus on outward vision and strategic leadership rather than administrative detail.
- Be proactive rather than reactive.
- Be a leader in public policy development and the legislative arena.

- Be objective and encourage diversity in viewpoints.
- Make decisions in an efficient, timely manner.
- As a Commission, make collective rather than individual decisions.

Commission Governance Policy 2: Commission's Role

The Commission will maintain its accountability and responsibility for the State administered financial aid and loan programs, and the oversight thereof. Although the EDFUND Board, State administered financial aid staff, and loan program staff play a critical role in supporting the Commission as it fulfills its responsibilities, the Commission retains the ultimate authority and responsibility.

The Commission will clearly delineate roles and responsibilities of the Commission, EDFUND Board, State administered financial aid staff, FPPD staff, and loan program staff. These roles and responsibilities will avoid unnecessary duplication of effort, leverage the expertise resident in the organizations (including among staff, Commissioners, Board members, advisory committees, etc.), encourage collaboration, and emphasize efficient use of all resources.

In furtherance of the mission of CSAC, the Commission will play a proactive and supportive role in the development of public policy and legislation at both the federal and state level. The Commission will also maintain a proactive working relationship with key elected and appointed officials in order to make policy decisions with an understanding of state and federal policy.

In furtherance of the Commission's fiduciary and oversight responsibilities over all Commission programs, the Commission will produce the necessary outputs and documentation to assure the State of California, the federal government, and other key stakeholders that CSAC is fulfilling its mission, as well as its obligations under statutes, regulations, and other applicable law.

<u>Governance Process</u>

A. The Commission will maintain written governance policies that address the broadest level of organizational decisions and situations. The Commission will be the initiator of policy, and will take responsibility for updating its policies and adding, deleting, or modifying provisions as needed.

B. The Commission will cultivate a sense of group responsibility and accountability. The Commission will not use the expertise of individual members to substitute for the judgment of the Commission, although the expertise of individual members may be used to enhance the understanding of the Commission as a body. Nor will the Commission rely on the expertise of staff to substitute for the judgment of the Commission, although staff will be expected to provide complete and thoughtful information to support Commission deliberation and decision-making. This will create the opportunity for more collaboration.

C. The Commission will enforce upon itself the necessary discipline to govern with excellence, including regular attendance at meetings, thorough preparation by each member for each meeting, adherence to its policy-making principles, and respect of roles. The Commission will evaluate its governance effectiveness annually and take steps to improve its effectiveness as a governing body.

D. Continual education and development for Commissioners will include a mandatory, comprehensive orientation of new members, which will provide:

   1) An understanding of the Commission's governance process.

2) A working knowledge of key elements of the State administered financial aid and loan programs.
3) An understanding of mandates set forth by the Fair Political Practices Commission, Bagley-Keene Open Meeting Act, California Public Records Act, and all applicable law and other governance requirements.
4) A working knowledge of state agencies, state and federal legislative and budget processes, and non-profit organizations.

Commission education and development will also include periodic presentations and/or Commission discussion that:

5) Further informs Commissioners regarding the State administered financial aid and loan programs.
6) Informs Commissioners regarding upcoming public policy and legislative issues.
7) Supports improvement in the Commission's governance process.

E. The Commission will make decisions by majority vote. Once a decision is reached, all Commissioners will, in their role as Commissioners, speak as a single official voice and act accordingly.

F. The Commission will seek and give full consideration to broad public input from stakeholders.

G. The Commission will comply with all procedural requirements for state commissions, including those set forth in the Bagley-Keene Open Meetings Act.

Planning

H. The Commission will ensure development of State administered financial aid and loan program strategic and annual plans, as further described in the Executive Parameters policies herein.

I. The Commission will ensure that a strategic plan is developed for the CSAC entity as a whole, based on the State administered financial aid and loan programs' strategic and annual plans. This overall strategic plan will focus on the linkages between the two organizations and how synergies can support the overall mission of the Student Aid Commission.

Program Oversight

J. The Commission will conduct fiscal and programmatic oversight of the State administered financial aid and loan programs to ensure that program funds are spent economically and in accordance with State and federal laws and regulations, and will monitor organizational performance based on the policies herein.

K. The Commission will maintain effective regularly scheduled internal audits in the State administered financial aid programs and the loan program to ensure compliance with existing laws, regulations, policies and other applicable standards.

L. State Administered Financial Aid Program

1) The Commission will ensure that State administered financial aid staff have put in place all required procedures to comply with the requirements of the State Administrative Manual, State Procurement Manual, and any other applicable state mandated procedures, unless the Commission has received waiver or exemption from such compliance.

2) The Commission will conduct regular performance evaluations of the State administered financial aid operations, in furtherance of the Commission's fiscal and fiduciary responsibilities. These evaluations will assess: the efficiency and effectiveness of the grant delivery system in reaching the intended beneficiaries; the extent to which the State administered financial aid staff has provided caring and supportive customer service, made effective use of resources, and fulfilled Commission policies herein.

M. Loan Program

1) The Commission will understand, acknowledge, and hold the EDFUND Board accountable for its fiduciary responsibilities as the board of a California non-profit corporation, as set forth in California Education Code Sections 69522(b) and 69525.

   a) 69522(b): "The auxiliary organization shall be established and maintained as a nonprofit public benefit corporation subject to the Nonprofit Public Benefit Corporation Law … except if there is a conflict between this article and the Nonprofit Public Benefit Corporation Law, this article shall prevail."

   b) 69525: "The auxiliary organization established pursuant to Section 69522 shall be governed by a board of directors nominated and appointed by the commission."

2) As specified in California Education Code Section 69526 (b)(c), the Commission, in consultation with the Department of Finance and the Board of Directors of EDFUND, shall do the following:

   a) Institute a standard accounting and reporting system for the management and operations of EDFUND.

   b) Implement financial standards that will ensure the fiscal viability of EDFUND. The standards shall include proper provision for professional management, adequate working capital, adequate reserve funds for current operations and capital replacements, and adequate provisions for new business requirements.

   c) Institute procedures to ensure that transactions of EDFUND are consistent with the mission of the Commission.

   d) Ensure that EDFUND shall not accept any grant, contract, bequest, trust, or gift, unless it is so conditioned that it may be used only for purposes consistent with the policies of the Commission.

3) As specified in California Education Code Section 69522(c)(2), the Commission will conduct regular performance evaluations of the operation of EDFUND in furtherance of its fiscal and fiduciary responsibilities for approved programs.

Personnel Practices

N. The Commission will evaluate the Executive Director's performance annually. This evaluation will be based on: organizational accomplishment of the Commission's Ends Policies and compliance with other Commission policies herein; performance goals and professional development objectives adopted annually by the Commission; and the Executive Director duty statement developed and adopted by the Commission.

Internal and External Communication

O. The Commission will maintain ongoing communication through its Executive Director to State administered financial aid staff, and through the EDFUND Board/President to the loan program staff. This includes giving consideration in its deliberations and decision-making to the perspective of State administered financial aid and loan program staff, as represented by management. In turn, given the breadth of responsibility of the Commission, program managers will bring issues to the Commission in a timely manner with brevity, clarity of thinking, succinct analysis of each issue and options for addressing it, and whenever possible a recommended course of action.

P. The Commission will maintain a working relationship with, and seek the advice and perspectives of, key stakeholder groups and advisory bodies.

Q. In furtherance of the above governance philosophy and policies regarding public policy and legislation, the Commission Chair or an appropriate Committee Chair or Commission member will participate in significant interactions with key elected and appointed officials, supported by State administered financial aid and/or loan program staff.

Commission Governance Policy 3: Commission Chair's Role

The Commission Chair will ensure the integrity and fulfillment of the Commission's governance policies and process, and that the Commission's conduct is consistent with statutes, regulations, and other applicable law. As necessary, the Chair represents the Commission to outside parties. Specifically, the role of the Chair is to:

A. Coordinate the planning of the Commission's activities for the year ahead, and develop the agenda for each Commission meeting, with input from Commissioners, the Executive Director, and the EDFUND Board/President.

B. Preside at Commission meetings, ensuring that meeting discussion focuses on those issues, which, according to Commission policy, clearly belong to the Commission to decide or to monitor.

C. Ensure that meeting discussion and deliberation is conducted in a manner that is fair, open, and thorough, and at the same time is efficient, focused and timely.

D. Organize the Commission's Committees as established per the Committees policy below, and maintain contact with the Committee Chairs to ensure that Committees are operating effectively.

E. Meet periodically with the Executive Director and EDFUND Board/President, and make decisions as necessary to ensure implementation of the Commission's policies herein.

F. Execute specific documents as authorized by the Commission, except as otherwise provided by law.

G. Represent the Commission to the organization internally and to external parties, consistent with the Commission's "Commissioner Role" policy below.

Commission Governance Policy 4: Commissioner Role and Code of Conduct

The Commission commits itself and its members to ethical, professional, and lawful conduct, including proper use of authority and appropriate decorum when acting as Commission members.

A. Commissioners will be responsible to understand and act according to the provisions of the Bagley-Keene Open Meetings Act and the Fair Political Practices Code.

B. Once the Commission has reached a decision, which is accomplished by majority vote, all Commissioners will, in their role as Commissioners, speak with a single official voice and act accordingly.

C. Commissioners will abide by the Political Reform Act regarding conflict of interest.

D. The Commission will adopt for itself, and adhere to, an Incompatible Activities Policy.

E. Commissioners will engage in and support consensus-building. Commissioners will not communicate with individual Commissioners in a lobbying manner that generates discord and has the potential to divide the Commission into factions.

F. In communicating with any external stakeholder (e.g., the public, the media, representatives of financial or educational institutions or associations, etc.), Commissioners will not convey information that is proprietary or confidential, and will protect intellectual property and confidentiality of consumer identity (e.g., students and families). When representing the Commission, as distinct from speaking as individuals, Commissioners will not:

   1. Discuss issues, policies, decisions, or programmatic information of any substance without appropriate authorization from the Commission Chair.
   2. Take a position contrary to that of the Commission, or represent interests contrary to those of the Commission, without making it explicit that such position or interests are not those of the Commission. If such a position is taken as, that Commissioner will inform the Commission Chair in advance whenever possible, or if not possible, within 24 hours thereafter.
   3. Conduct significant discussion of issues, policies, or future Commission decisions upon which the Commission has not taken a position in writing, without first conferring with the Commission Chair or his/her designated Commissioner(s) regarding the issues, policies, or Commission decisions to be discussed.

Commission Governance Policy 5: Committees

Commission committees are established to help the Commission fulfill its responsibilities by assessing policy issues, alternatives, and implications to support Commission deliberation. The Committees will also carry out other tasks as assigned by the Commission. This policy applies to any group that is formed by Commission action, whether or not it is called a committee and regardless of whether the group includes Commission members.

A. Committees may not speak or act for the Commission except when formally given such authority for specific and time-limited purposes.

B. Committees may not exercise authority over staff, except where specifically authorized by the Commission. Committees are to avoid over-identification with organizational parts rather than the whole, and will at all times act in accordance with the policies herein.

C. Ad Hoc committees will be created only as necessary to collect ideas and information**,** and will recommend how the Commission may address specific issues or situations.

Commission Governance Policy 6: Making Requests of Staff

A. Commission officers or committees may make reasonable and necessary requests for information or assistance within the areas of responsibility assigned to them by the Commission. However, if the Executive Director or EDFUND Board/President can substantiate that fulfillment would require an undue amount of staff time or funds, or would be substantially disruptive to normal business operations, they may appeal such

requests to the Commission Chair (thus, the burden of substantiation is on the Board/executive).

B. Individual Commissioners (not acting as officers or on behalf of a Commission committee) may request information or assistance within areas of their individual responsibility assigned to them by the Commission. However, the Executive Director or EDFUND Board/President may decline to fulfill requests that they, in their judgment, deem to require an undue amount of staff time or funds, or to be substantially disruptive to normal business operations. If the Commissioner nonetheless wishes to pursue the request, that Commissioner must make and substantiate the request to the Commission Chair (thus, the burden of substantiation is on the individual Commissioner).

Assignment and Responsibilities Policies

These policies delineate the responsibilities assigned by the Commission to the Executive Director the EDFUND Board/President, and FPPD staff.

Global Policy: Assignment and Responsibilities

The Commission will maintain its accountability and responsibility for the grant and loan programs, and the oversight thereof. The Commission's committees and Commissioners, the Executive Director, the EDFUND Board, and the EDFUND President will have only that authority assigned to them in writing by the Commission or by statute, regulation, or other applicable law.

Assignment Policy 1: Executive Director

GRANT PROGRAM

The Executive Director is the Commission's primary link to the day-to-day operation of the grant program, including its component parts (e.g., specialized programs and public awareness and outreach programs). As noted below, the Internal Auditor and FPPD staff report to the Executive Director administratively, and thus the Executive Director has responsibility for administrative matters in regard to these positions (e.g., time reporting and state personnel processes for hiring, corrective action, and termination).

Provided that the Executive Director operates within a reasonable interpretation of the Commission's policies herein, the Commission hereby assigns the following responsibilities to the Executive Director, to be accomplished within the Executive Parameters Policies herein.

Planning

A. The Executive Director is responsible for developing strategic and annual plans for the grant program, using an approach described in the Executive Parameters Policies.

Program Operations

B. The Executive Director is responsible for establishing grant program operational procedures, subject to periodic review and approval by the Commission, and making operational decisions and conducting the grant program organization's day-to-day operational activities required for the administration of the program.

C. The Executive Director is responsible for arranging for grant program administrative services to be provided by EdFund, including working with the EdFund Board/President to establish service agreements, subject to EdFund Board and Commission approval.

Fiscal Operations

D. The Executive Director is responsible for entering into budget-authorized grant program contracts with third party service or product vendors in an amount not to exceed $100,000. All contracts of $100,000 or more will be individually approved by the Commission.

E. The Executive Director is responsible for fiscal management of the grant program, consistent with state requirements and procedures and Commission policies.

Personnel Practices

F. The Executive Director is responsible for hiring, management, training, corrective action, and, as necessary, termination of grant program staff.

G. The grant program Internal Auditor will report administratively to the Commission's Executive Director and functionally to the appropriate Commission Committee. FPPD staff will report administratively to the Commission's Executive Director and functionally to the Commission and the Executive Director.

H. The Executive Director is responsible for coordinating civil service procedures involving CSAC civil service employees assigned to EDFUND, and will work collaboratively with the EDFUND President and EDFUND personnel staff to address personnel matters involving these employees, per state civil service provisions.

Internal and External Communication

I. The Executive Director is responsible for communicating Commission policy and actions taken by the Commission to the grant program staff and, under the direction of and in coordination with the appropriate Commission committee, to FPPD staff

J. The Executive Director is responsible for representing the Commission to the executive and legislative branches of state government, in collaboration with Commissioners and EDFUND representatives, as further defined in the Executive Parameters Policies.

K. The Executive Director is responsible for representing the Commission's grant program to the media, the public, interest groups, and other outside parties, as further defined in the Executive Parameters Policies.

LOAN PROGRAM

In relation to the Commission's loan program, operated on a day-to-day basis by its auxiliary, EdFund, the Executive Director is responsible for:

L. Coordinating civil service procedures and personnel matters involving CSAC civil service employees assigned to EdFund, per H above.

M. As noted above, FPPD staff report to the Executive Director administratively and the appropriate Commission committee functionally, and thus the Executive Director has responsibility for administrative matters (e.g., time reporting and state personnel processes for hiring, corrective action, and termination). Providing information to and coordinat~~ing~~ with the EDFUND President in communicating with external parties regarding the loan program, as further described in Executive Parameter Policy 6 below.

N. If requested, supporting the Commission, its appropriate committee, and FPPD staff in monitoring of loan program compliance with the Operating Agreement.

O. As the Executive Director of the state's guaranty agency, completing and forwarding reports and documents as necessary to the appropriate state agencies in regard to the Student Loan Operating Fund and Federal Fund, under the guidance and direction of

the Commission and its appropriate committee, and according to the procedures established in the Annual Oversight Plan.

Assignment Policy 2: EDFUND Board and President

EDFUND Board members are appointed by the Commission and are accountable to the Commission. In addition, according to the statute that enabled the creation of EDFUND, the EDFUND Board is required to act as the governing board of the California non-profit corporation. As such, both the Board as a whole and individual Board members have certain fiduciary responsibilities and obligations with regard to the EDFUND organization. The Commission will hold the EDFUND Board, which it appoints, accountable to fulfill these fiduciary responsibilities and obligations.

The Commission also has statutory responsibility to oversee its auxiliary, EDFUND. Thus, the Education Code establishes a two-tiered governance structure over EDFUND – the first tier being the EDFUND Board, the second being the Commission. To fulfill its governance role, the Commission will conduct oversight of EDFUND as required by law and deemed necessary and prudent by the Commission.

Planning

A. The EDFUND Board/President is responsible for development of strategic and annual plans for the loan program, subject to review and approval by the Commission.

Program Operations

B. The President is responsible for establishing loan program operational procedures, subject to periodic review and approval by the EDFUND Board, and to make operational decisions and conduct the organization's day-to-day operations.

C. The President is responsible for arranging for administrative services to be provided by EDFUND, including working with the Executive Director to establish service agreements, subject to EDFUND Board and Commission approval, and for ensuring that services are delivered accordingly.

Fiscal Operations

D. As specified in California Education Code Section 69526, the EDFUND Board will approve all expenditures and fund authorizations of the auxiliary organization. As specified in that statute, "*authorizations of expenditure of fund for use outside of the normal business operations of the auxiliary organization shall be approved by an officer of the Commission and in accordance with Commission policy*." The "officer" referenced in statute will be a Commission Officer (e.g., Chair, Secretary, etc.) who is not a member of the EDFUND Board.

E. The EDFUND Board/President is responsible for developing the EDFUND annual budget, subject to approval by the Commission.

Personnel Practices

F. The EDFUND President, through the EDFUND Board, is the Commission's primary link to the day-to-day operation of the loan program. Provided that the EDFUND President operates within a reasonable interpretation of the Commission's policies herein, the EDFUND Board may delegate to the EDFUND President any legally delegable authority.

1) The EDFUND Board will hire, manage, and formally evaluate the EDFUND President. However, the President's annual evaluation will also include an assessment of performance based on organizational accomplishment of the Commission's Ends Policies and compliance with other Commission policies herein. The EDFUND Board will provide the Commission with the President's annual evaluation and subsequent year goals.
2) The EDFUND Board has the authority to delegate to the President responsibility for hiring, management, and termination of loan program staff who report to the President. The sole exception is the EDFUND Internal Auditor. The Commission and EDFUND Board Audit Committees have the authority to hire, manage programmatically, and terminate the EDFUND Internal Auditor, and the Internal Auditor reports to this Joint Committee. The authority to add or eliminate internal audit staff positions is delegated to the EDFUND Board/President.
3) Civil service staff assigned to EDFUND will be eligible for promotion at EDFUND, subject to civil service provisions. In addressing personnel matters involving CSAC civil service staff assigned to EDFUND, the EDFUND President will coordinate with the Executive Director and the EDFUND personnel office will coordinate with the CSAC personnel office to ensure consistency with state laws, rules, and bargaining unit contracts.

<u>Internal and External Communication</u>

G. The EDFUND President is responsible for communicating Commission policy and actions taken by the Commission to the loan program staff.

H. The EDFUND Board/President is authorized to represent the Commission with respect to the loan program to the executive and legislative branches of state government, and to the federal Department of Education or other federal agencies, as further defined in the Executive Parameters Policies.

I. The EDFUND Board/President is authorized to represent the Commission with respect to the loan program to the media, the public, interest groups, and other outside parties, as further defined in the Executive Parameters Policies.

Assignment Policy 3: Federal Policy and Programs Division or its Successor

The Commission's Federal Policies and Programs Division (FPPD) holds a unique position in the organizational structure. It supports the Commission's processes for monitoring and oversight of EdFund. As such, its staff are neither part of the "grant program staff" (defined above as those staff who operate the grant program), nor the "loan program staff" (defined above as the employees of EdFund who operate the loan program).

FPPD or its successor is responsible for performing those duties assigned to it by the Commission in support of the Commission's oversight of EdFund. FPPD or its successor reports administratively to the Commission's Executive Director and functionally to the appropriate Commission Committee, and is subject to all policies herein.

The responsibilities of FPPD or its successor consist of three components:

1. Supporting the Commission's oversight of loan program strategic planning, annual planning, and budget development, according to the process and timeline set forth by the Commission.

2. Supporting the Commission's oversight by receiving, reviewing, and verifying information received from the loan program in accordance with the Operating Agreement and the Annual Oversight Plan.
3. Supporting the Commission, as requested by the Commission or the Executive Director, in providing information to external parties such as state control agencies, the Legislature, and the Governor's office, in accordance with the Commission's External Communications Policies herein.

In fulfilling these responsibilities, FPPD will operate in accordance with the Commission's policies, the Operating Agreement, and the Annual Oversight Plan. The Annual Oversight Plan will describe the oversight and any limitations associated therewith (including, but not limited to identification of staff, systems and specific dates for such reviews as are needed to implement the Plan), and will be approved by the Commission's Audit Committee in consultation with the EdFund Audit Committee, and by the Commission as a whole. The Annual Oversight Plan will be designed to have the least intrusive impact on EdFund operations and will not be considered an audit.

Executive Parameters Policies

These policies state the parameters within which the Executive Director and EDFUND Board/President will carry out the responsibilities assigned to them by the Commission.

Global Policy: Executive Parameters

Regarding the grant program, the Executive Director will, and regarding the loan program, the EDFUND President will, ensure that all organizational practices, activities, and decisions are lawful and prudent and are in compliance with commonly accepted business and professional ethics as well as federal or state laws and regulations.

Executive Parameters Policy 1: Strategic and Annual Planning

GRANT PROGRAM

A. The Executive Director will work with the Commission to develop a grant program strategic plan, which will include a vision statement, goals, strategies, and objectives. The Commission will establish the vision statement looking long term, and set broad three-year goals, with input from the Executive Director and grant program staff. The Executive Director will define the strategies that will be utilized to achieve the goals, and the specific objectives to be achieved. The Commission will review and adopt the strategic plan.

B. The Executive Director will develop an annual plan delineating specific action steps to implement the strategic plan, specifying timelines, and parties within the organization responsible for completion of the action steps. The Commission will review and adopt the annual plan.

LOAN PROGRAM

C. The EDFUND Board/President will develop a loan program strategic plan, which will include a vision statement, goals, strategies, and objectives. The Commission will review and adopt the strategic plan.

D. The EDFUND Board/President will develop an annual plan delineating specific action steps to implement the loan program strategic plan, specifying timelines, and parties within the organization responsible for completion of the action steps. The Commission will review and adopt the annual plan.

Executive Parameters Policy 2: Program Operations

GRANT PROGRAM

A. The Executive Director will develop grant program operational procedures, subject to periodic review and approval by the Commission. These procedures will be consistent with the Commission's policies, and will contain provisions that specifically support the Commission's implementation of the Monitoring and Oversight Policies herein.

B. The Executive Director will conduct the grant program in a manner that maintains the organization's public image and credibility to support its ability to accomplish its mission.

C. The Executive Director may not initiate a new grant program or terminate an existing one without Commission approval.

LOAN PROGRAM

D. The EDFUND Board/President will market EDFUND programs nationally pursuant to its strategic and annual and plans approved by the EDFUND Board and adopted by the Commission, to maintain competitiveness in the national marketplace.

E. The EDFUND Board/President will conduct the loan program in a manner that maintains the organization's public image and credibility to support its ability to accomplish its mission.

F. The EDFUND President may not initiate a new loan program or terminate an existing one without EDFUND Board approval and adoption by the Commission.

Executive Parameters Policy 3: Fiscal Operations

Financial planning for any fiscal year, or the remaining part of any fiscal year, will conform to the Commission's Ends Policies and the Commission's annual budgeting guidelines, with timely notice to the Commission and, in the case of the loan program, the EDFUND Board.

GRANT PROGRAM

A. *Financial Planning and Annual Budgeting*. In conducting grant program operations, the Executive Director will:

   1) Provide sufficient information to the Commission to demonstrate credible projection of revenues (including state appropriations, earned revenue, special grants and funding, and other sources as may be developed over time) and expenses, capital expenditures, and cash flow.

   2) Clearly articulate to the Commission all critical planning assumptions.

   3) Present an operating budget for each fiscal year that clearly displays the appropriation authority provided in the Budget Act, as well as budget change proposals. This budget (and any budget changes) will support the achievement of the strategic and annual plan goals approved by the Commission, including goals to improve the cost-effectiveness of the administration of the grant program in relationship to the total amount of grants awarded. The Executive Director will also present to the Commission updates to the budget per the state budget process.

   4) Provide multi-year CSAC administrative cost projections to the Commission and EdFund Board. These projections will be provided in sufficient time for EDFUND to incorporate them into its budget planning process, pursuant to the budget schedule adopted by the Commission.

B. *Grant Program Operational Expenditures*. The Executive Director will take all reasonable and prudent measures within the Executive Director's control to ensure that grant program activities and expenditures will not cause or allow the development of fiscal jeopardy. These measures will include ensuring that:

   1) Grant program expenditures remain within the multi-year expense projections and efficiency targets established by the Commission, and do not exceed the approved budget, to the extent such expenditures are within the Commission's control (recognizing, for example, the entitlement aspects of the grant program).

2) Grant program purchases have been made in compliance with all applicable laws, regulations, and state administrative procedures

3) The Executive Director will not enter into contracts or make a single purchase or commitment in an amount greater than $100,000 without the Commission's prior written approval. The Executive Director will not enter into serial contracts or commitments with the same vendor in a manner that circumvents the intent of this policy. However, in the event an emergency approval is necessary for a contract over $100,000, the Executive Director may approve such contract with simultaneous notification to the Commission. The Commission will either ratify the emergency approval at its next meeting, or if not ratified the contract will be cancelled.

4) Payroll and debts are settled in a timely manner.

5) Government-ordered payments are paid in a timely manner.

6) Receivables that can reasonably be collected are aggressively pursued, in compliance with state administrative procedures.

C. *Grant Program Local Assistance*. The Executive Director will:

1) Provide sufficient information to the Commission to demonstrate credible Grant Program (Local Assistance) expenditure projections.

2) Clearly articulate to the Commission all critical projection assumptions.

3) Present a Grant Program (Local Assistance) budget that clearly displays the appropriation authority provided in the Budget Act.

D. *Asset Protection*. The Executive Director will take all reasonable and prudent measures to ensure that the grant program's assets are protected, adequately maintained, and not unnecessarily risked in a manner consistent with all applicable state and federal laws. These measures will include:

1) Ensuring that the organization, the Commission, and grant staff are not unnecessarily exposed to claims of liability.

2) Protecting intellectual property, proprietary information, consumer identity (e.g., students and families), and confidential files from loss or significant damage.

3) Receiving, processing, or disbursing funds under controls that are sufficient to meet the Commission-appointed Internal Auditor's standards and are in compliance with all applicable state and federal laws and procedures.

4) In addition to the above, the Executive Director will not acquire, encumber, or dispose of real property, without the Commission's prior written approval (in accordance with practices for state asset management through the Department of General Services).

STATE REPORTING REGARDING THE STUDENT LOAN OPERATING FUND AND FEDERAL FUND.

At appropriate times throughout the year, the Executive Director, in collaboration with the EDFUND Board/President and EdFund internal audit staff, will complete and forward reports and documents as necessary to the appropriate state agencies in regard to the Student Loan Operating Fund and Federal Fund. The Executive Director and EDFUND Board/President, and EdFund internal audit staff will do so under the guidance and direction of the Commission and its appropriate committee, and according to normal procedures for State agencies.

LOAN PROGRAM

E. *Financial Planning and Annual Budgeting*. In conducting loan program operations, the EDFUND President will:

1) Provide sufficient information to the EDFUND Board and Commission to demonstrate credible projection of revenues and expenses, capital expenditures, and cash flow.

2) Clearly articulate to the EDFUND Board and Commission all critical planning assumptions.

3) Present a proposed operating budget for each fiscal year that supports the achievement of the strategic and annual plan goals approved by the EDFUND Board and the Commission, including goals relating to further improvement of the cost effectiveness of the loan program as a percentage of loans guaranteed.

4) Project how EDFUND programs will generate annual loan program revenues net of expenses to accomplish the priorities set forth in the Ends Policies.

F. *Loan Program Expenditures*. The EDFUND President will take all reasonable and prudent measures to ensure that loan program activities and expenditures will not cause or allow the development of fiscal jeopardy. These measures will include ensuring that:

1) Loan program expenditures remain within the multi-year expense projections and efficiency targets established by the EDFUND Board and the Commission, and result in a total year-end variance amount (budget-to-actual) that does not exceed the operating contingency established in the approved budget.

2) Loan program purchases have been made such that prudent protection has been given against conflict of interest, and all purchases are in conformance with EDFUND procurement and contracting policy and with applicable state and federal requirements.

3) Payroll and debts are settled in a timely manner.

4) Tax payments or other government-ordered payments are paid in a timely manner.

5) Receivables that can reasonably be collected are aggressively pursued.

G. It is anticipated that continued legislative and regulatory changes will likely occur and will alter and/or reduce revenues paid to guaranty agencies. EDFUND will not fail to update and provide to the Commission its multi-year projections for the Federal Fund, Operating Fund and Operating Reserve Fund within 90 days of such changes.

H. *Asset Protection*. The EDFUND Board/President will take all reasonable and prudent measures to ensure that the loan program's assets are protected, adequately maintained, and not unnecessarily risked. These measures will include

1) Insuring against theft and casualty losses to a level that could materially affect the operations of the organization.

2) Ensuring that personnel with access to material amounts of funds are bonded.

3) Ensuring that the organization, the Commission, and EDFUND staff are not unnecessarily exposed to claims of liability.

4) Protecting intellectual property, proprietary information, consumer identity (e.g., students and families), and confidential files from loss or significant damage.

5) Receiving, processing, or disbursing funds under controls that are sufficient to meet generally accepted accounting practices and are in compliance with all applicable state and federal laws.
6) Investing or hold operating capital in secure instruments or in interest bearing accounts except when necessary to facilitate ease in operational transactions.
7) Investing or hold long-term investment funds in investments that are in keeping with the Commission and EDFUND Board approved investment philosophy and policies.
8) In addition to the above, the President will not:
   - Use any long-term reserves to cover annual operating expenses, without the EDFUND Board's prior written approval and Commission's prior consent.
   - Acquire, encumber, or dispose of real property, without the prior written approval of the Commission and the EDFUND Board.

Executive Parameters Policy 4: Personnel Practices

GRANT PROGRAM

A. The Executive Director will hire, manage, promote, discipline, and terminate employees according to State civil services rules.
B. The Executive Director will ensure that personnel decisions are made fairly.
C. The Executive Director will ensure that working conditions and procedures are safe, dignified, and provide appropriate confidentiality and privacy.
D. In order to protect the Commission from sudden loss of Executive Director services, the Executive Director will ensure that at least one other manager is familiar with their respective duties, pending issues, and key processes.
E. The Executive Director will work collaboratively with the EDFUND President and EDFUND personnel staff to address personnel matters involving CSAC civil service staff assigned to EDFUND, per state civil service provisions.

LOAN PROGRAM

F. The EDFUND Board/President will hire, manage, promote, discipline, and terminate employees consistent with EDFUND Personnel Policies.
G. The EDFUND Board/President will ensure that working conditions are safe, dignified, and provide appropriate confidentiality and privacy.
H. In order to protect the Commission from sudden loss of EDFUND President services, the EDFUND President will ensure that at least one other manager is familiar with their respective duties, pending issues, and key processes.
I. Civil service staff assigned to EDFUND will be eligible for promotion at EDFUND, subject to civil service provisions. In addressing personnel matters involving CSAC civil service staff assigned to EDFUND, the EDFUND President will coordinate with the Executive Director and the EDFUND personnel office will coordinate with the CSAC personnel office.
J. Compensation and benefits will be consistent with policies developed by the EDFUND Board and, in the case of executive compensation-the Commission.

Executive Parameters Policy 5: Internal Communications and Commission Support

The Executive Director and EDFUND Board/President will, for their respective organizations, keep the Commission adequately informed, in a timely manner, and provide the necessary support for the Commission to do its work.

The Executive Director and EDFUND Board/President will:

A. Submit data required by the Commission Monitoring Policies in a timely, accurate and understandable fashion, directly addressing provisions of Commission policies being monitored.

B. Cause the Commission to be aware of relevant trends, anticipated adverse media coverage, and material external and internal issues or changes, particularly issues or changes, which may impact the assumptions upon which any Commission policy or strategic or annual plan has been based.

C. The Executive Director and EDFUND President will provide to the Commission that is accurate, honest, and complete.

D. Provide for the Commission as many staff and external points of view, issues and opinions as needed for the Commission to make fully informed choices and decisions.

E. Present information in a form that emphasizes brevity and clarity, and identifies whether that information is for the purpose of monitoring (per the Commission's Monitoring Policies), supporting Commission decision/action, or other purposes.

F. Deal directly with the Commission as a whole or the appropriate Officer or Committee, avoid lobbying individual Commissioners, and support consensus building rather than communicating with individual Commissioners in a manner that intentionally generates discord or splits the Commission into factions.

G. Report in a timely manner any actual or anticipated non-compliance with any policy of the Commission or any state or federal law or regulation.

Executive Parameters Policy 6: External Communications*

K. Collaboration. As appropriate in communicating with external parties, the Executive Director and EDFUND President will provide each other information, coordinate communication, and participate jointly in presenting information in order to fully and accurately represent the Commission and its programs.

L. *Confidential Information*. In communicating with the public, the media, representatives of financial or educational institutions or associations, or similar external constituencies, the Executive Director and the EDFUND Board/President will not convey information that is proprietary or confidential, and will protect intellectual property and confidentiality of consumer identity (e.g., students and families).

M. Taking Official Positions. The Executive Director, EDFUND Board, EDFUND President, and their respective staffs will not take a position contrary to a position adopted by the Commission, or represent interests contrary to those of the Commission, without making it explicit that such position or interests are not those of the Commission and without informing the Commission Chair of such communications in advance whenever possible, or if not, possible, within but no later than two working days thereafter.

N. Public and Media. In representing their respective Commission programs to the media, the public, interest groups, and other similar external constituencies, the Executive

Director and the EDFUND Board/President and their designated staff will not take an official position on critical public policy matters upon which the Commission has not yet adopted a written policy or position. However, if in their judgment not to do so would limit the ability of CSAC to effectively fulfill its mission, then the Executive Director or EDFUND President may take such a position, provided that they inform the Commission Chair of such communications in advance whenever possible, or if not possible, within two working days thereafter. Also, in communicating with the public and the media, the Executive Director and EDFUND President will collaborate as described in A above.

O. Communication with the State and Federal Government. On behalf of the Commission, the Executive Director will take the lead in communicating with state agencies, and the EDFUND President will take the lead when dealing with federal agencies in regard to the loan program. However, in all such communications they will collaborate, as appropriate, as described in A above. Furthermore, when issues involving critical policy decisions arise on which the Commission has not yet taken a position, the Executive Director and EDFUND President will make all reasonable efforts to inform and involve the Commission Chair or other officer or Committee, as appropriate, before communicating with state and federal officials. When inquiries from these officials are of an urgent nature and the Executive Director or EDFUND President cannot contact the appropriate Commissioner(s) beforehand, they will notify the Commission Chair immediately afterward, including summarizing all relevant information that was exchanged.

Monitoring and Oversight Policies

These policies define how the Commission will monitor organizational performance (based on the policies in the other four categories).

Global Policy: Monitoring

The Commission has responsibility for oversight of its grant and loan programs. The Commission cannot delegate the ultimate responsibility for this oversight to the Commission's Chair or its committees, the Executive Director, FPPD staff, the EDFUND Board, or the EDFUND President. To fulfill this responsibility, the Commission will conduct monitoring to ensure that the grant and loan program organizations comply with all Commission policies and applicable laws.

Monitoring Policy 1: Overall Compliance with Commission Policies

Twice annually, the Executive Director and EDFUND Board will each present a report indicating their organization's compliance with the Commission's policies as set forth in this document. The Executive Director and EDFUND Board Chair, respectively, will sign these reports certifying their completeness and accuracy. The reports will identify any substantial lack of compliance, the reason for it, and steps that have been taken or that need to be taken, including any recommended Commission action, to achieve compliance with the Commission's policies.

Monitoring Policy 2: Ends

On a quarterly basis, the Executive Director and EDFUND Board/President will submit a report of programmatic accomplishments and progress. The Commission will review these reports and take action as appropriate.

GRANT PROGRAM

The Executive Director's report will include all relevant statistics, analysis of trends, and narrative information to encapsulate the most significant grant program information, including at a minimum:

A. The number of:
   1) Grant applicants in each of the grant and outreach programs for the current quarter and fiscal year to date.
   2) The amount of grants or services, in total and by category of students (as specified by the Commission), provided in each of the grant and outreach programs for the current quarter and fiscal year to date as compared to budgeted amounts, and compared to actual data for the same periods in the previous three fiscal years.

B. Information on any processing backlogs or other delays that are resulting or could result in a delay of the delivery of funds to students.

C. Costs incurred in providing grant and outreach programs reported by major cost center, as specified by the Commission, for the current quarter and fiscal year to date, as compared to the budgeted amounts and same periods in the previous fiscal year.

D. Efficiency, processing performance, and quality metrics, as specified by the Commission, for the current quarter and fiscal year as compared to the same periods in the previous fiscal year.

LOAN PROGRAM.

The EDFUND Board's report will include all relevant statistics, analysis of trends, and narrative information to encapsulate the most significant EDFUND programmatic information, including at a minimum:

E. The number of loans guaranteed by program and category, as specified by the Commission, for the current quarter and fiscal year to date, as compared to budgeted amounts, and compared to actual data for the same periods in the previous three fiscal years.

F. The total dollar amount of loans guaranteed by program and category, as specified by the Commission, for the current quarter and fiscal year to date, as compared to budgeted amounts, and compared to actual data for the same periods in the previous three fiscal years.

G. Information on any processing backlogs or other delays that are resulting or could result in a delay of the delivery of funds to students.

H. Costs incurred in providing loan guaranty programs reported by major cost center, as specified by the Commission, for the current quarter and fiscal year-to-date, as compared to the budgeted amounts and same periods in the previous fiscal year.

I. Efficiency, processing performance, and quality metrics, as specified by the Commission, for the current quarter and fiscal year as compared to the same periods in the previous fiscal year.

J. Financial statements in sufficient detail, as specified by the Commission, for the current quarter and fiscal year as compared to the same periods in the previous fiscal years.

K. Portfolio performance data, as specified by the Commission, that will include default aversion, claims paid, and recovery of defaulted loans disaggregated by collection type.

L. Any potential impact of the above information on the annual budget.

M. Comparison of key outcomes achieved by the loan program with those achieved by student loan guaranty agencies.

N. Information on competitive and political actions that could: (i) materially affect the availability of loans to students and families provided through the loan guaranty programs; and (ii) materially affect the revenues received by the Commission for the loan program.

Monitoring Policy 3: Commission Governance

On an ongoing basis, the Commission will discuss and decide how to improve the Commission's governance process.

At least annually, the Commission's committee responsible for governance practices will review and present a report to the Commission assessing the Commission's compliance with the Governance Policies herein. This review and report will include assessment of the Commission's application of the overall governance approach, as well as compliance by the Commission Chair, Commissioners, and all Commission Committees to the Governance Policies. It will also examine the effectiveness of the Commissioner orientation and Commission education programs. The Committee will present its findings to the Commission, including any recommendations to improve Commission governance policies or practices.

Monitoring Policy 4: Assignment and Responsibility

On an ongoing basis, the appropriate Commission committee responsible for governance practices will assess the effectiveness of and compliance with the Commission's Assignment and Responsibility Policies by the Executive Director, EDFUND Board/President, and FPPD or its successor. On an annual basis it will conduct an overall assessment of such compliance, and will prepare and present a report of its findings to the Commission, including any recommendations to improve clarity of these policies or compliance therewith.

Monitoring Policy 5: Strategic and Annual Planning

GRANT PROGRAM

On an annual basis, the Commission will review and adopt an annual update to the grant program strategic plan and annual plan, pursuant to the specific provisions in the Executive Parameters policies.

LOAN PROGRAM

On an annual basis, the Commission will review and approve an EdFund Board-approved annual update to the loan program strategic plan and, pursuant to the specific provisions in the Executive Parameters policies.

OVERARCHING CSAC STRATEGIC PLAN

The Commission will ensure that an overall strategic plan is developed from the strategic and annual plans developed by both the grant and loan programs. This overall strategic plan will focus on the linkages between the two organizations and how synergies can support the overall mission of the Student Aid Commission.

STRATEGIC AND ANNUAL PLAN REPORTING AND UPDATING

The Executive Director and EDFUND Board/President will provide the Commission with quarterly updates reviewing progress in implementing the overarching and program-specific strategic plans, including whether annual plan objectives have been or are expected to be achieved in accordance with the specified timeline.

Monitoring Policy 6: Fiscal Operations

On a quarterly basis, the Executive Director and EDFUND President will each present a report examining their organization's compliance with the Commission's Fiscal Operations Policies.

For each of the fiscal operations provisions in the Assignment and Executive Parameters Policies, the reports will identify any substantial lack of compliance, the reason for it, and steps that have been taken or that need to be taken, including any recommended Commission action, to achieve compliance. This will include compliance with timelines (for example, whether or not steps in the budgeting process have been completed according to the annual budget schedule).

In addition, as part of its fiduciary obligations and responsibility for oversight, the Commission will receive regular and accurate reporting on the financial status of the grant and loan programs. The Executive Director and/or grant program Internal Auditor, as appropriate, and EDFUND Board/President and/or EDFUND Internal Auditor, as appropriate, will provide complete and accurate reporting to the Commission on a monthly, quarterly, and annual basis as set forth below.

GRANT PROGRAM. The Executive Director (or, where indicated below, the grant program Internal Auditor), will provide to the Commission:

A. On an annual basis:

   1) The proposed operating budget for the grant program which complies with the Commission's Financial Planning and Annual Budget Policy and which is consistent with the grant program strategic and annual goals adopted by the Commission.

   2) A schedule of planned internal audits and reviews of the grant program for the fiscal year. (Internal Auditor)

   3) The Financial Integrity and State Managers Accountability Act (FISMA) report, as necessary indicating updates to procedures to ensure that the grant program's assets are protected, adequately maintained, and not unnecessarily risked.

B. On a quarterly basis:

   1) A summary or "dashboard" report describing the grant program's current financial condition, including summarized financial statements and any items of significance to the overall financial performance of the organization, including at a minimum:

      a) Year-to-date expenditures, as compared to the annual budget, with projection for year-end results.

      b) Any significant budget variances based on the categories determined by the Commission.

      c) Progress toward the attainment of the cost efficiency metrics established pursuant to the annual plan.

      d) Proposed steps to address budget variances or other issues identified in a) through c) above, consistent with state processes.

C. Periodically as appropriate:

   1) As scheduled, information on audits or reviews of the grant program to be performed by the State or federal government.

   2) As completed, audits or reviews of the grant program performed or required by the State or federal government.

   3) As completed, summary of internal grant program audit findings and resolutions to the satisfaction of grant program management and the Commission's Audit Committee.

STATE REPORTING REGARDING THE STUDENT LOAN OPERATING FUND AND FEDERAL FUND.

At appropriate times throughout the year, the Executive Director, in collaboration with the EDFUND Board/President and EDFUND internal audit staff, will present to the appropriate Commission committee draft reports and documents to be submitted as necessary to the appropriate state agencies in regard to the Student Loan Operating Fund and Federal Fund. The Executive Director, EDFUND Board/President, and EDFUND internal audit staff will complete these reports and documents, and will submit them to the appropriate state agencies, under the guidance and direction of the Commission and its appropriate committee, and according to the procedures established in the Annual Oversight Plan.

LOAN PROGRAM. The EDFUND Board/President (or, where indicated below, the EDFUND Internal Auditor), will provide to the Commission:

D. On annual basis:

1) The operating budget for the loan program approved by the EDFUND Board which complies with the Commission's Financial Planning and Annual Budget Policy and which is consistent with the loan program strategic and annual goals adopted by the Commission.

2) A financial, system, and compliance audit of the loan program performed by an independent auditing firm approved by the Commission and EDFUND Board Audit Committees, including audited financial statements.

3) External audits or reviews performed by the federal Department of Education (e.g., FFEL program compliance audit, VFA review), and by state entities (e.g., annual FFEL program compliance audit performed by the Bureau of State Audits).

4) A schedule of planned internal audits and reviews of EDFUND and its programs for the fiscal year. (Internal Auditor)

5) A report reviewing, and as necessary indicating updates to, procedures to ensure that all reasonable and prudent measures are being taken to ensure that the loan program's assets are protected, adequately maintained, and not unnecessarily risked (pursuant to the specific provisions in the Executive Parameters policies).

E. At each regularly-scheduled Commission meeting:

1) A summary report describing the organization's current financial condition, including summarized financial statements (or a "dashboard" report) any items of significance to the overall financial performance of the organization, including at a minimum:

a) Year-to-date expenditures, as compared to the annual budget, with projection for year-end results.

b) Any significant budget variances based on the categories determined by the Commission.

c) Year-to-date and projected use of the operating contingency established as part of the annual budget.

d) Progress toward the attainment of the cost efficiency metrics established pursuant to the annual plan.

2) A report, reviewed and approved by the EDFUND Board, on the balance in the Federal Fund, Operating Fund, and Operating Reserve Fund, and the projected

ability to meet the minimum reserve levels established by the Commission during the remainder of the fiscal year.

F. Periodically as appropriate:

1) As scheduled, information on audits or reviews to be performed by the State or federal government.

2) As completed, audits or reviews performed or required by the State or federal government.

3) As completed, summary of internal audit findings and resolutions to the satisfaction of EDFUND management and the EDFUND Board.

Monitoring Policy 7: Personnel Practices

Annual Executive Performance Reviews

At least annually, the Commission will conduct a performance evaluation of the Executive Director, pursuant to the specific provisions in Governance Policy the policy that defines the commission's role. At least annually, the Commission will receive and accept from the EDFUND Board a summary of its performance evaluation and subsequent-year goals for the EDFUND President. This review will include assessment of compliance with Commission policies herein.

EDFUND Board Performance Assessment

On an annual basis, the Commission will conduct an assessment of the EDFUND Board's performance, in conjunction with the statutorily required Annual Report to the Legislature. This assessment will be based on the policies herein, and will include discussion with the EDFUND Board regarding ways to improve governance practice and Commission and Board oversight of the loan program. This review will also include, based on input from the Executive Director, assessment of EDFUND's performance with respect to the administrative services provided by EDFUND to the grant program.

Monitoring Policy 8: Internal/External Communications and Commission Support

On an annual basis, the Commission will conduct an assessment of compliance with the Commission's policies regarding Internal and External Communications, specifically the following four Policies:

- Commission Governance Policy 2 (entitled "Commission's Role")
- Commission Governance Policy 4 (entitled "Commissioner Role and Code of Conduct")
- Executive Parameters Policy 5 (entitled "Internal Communications and Commission Support")
- Executive Parameters Policy 6 (entitled "External Communications")

This assessment will consider compliance by the Commissioners, the Executive Director, and the EDFUND Board/President. It will assess the extent to which the Executive Director and EDFUND Board/President have kept the Commission informed (e.g., regarding industry trends, staff points of view, etc.) and have supported the Commission in its external communication responsibilities (e.g., appropriately supporting Commission communication with government officials).

The report will identify any substantial lack of compliance, the reason for it, and steps that have been taken or that need to be taken, including any recommended Commission action, to achieve compliance.

In addition:

A. The annual evaluation of the Executive Director and EDFUND President (described above) will include assessment of compliance with the Commission's Communications Policies.

B. The report described in the Commission Governance Monitoring Policy will focus on the extent to which the Executive Director and EDFUND Board/President have kept the Commission informed (e.g., regarding industry trends, staff points of view, etc.) and supported the Commission in its external communication responsibilities (e.g., appropriately supporting Commission communication with government officials).

C. From time to time, the Commission may also call upon the Commission committee responsible for governance practices to monitor and report compliance with these policies on the part of the Commission, the Executive Director, or the EDFUND Board/President.

CALIFORNIA
STUDENT AID
COMMISSION

Governance Policies

Adopted by the Commission on

September 6, 2007

INCLUDES CHANGES APPROVED BY
THE COMMISSION AT ITS NOVEMBER 29, 2007 MEETING

Amendments Recommended by the Governance and Monitoring Committee
For Purposes of Strengthening the Oversight Role of the Commission
From its June 10, 2008 and June 19, 2008 meetings.

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Introduction

In April 2006, the California Student Aid Commission began working to develop the Governance Policies and to clarify the roles and responsibilities for itself, the EDFUND Board of Directors and their respective staffs.

On September 6, 2007, the Commission adopted Governance Policies. The Governance Policies are a result of an open collaborative process led by the Commission. The Commission developed the Governance Policies through the leadership of an Ad Hoc Committee and assistance of a consulting group with input from EDFUND and CSAC management and their respective staffs.

The Commission's Governance and Monitoring Committee is responsible for reviewing the policies and recommending to the Commission any further necessary enhancements. The goal of the Commission is to continue to strive to improve and refine its policies.

This document is subject to revision given the dynamic financial aid environment with pending and new federal and State legislation. For example, Senate Bill 89 (Chapter 182, Statutes of 2007), enacted on August 24, 2007, authorizes the sale, or an alternative financial arrangement to the sale, of the California Student Aid Commission's loan guarantee function and nonprofit auxiliary, EDFUND. This law authorizes the Director of the Department of Finance to act as the agent for the sale. The Commission recognizes that, in some instances, the provisions of this law may necessitate certain deviations from the policies.

Items noted with an asterisk (*) identify policies that may require modification.

Purpose and Types of Policies

By statute, the California Student Aid Commission is the governing body responsible for California's student State administered financial aid and loan guaranty programs. The policies in this document set forth how the Commission will govern and oversee these programs – its expectations, and the roles and responsibilities of the Commission, the Executive Director, the EDFUND Board of Directors, the EDFUND President and program staff in fulfilling those expectations. There are five categories of policies:

Ends Policies. These policies set forth the broad outcomes to be achieved by the Commission's State administered financial aid and loan guaranty programs.

Commission Governance Process Policies. These policies define how the Commission itself will operate (for example, the role of the Chair and committees).

Assignment and Responsibility Policies. These policies delineate the responsibilities assigned by the Commission to the Executive Director, the EDFUND Board/President, and staff in the Federal Policy and Programs Division.

Executive Parameters. These policies state the parameters within which the Executive Director and EDFUND Board/President will carry out the responsibilities assigned to them.

Monitoring and Oversight Policies. These policies define how the Commission will monitor organizational performance, based on the policies in the other four categories.

Within each of these five areas, policies are written at three levels:

- First Level: A succinct, global statement as an "umbrella" covering the policy category.
- Second Level: Policies defining the major sub-categories within that policy category.
- Third Level: Specific policy statements delineating each sub-category in more detail.

Entity and Program Names

Throughout this document, the California Student Aid Commission organization as a whole (including its auxiliary, EDFUND) is referred to as "CSAC."

- The Commission's State administered financial aid programs, including all federal and state funded ~~related~~ specialized grant, scholarship, loan assumption, and outreach programs administered by CSAC staff, are referred to as the "State administered financial aid program."
- The Commission's loan guaranty programs and related outreach efforts, administered by EDFUND, are referred to as the "loan program."
- The five entities that comprise CSAC are referred to as:

  The Commission: the appointed governing body of the entire organization.

  State administered financial aid staff: civil service staff~~s~~ who operate the State administered financial aid and outreach programs.

  FPPD staff: Federal Policy and Programs Division staff who support the Commission in its oversight of EDFUND.

  The EDFUND Board: the Commission-appointed governing body of the nonprofit.

  Loan program staff: the employees of EDFUND who operate the loan program.

~~Reasonable Interpretation~~

~~Those being directed by these policies (the Commission, Executive Director, EDFUND President, etc.) are authorized to act based on a "reasonable interpretation" of them as written. This is similar to the "reasonable person test" that has been utilized in law for generations.~~

Ends Policies

These policies set forth the broad, long-term outcomes to be achieved by the Commission's State administered financial aid and loan programs.

Global Policy: Ends

The Commission's State administered financial aid and loan programs provide students and families access to postsecondary education by:

- Informing them about the postsecondary education opportunities available to them.
- Providing financial resources – grants, scholarships, loan guarantees, etc. – to enable them to finance a postsecondary education.
- Serving and caring about each student and his or her family, in a manner that is supportive, sensitive, and empowering.

Ends Policy 1: Grants and Specialized Aid to California Students

Eligible California students will receive financial assistance in the form of grants through the Cal Grant Entitlement Program (Cal Grant A and B), the Cal Grant Community College Transfer Entitlement Program (Cal Grant A and B), the Cal Grant C Program, the California Chafee Foster Youth Program, and other specialized programs as authorized by the Governor and the Legislature in the annual Budget Act and through interagency agreement, and approved by the Commission. Examples of these specialized programs include:

- APLE – Assumption Program of Loans for Education, a teacher incentive program
- SNAPLE NF - State Nursing Assumption Program of Loans for Education for Nursing Faculty
- Robert C. Byrd Honors Scholarship Program
- Child Development Grant Program
- Law Enforcement personnel Dependents Grant Program
- National Guard Assumption Program of Loans for Education

Prospective students and their families, particularly those who are low-income and first in their family to attend college, will participate in the Commission's outreach programs (such as Cal-SOAP and Cash for College) and will receive information about college planning and preparation, the cost of attending college, and accessing all types of financial aid (including from federal, state, institutional, and private sources).

The Commission may add new programs provided that adequate funding is available to operate those programs in the manner and to the standards delineated by the Commission. As the state agency responsible for administering statewide financial aid programs, the Commission will work with the executive and legislative branches of state government to identify appropriate funds to effectively administer the Commission's programs.

Ends Policy 2: Student Loans and Services*

Through the Commission's loan guaranty programs ("loan program") administered by the Commission's auxiliary EDFUND, students and families will receive financial assistance in the form of loans through the Federal Family Education Loan Program (FFELP) and other programs as authorized by ~~State~~ state and federal law and approved by the Commission. In addition, borrowers may refinance any or all of their outstanding federal student loans into a FFELP Consolidation Loan guaranteed by CSAC. California will be a primary focus for the loan program; however, given the national competitive nature of the FFELP program, the loan program is available to students and families nationally, pursuant to annual and strategic plans, approved by the EDFUND Board and adopted by the Commission.

To assist students in reaching their educational goals, EDFUND will provide a range of products and premier customer service to borrowers, schools, and lenders that meet or exceed those provided by EDFUND's competitors in this highly competitive national marketplace. EDFUND will also:

A. Continuously invest in the development of technology to enhance the effectiveness and efficiency of EDFUND programs internally and for customers.

B. Provide effective and responsive default aversion programs.

C. Provide students and families with useful information on college planning and selection, career planning, financial aid, and debt management.

D. Provide administrative, technical, and programmatic support to the Commission.

E. Partner with external organizations in an effort to reach all students, especially underserved communities.

F. Identify ways to consistently collaborate with CSAC to work more effectively and efficiently.

Ends Policy 3: Maximizing of Services and Revenues*

In order to provide the greatest range of services at the least cost to students, families, and institutions, and "to maintain the fiscal viability of the auxiliary" per California Education Code Section 69526(b)(2), the Commission, EDFUND Board, and loan program staff will take all reasonable steps to optimize FFELP revenues, within the limitations prescribed in other policies herein.

EDFUND will seek to generate annual loan program revenues net of expenses to accomplish the following outcomes, in order of priority:

First Priority: Fund EDFUND operations in a manner that ensures the availability of FFELP loans and the provision of high quality, caring services to students and their families.

Second Priority: Fund the loan program in a manner that maintains EDFUND's short- and long-term financial viability, ~~as well as Commission oversight~~ in compliance with Commission policies and direction. Short-term viability includes maintaining the minimum reserve levels established by the Commission for the FFELP Federal Fund (pursuant to the Higher Education Act), Operating Fund, and EDFUND Operating Reserve Fund. Long-term financial viability includes the ability to maintain these reserve levels, and to invest in program development and service delivery enhancements that will maintain competitiveness and enhance long-term revenue generation to better serve students and our customers.

Third Priority: To the extent that funds are available, fund the administrative costs of the State administered financial aid program, outreach programs, and any costs related to the operation of the Commission itself without reliance on state general fund support.

Commission Governance Process Policies

These policies delineate how the Commission will operate – its governance approach, as well as the role of the Commission, Commission Chair, Commission Committees, and individual Commissioners. In addition, they delineate the authority of the Commission, its Committees, and individual Commissioners in making requests of staff.

Global Policy: Commission Governance Process

The Commission is the governing body that has statutory responsibility for CSAC State administered financial aid and loan programs, on behalf of the people of California and the executive and legislative branches of state government. As such, the Commission will ensure that the CSAC organization and its component entities achieve the desired outcomes set forth by the Commission in these policies, the Operating Agreement, their respective strategic and annual plans, and other relevant outcomes. The Commission will ensure that the CSAC organization and its component entities avoid unacceptable actions and situations, as set forth in the policies herein. The Commission will also take a proactive role in legislative matters in order to maximize the effectiveness of its programs in serving students and their families.

The EDFUND Board is the Board of Directors of a California nonprofit corporation, EDFUND, which is the auxiliary of the Student Aid Commission. California Education Code section 69522(b) states: "*The auxiliary organization shall be established and maintained as a nonprofit public benefit corporation subject to the Nonprofit Public Benefit Corporation Law … except if there is a conflict between this article and the Nonprofit Public Benefit Corporation Law, this article shall prevail*." Furthermore, section 69525 states: "*The auxiliary organization established pursuant to Section 69522 shall be governed by a board of directors nominated and appointed by the commission*." Thus, the Commission holds the EDFUND Board accountable to fulfill its fiduciary responsibilities, and will work with the Board to achieve effective oversight of the loan program while minimizing unnecessary duplication of effort.

Commission Governance Policy 1: Governance Philosophy

Integrity and sound stewardship are paramount in the governance of all Commission activities. The Commission will govern according to all applicable laws and based on policies set forth in this ~~Commission~~ Governance Policy. ~~document~~. The Commission will also conduct itself according to the following principles:

- In deliberating and making decisions, maintain a central theme of serving the interests of students.
- Make the greatest possible contribution to ensure the success of the State administered financial aid and loan programs.
- Operate these programs in a manner that makes efficient use of organizational resources, including the resources used to support the activities of the Commission itself.
- Maintain the highest ethical, legal, and accounting standards.
- Focus on outward vision and strategic leadership rather than administrative detail.
- Be proactive rather than reactive.
- Be a leader in public policy development and the legislative arena.

- Be objective and encourage diversity in viewpoints.
- Make decisions in an efficient, timely manner.
- As a Commission, make ~~collective rather than individual decisions~~ decisions in a collaborative manner.

Commission Governance Policy 2: Commission's Role

The Commission will maintain its accountability and responsibility for the State administered financial aid and loan programs, and the oversight thereof. Although the EDFUND Board, State administered financial aid staff, and loan program staff play a critical role in supporting the Commission as it fulfills its responsibilities, the Commission retains the ultimate authority and responsibility.

The Commission will clearly delineate roles and responsibilities of the Commission, the Executive Director, the EDFUND Board, the EDFUND President, State administered financial aid staff, FPPD staff, and loan program staff. These roles and responsibilities will avoid unnecessary duplication of effort, leverage the expertise resident in the organizations (including among staff, Commissioners, Board members, advisory committees, etc.), encourage collaboration, and emphasize efficient use of all resources.

In furtherance of the mission of CSAC, the Commission will play a proactive and supportive role in the development of public policy and legislation at both the federal and state level. The Commission will also maintain a proactive working relationship with key elected and appointed officials in order to make policy decisions with an understanding of state and federal policy.

In furtherance of the Commission's fiduciary and oversight responsibilities over all Commission programs, the Commission will produce the necessary outputs and documentation to assure the State of California, the federal government, and other key stakeholders that CSAC is fulfilling its mission, as well as its obligations under statutes, regulations, and other applicable law.

Governance Process

A. The Commission will maintain written governance policies that address the broadest level of organizational decisions and situations. The Commission will ~~be the initiator of~~develop policy, and will take responsibility for updating its policies and adding, deleting, or modifying provisions as needed.

B. The Commission will cultivate a sense of group responsibility and accountability. The Commission will not use the expertise of individual members to substitute for the judgment of the Commission, although the expertise of individual members may be used to enhance the understanding of the Commission as a body. Nor will the Commission rely on the expertise of staff to substitute for the judgment of the Commission, although staff will be expected to provide complete and thoughtful information to support Commission deliberation and decision-making. ~~This will create the opportunity for more collaboration.~~

C. The Commission will enforce upon itself the necessary discipline to govern with excellence, including regular attendance at meetings, thorough preparation by each member for each meeting, adherence to its policy-making principles, and respect of roles. The Commission will evaluate its governance effectiveness annually and take steps to improve its effectiveness as a governing body.

D. Continual education and development for Commissioners will include a mandatory, comprehensive orientation of new members, which will provide:

1) An understanding of the Commission's governance process.
2) A working knowledge of key elements of the State administered financial aid and loan programs.
3) An understanding of mandates set forth by the Fair Political Practices Commission, Bagley-Keene Open Meeting Act, California Public Records Act, and all applicable law and other governance requirements.
4) A working knowledge of state agencies, state and federal legislative and budget processes, and non-profit organizations.

Commission education and development will also include periodic presentations and/or Commission discussion that:

5) Further informs Commissioners regarding the State administered financial aid and loan programs.
6) Informs Commissioners regarding upcoming public policy and legislative issues.
7) Supports improvement in the Commission's governance process.

E. The concurrence of the majority of the Commissioners present and constituting a quorum shall be necessary for the Commission or one of its committees to take action. ~~will make decisions by majority vote.~~ Once a decision is reached, all Commissioners will, in their role as Commissioners, speak as a single official voice and act accordingly.

F. The Commission will seek and give full consideration to broad public input from stakeholders.

G. The Commission will comply with all procedural requirements for state commissions, including those set forth in the Bagley-Keene Open Meeting~~s~~ Act.

Planning

H. The Commission will ensure development of State administered financial aid and loan program strategic and annual plans, as further described in the Executive Parameters policies herein.

I. The Commission will ensure that a strategic plan is developed for the CSAC entity as a whole, based on the State administered financial aid and loan programs' strategic and annual plans. This overall strategic plan will focus on the linkages between the two organizations and how synergies can support the overall mission of the Student Aid Commission.

Program Oversight

J. The Commission will conduct fiscal and programmatic oversight of the State administered financial aid and loan programs to ensure that program funds are spent economically and in accordance with State and federal laws and regulations, and will monitor organizational performance based on the policies herein.

K. The Commission will maintain effective regularly scheduled internal audits in the State administered financial aid programs and the loan program to ensure compliance with existing laws, regulations, policies and other applicable standards.

L. State Administered Financial Aid Program

1) The Commission will ensure that State administered financial aid staff have put in place all required procedures to comply with the requirements of the State Administrative Manual, State Procurement Manual, and any other applicable state mandated procedures, unless the Commission has received waiver or exemption from such compliance.

2) The Commission will conduct regular performance evaluations of the State administered financial aid operations, in furtherance of the Commission's fiscal and fiduciary responsibilities. These evaluations will assess: the efficiency and effectiveness of the grant delivery system in reaching the intended beneficiaries; the extent to which the State administered financial aid staff has provided caring and supportive customer service, made effective use of resources, and fulfilled Commission policies herein.

M. Loan Program

1) The Commission will maintain its accountability and responsibility for the oversight of EDFUND and will ~~understand, acknowledge, and~~ hold the EDFUND Board accountable for ~~its~~ acting in conformity with the direction of the Commission as expressed in these policies. The Commission and/or its Chair may direct the EDFUND Board to act, or cease to act, on an issue governed by Commission policy.

2) The EDFUND Board is also accountable for its fiduciary responsibilities as the board of a California non-profit corporation, as set forth in California Education Code Sections 69522(b) and 69525, and as set forth in Article III of the Articles of Incorporation of EdFund.

   a) 69522(b): "The auxiliary organization shall be established and maintained as a nonprofit public benefit corporation subject to the Nonprofit Public Benefit Corporation Law … except if there is a conflict between this article and the Nonprofit Public Benefit Corporation Law, this article shall prevail."

   b) 69525: "The auxiliary organization established pursuant to Section 69522 shall be governed by a board of directors nominated and appointed by the commission."

   c) Article III, Articles of Incorporation of EdFund: "This corporation is organized exclusively for charitable purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, The charitable purposes for which this corporation is organized are to promote and assist the programs of the California Student Aid Commission. This corporation is organized, and at all times hereafter, will be operated exclusively for the benefit of, to perform the functions of, and to carry out the purposes of said Commission."

~~2)~~3) As specified in California Education Code Section 69526 (b)(c), the Commission, in consultation with the Department of Finance and the Board of Directors of EDFUND, shall do the following:

   a) Institute a standard accounting and reporting system for the management and operations of EDFUND.

   b) Implement financial standards that will ensure the fiscal viability of EDFUND. The standards shall include proper provision for professional management, adequate working capital, adequate reserve funds for current operations and

capital replacements, and adequate provisions for new business requirements.

c) Institute procedures to ensure that transactions of EDFUND are consistent with the mission of the Commission.

d) Ensure that EDFUND shall not accept any grant, contract, bequest, trust, or gift, unless it is so conditioned that it may be used only for purposes consistent with the policies of the Commission.

~~3)~~4) As specified in California Education Code Section 69522(c)(2), the Commission will conduct regular performance evaluations of the operation of EDFUND in furtherance of its fiscal and fiduciary responsibilities for approved programs.

Personnel Practices

N. The Commission will evaluate the Executive Director's performance annually. This evaluation will be based on: organizational accomplishment of the Commission's Ends Policies and compliance with other Commission policies herein; performance goals and professional development objectives adopted annually by the Commission; and the Executive Director duty statement developed and adopted by the Commission.

Internal and External Communication

O. The Commission will maintain ongoing communication through its Executive Director to State administered financial aid staff, and through the EDFUND Board/President to the loan program staff. This includes giving consideration in its deliberations and decision-making to the perspective of State administered financial aid and loan program staff, as represented by management. In turn, given the breadth of responsibility of the Commission, program managers will bring issues to the Commission in a timely manner with brevity, clarity of thinking, succinct analysis of each issue and options for addressing it, and whenever possible a recommended course of action.

P. The Commission will maintain a working relationship with, and seek the advice and perspectives of, key stakeholder groups and advisory bodies.

Q. In furtherance of the above governance philosophy and policies regarding public policy and legislation, the Commission Chair or an appropriate Committee Chair or Commission member will participate in significant interactions with key elected and appointed officials, supported by State administered financial aid and/or loan program staff.

Commission Governance Policy 3: Commission Chair's Role

The Commission Chair will ensure the integrity and fulfillment of the Commission's governance policies and process, and that the Commission's conduct is consistent with statutes, regulations, and other applicable law. As necessary, the Chair represents the Commission to outside parties. Specifically, the role of the Chair is to:

A. Coordinate the planning of the Commission's activities for the year ahead, and develop the agenda for each Commission meeting, with input from Commissioners, the Executive Director, and the EDFUND Board/President.

B. Preside at Commission meetings, ensuring that meeting discussion focuses on those issues, which, according to Commission policy, clearly belong to the Commission to decide or to monitor.

C. Ensure that meeting discussion and deliberation is conducted in a manner that is fair, open, and thorough, and at the same time is efficient, focused and timely.

D. Organize the Commission's Committees as established per the Committees policy below, and maintain contact with the Committee Chairs to ensure that Committees are operating effectively.

E. Meet periodically with the Executive Director and EDFUND Board/President, and make decisions as necessary to ensure implementation of the Commission's policies herein.

F. Execute specific documents as authorized by the Commission, except as otherwise provided by law.

G. Represent the Commission to the organization internally and to external parties, consistent with the Commission's "Commissioner Role" policy below.

Commission Governance Policy 4: Commissioner Role and Code of Conduct

The Commission commits itself and its members to ethical, professional, and lawful conduct, including proper use of authority and appropriate decorum when acting as Commission members.

A. Commissioners will be responsible to understand and act according to the provisions of the Bagley-Keene Open Meetings Act and the Fair Political Practices Code.

B. Once the Commission has reached a decision, which is accomplished by majority vote of Commissioners present and constituting a quorum, all Commissioners will, in their role as Commissioners, speak with a single official voice and act accordingly.

C. Commissioners will abide by the Political Reform Act regarding conflict of interest.

D. The Commission will adopt for itself, and adhere to, an Incompatible Activities Policy.

E. Commissioners will engage in and support consensus-building. Commissioners will not communicate with individual Commissioners in a lobbying manner that generates discord and has the potential to divide the Commission into factions.

F. In communicating with any external stakeholder (e.g., the public, the media, representatives of financial or educational institutions or associations, etc.), Commissioners will not convey information that is proprietary or confidential, and will protect intellectual property and confidentiality of consumer identity (e.g., students and families). When representing the Commission, as distinct from speaking as individuals, Commissioners will not:

   1. Discuss issues, policies, decisions, or programmatic information of any substance without appropriate authorization from the Commission Chair.
   2. Take a position contrary to that of the Commission, or represent interests contrary to those of the Commission, without making it explicit that such position or interests are not those of the Commission. If such a position is taken as, that Commissioner will inform the Commission Chair in advance whenever possible, or if not possible, within 24 hours thereafter.
   3. Conduct significant discussion of issues, policies, or future Commission decisions upon which the Commission has not taken a position in writing, without first conferring with the Commission Chair or his/her designated Commissioner(s) regarding the issues, policies, or Commission decisions to be discussed.

Commission Governance Policy 5: Committees

Commission committees are established to help the Commission fulfill its responsibilities by assessing policy issues, alternatives, and implications to support Commission deliberation. The Committees will also carry out other tasks as assigned by the Commission. This policy applies to any group that is formed by Commission action, whether or not it is called a committee and regardless of whether the group includes Commission members.

A. Committees may not speak or act for the Commission except when formally given such authority for specific and time-limited purposes.

B. Committees may not exercise authority over staff, except where specifically authorized by the Commission. Committees are to avoid over-identification with organizational parts rather than the whole, and will at all times act in accordance with the policies herein.

C. Ad Hoc committees will be created only as necessary to collect ideas and information**,** and will recommend how the Commission may address specific issues or situations.

Commission Governance Policy 6: Making Requests of Staff

A. Commission officers or committees may make reasonable and necessary requests for information or assistance within the areas of responsibility assigned to them by the Commission. However, if the Executive Director or EDFUND Board/President can substantiate that fulfillment would require an undue amount of staff time or funds, or would be substantially disruptive to normal business operations, they may appeal such requests to the Commission Chair (thus, the burden of substantiation is on the Board/executive).

B. Individual Commissioners (not acting as officers or on behalf of a Commission committee) may request information or assistance within areas of their individual responsibility assigned to them by the Commission. However, the Executive Director or EDFUND Board/President may decline to fulfill requests that they, in their judgment, deem to require an undue amount of staff time or funds, or to be substantially disruptive to normal business operations. If the Commissioner nonetheless wishes to pursue the request, that Commissioner must make and substantiate the request to the Commission Chair (thus, the burden of substantiation is on the individual Commissioner).

Assignment and Responsibilities Policies

These policies delineate the responsibilities assigned by the Commission to the Executive Director, the EDFUND Board/President, and FPPD staff.

Global Policy: Assignment and Responsibilities

The Commission will maintain its accountability and responsibility for the grant and loan programs, and the oversight thereof. The Commission's committees and Commissioners, the Executive Director, the EDFUND Board, and the EDFUND President will have only that authority assigned to them in writing by the Commission or by statute, regulation, or other applicable law.

Assignment Policy 1: Executive Director

FINANCIAL AID PROGRAMS

The Commission's Executive Director is the executive officer for the Commission. The Commission's executive officer is responsible for policy leadership, financial and programmatic management of the day-to-day operations of the State administered financial aid programs, including its administration of the state's Cal Grant Program, specialized programs, and public awareness and outreach programs. The Executive Director is the chief executive officer of the guaranty agency, representing the State and the Commission, and is responsible for ensuring that the Commission's Federal Family Education Loan (FFEL) Program programmatic and fiduciary responsibilities are carried out in accordance with federal and state laws and regulations. The Executive Director also serves as an ex-officio member of the EDFUND Board of Directors.

~~GRANT PROGRAM~~

~~The Executive Director is the Commission's primary link to the day-to-day operation of the grant program, including its component parts (e.g., specialized programs and public awareness and outreach programs). As noted below, the Internal Auditor and FPPD staff report to the Executive Director administratively, and thus the Executive Director has responsibility for administrative matters in regard to these positions (e.g., time reporting and state personnel processes for hiring, corrective action, and termination).~~

~~Provided that the Executive Director operates within a reasonable interpretation of the Commission's policies herein,~~ The Executive Director shall act within the framework established by federal and state law and regulations and in accordance with the written rules and policies adopted by the Commission. Accordingly, the Commission hereby delegates and assigns the following responsibilities to the Executive Director, to be accomplished within the Executive Parameters Policies herein.

Planning

A. The Executive Director is responsible for developing strategic and annual plans for the State administered financial aid~~grant~~ program, using an approach described in the Executive Parameters Policies.

B. The Executive Director, in consultation with the Commission or its designated Committee, will provide a recommended strategic plan for adoption by the Commission

at five-year intervals. The Executive Director, in collaboration, with the Commission's management, will develop and implement an annual plan for use in the operations of the Commission.

C. The Executive Director shall inform the Commission when Congress acts to establish a new scholarship or grant program to ensure that participation by the State of California will not be jeopardized or interfere with the State's existing Cal Grant program (Chapter 1.7 (commencing with Section 69430) of Part 42 of the Education Code).

D. The Executive Director shall inform the Commission when the State acts, or proposes to act, to establish a new scholarship, grant or loan assumption program.

E. The Executive Director shall inform the Commission when a State agency requests assistance from the Commission in the administration of a financial aid program.

F. The Executive Director is responsible for informing the Commission of any pending expiration of any Commission program and any statutory change impacting the administration of the Commission's programs.

Program Operations

G. The Executive Director is responsible for administering the Cal Grant and specialized programs as established in state and federal law and regulations. It is the responsibility of the Executive Director to establish and maintain grant operational procedures, subject to periodic review and the approval of the Commission.~~The Executive Director is responsible for establishing grant program operational procedures, subject to periodic review and approval by the Commission, and making operational decisions and conducting the grant program organization's day-to-day operational activities required for the administration of the program.~~

H. The Executive Director is responsible for arranging for grant program administrative services to be provided by EdFund, including working with the EdFund Board/President to establish service agreements, subject to EdFund Board and Commission approval.

I. The Executive Director is responsible, on behalf of the Commission, to provide all statutorily required reports and data to the Administration and Legislature by their required due dates each year.

Fiscal Operations

J. The Executive Director is responsible for fiscal management of all financial aid funds and programs administered by the Commission consistent with federal and state requirements and procedures and Commission policies.

K. The Executive Director is responsible for the fiscal management of the Commission consistent with state and federal laws. This responsibility includes the oversight of all funds appropriated to, and managed by the Commission.

L. The Commission is the designated state guaranty agency responsible for receiving any federal funds for administrative costs and payments of insurance obligations, for receiving funds collected from defaulted borrowers, and for ensuring that all funds are properly maintained in the Federal Student Loan Reserve Fund and the Student Loan Operating Fund. The monies in the Student Loan Operating Fund are state funds in the custody and control of the Commission. As the chief executive officer, the Executive Director is responsible for the fiscal management and accountability of these funds. All monies derived from the assessment of penalties shall also be administered by the Commission, under the direction of the Executive Director. (Education Code sections 69761.5, 69766)

M. The Executive Director is authorized under state law, to enter into contracts with a third-party service or product vendors in an amount not to exceed $100,000 or more. However, in the event an emergency approval is necessary for a contract over $100,000, the Executive Director may approve such contract with simultaneous notification to the Commission. Such emergency approval shall be ratified at the next regularly scheduled Commission meeting, and if not ratified, the contract shall be canceled.~~The Executive Director is responsible for entering into budget-authorized grant program contracts with third-party service or product vendors in an amount not to exceed $100,000. All contracts of $100,000 or more will be individually approved by the Commission.~~

N. The Executive Director, on behalf of the Commission may contract for all or part of its administrative services in its participation in the federal student loan program (Education Code section 69776). The Executive Director, at the direction of the Commission, may enter into contracts to improve the distribution of grants, fellowships, and loans through the use of electronic networks. The Executive Director will adhere to the state contract policies as stated under this provision.

O. The Executive Director, on behalf of the Commission, is responsible for notifying the Joint Legislative Budget Committee, if by July 15 of each year, if the State Budget is not enacted and funds are necessary to make payments on the purchase of defaulted loans. (Education Code section 69766.1)

P. The Executive Director is responsible, with the assistance of the Attorney General's Office, for seeking refunds on any awards to students that resulted from the student or his or her parents, or both, reporting information concerning their status incorrectly, with the incorrect information leading to the establishment of the student's financial eligibility to receive an award. (Education Code section 69517.5.)

~~E.The Executive Director is responsible for fiscal management of the grant program, consistent with state requirements and procedures and Commission policies.~~

Personnel Practices

Q. The Executive Director is responsible for hiring, management, training, corrective action, and, as necessary, termination of State administered financial aid and FPPD ~~grant program~~ staff as prescribed in State law governing civil service employees.

R. The grant program Internal Auditor will report administratively to the Commission's Executive Director and functionally to the appropriate Commission Committee. FPPD staff will report administratively to the Commission's Executive Director and functionally to the Commission and the Executive Director.

S. The Executive Director is responsible for ~~coordinating~~ administering civil service procedures involving CSAC civil service employees assigned to EDFUND, and will work collaboratively with the EDFUND President and EDFUND personnel staff to address personnel matters involving these employees, per state civil service provisions.

Internal and External Communication

T. The Executive Director is responsible for communicating Commission policy and actions taken by the Commission to the grant program staff and, under the direction of and in coordination with the appropriate Commission committee, to FPPD staff

U. The Executive Director is responsible for representing the Commission to the executive and legislative branches of state government, in collaboration with Commissioners and EDFUND representatives, as further defined in the Executive Parameters Policies.

V. The Executive Director is responsible for representing the Commission's grant program to the media, the public, interest groups, and other outside parties, as further defined in the Executive Parameters Policies.

LOAN PROGRAM

In relation to the Commission's loan program, operated on a day-to-day basis by its auxiliary, EdFund, the Executive Director is responsible for:

W. Coordinating civil service procedures and personnel matters involving CSAC civil service employees assigned to EdFund, per H above.

X. As noted above, FPPD staff report to the Executive Director administratively and the appropriate Commission committee functionally, and thus the Executive Director has responsibility for administrative matters (e.g., time reporting and state personnel processes for hiring, corrective action, and termination). Providing information to and coordinat~~ing~~ with the EDFUND President in communicating with external parties regarding the loan program, as further described in Executive Parameter Policy 6 below.

Y. If requested, supporting the Commission, its appropriate committee, and FPPD staff in monitoring of loan program compliance with the Operating Agreement.

Z. As the Executive Director of the state's guaranty agency, completing and forwarding reports and documents as necessary to the appropriate state agencies in regard to the Student Loan Operating Fund and Federal Fund, under the guidance and direction of the Commission and its appropriate committee, and according to the procedures established in the Annual Oversight Plan.

Assignment Policy 2: EDFUND Board and President

EDFUND Board members are appointed by the Commission and are accountable to the Commission. In addition, according to the statute that enabled the creation of EDFUND, the EDFUND Board is required to act as the governing board of the California non-profit corporation, the purpose of which is stated in Article III of the Articles of Incorporation of EdFund. As such, both the Board, as a whole, and individual Board members have certain fiduciary responsibilities and obligations to both the Commission and ~~with regard~~ to the EDFUND organization. The

Commission will hold the EDFUND Board, which it appoints, accountable to fulfill these fiduciary responsibilities and obligations.

The Commission also has statutory responsibility to oversee its auxiliary, EDFUND. Thus, the Education Code establishes a two-tiered governance structure over EDFUND – the first tier being the EDFUND Board, the second being the Commission. To fulfill its governance role, the Commission will conduct oversight of EDFUND as required by law and deemed necessary and prudent by the Commission. As the entity responsible for the ultimate oversight over EDFUND, the Commission may direct the EDFUND Board to act, or not to act, as it deems necessary to ensure compliance with state and federal laws and regulations, the Operating Agreement, or Commission policy.

Planning

A. The EDFUND Board/President is responsible for development of strategic and annual plans for the loan program, subject to review by the Executive Director and the review and approval by the Commission.

Program Operations

B. The President is responsible for establishing loan program operational procedures, subject to review by the Executive Director and periodic review and approval by the EDFUND Board, and to make operational decisions and conduct the organization's day-to-day operations.

C. The President is responsible for arranging for administrative services to be provided by EDFUND, including working with the Executive Director to establish service agreements, subject to EDFUND Board and Commission approval, and for ensuring that services are delivered accordingly.

Fiscal Operations

D. As specified in California Education Code Section 69526, the EDFUND Board will approve all expenditures and fund authorizations of the auxiliary organization. As specified in that statute, "*authorizations of expenditure of fund for use outside of the normal business operations of the auxiliary organization shall be approved by an officer of the Commission and in accordance with Commission policy*." The "officer" referenced in statute will be a Commission Officer (e.g., Chair, Secretary, etc.) who is not a member of the EDFUND Board.

E. The EDFUND Board/President is responsible for developing the EDFUND annual budget, subject to review by the Executive Director and review and approval by the Commission.

Personnel Practices

F. The EDFUND President, through the EDFUND Board, is the Commission's primary link to the day-to-day operation of the loan program. Provided that the EDFUND President operates within a reasonable interpretation of the Commission's policies herein, the EDFUND Board may delegate to the EDFUND President any legally delegable authority.

   1) The EDFUND Board will hire, manage, and formally evaluate the EDFUND President. However, the President's annual evaluation will also include an assessment of performance based on organizational accomplishment of the Commission's Ends Policies and compliance with other Commission policies herein. The EDFUND Board

will provide the Commission with the President's annual evaluation and subsequent year goals.

2) The EDFUND Board has the authority to delegate to the President responsibility for hiring, management, and termination of loan program staff who report to the President. The sole exception is the EDFUND Internal Auditor. The Commission and EDFUND Board Audit Committees have the authority to hire, manage programmatically, and terminate the EDFUND Internal Auditor, and the Internal Auditor reports to this Joint Committee. The authority to add or eliminate internal audit staff positions is delegated to the EDFUND Board/President.

3) Civil service staff assigned to EDFUND will be eligible for promotion at EDFUND, subject to civil service provisions. In addressing personnel matters involving CSAC civil service staff assigned to EDFUND, the EDFUND President will coordinate with the Executive Director and the EDFUND personnel office will coordinate with the CSAC personnel office to ensure consistency with state laws, rules, and bargaining unit contracts.

Internal and External Communication

G. The EDFUND President is responsible for communicating Commission policy and actions taken by the Commission to the loan program staff.

H. The EDFUND Board/President is authorized to represent the Commission with respect to the loan program to the executive and legislative branches of state government, and to the federal Department of Education or other federal agencies, as further defined in the Executive Parameters Policies.

I. The EDFUND Board/President is authorized to represent the Commission with respect to the loan program to the media, the public, interest groups, and other outside parties, as further defined in the Executive Parameters Policies.

Assignment Policy 3: Federal Policy and Programs Division or its Successor

The Commission's Federal Policies and Programs Division (FPPD) holds a unique position in the organizational structure. It supports the Commission's processes for monitoring and oversight of EdFund. As such, its staff are neither part of the "grant program staff" (defined above as those staff who operate the grant program), nor the "loan program staff" (defined above as the employees of EdFund who operate the loan program).

FPPD or its successor is responsible for performing those duties assigned to it by the Commission in support of the Commission's oversight of EdFund. FPPD or its successor reports administratively to the Commission's Executive Director and functionally to the appropriate Commission Committee, and is subject to all policies herein.

The responsibilities of FPPD or its successor consist of three components:

1. Supporting the Commission's oversight of loan program strategic planning, annual planning, and budget development, according to the process and timeline set forth by the Commission.
2. Supporting the Commission's oversight by receiving, reviewing, and verifying information received from the loan program in accordance with the Operating Agreement and the Annual Oversight Plan.

3. Supporting the Commission, as requested by the Commission or the Executive Director, in providing information to external parties such as state control agencies, the Legislature, and the Governor's office, in accordance with the Commission's External Communications Policies herein.

In fulfilling these responsibilities, FPPD will operate in accordance with the Commission's policies, the Operating Agreement, and the Annual Oversight Plan. The Annual Oversight Plan will describe the oversight and any limitations associated therewith (including, but not limited to identification of staff, systems and specific dates for such reviews as are needed to implement the Plan), and will be approved by the Commission's Audit Committee in consultation with the EdFund Audit Committee, and by the Commission as a whole. The Annual Oversight Plan will be designed to have the least intrusive impact on EdFund operations and will not be considered an audit.

Executive Parameters Policies

These policies state the parameters within which the Executive Director and EDFUND Board/President will carry out the responsibilities assigned to them by the Commission.

Global Policy: Executive Parameters

Regarding the grant program, the Executive Director will, and regarding the loan program, the EDFUND President will, ensure that all organizational practices, activities, and decisions are lawful and prudent and are in compliance with commonly accepted business and professional ethics as well as federal or state laws and regulations.

Executive Parameters Policy 1: Strategic and Annual Planning

GRANT PROGRAM

A. The Executive Director will work with the Commission to develop a grant program strategic plan, which will include a vision statement, goals, strategies, and objectives. The Commission will establish the vision statement looking long term, and set broad three-year goals, with input from the Executive Director and grant program staff. The Executive Director will define the strategies that will be utilized to achieve the goals, and the specific objectives to be achieved. The Commission will review and adopt the strategic plan.

B. The Executive Director will develop an annual plan delineating specific action steps to implement the strategic plan, specifying timelines, and parties within the organization responsible for completion of the action steps. The Commission will review and adopt the annual plan.

LOAN PROGRAM

C. The EDFUND Board/President will develop a loan program strategic plan, which will include a vision statement, goals, strategies, and objectives. The Commission will review and adopt the strategic plan.

D. The EDFUND Board/President will develop an annual plan delineating specific action steps to implement the loan program strategic plan, specifying timelines**,** and parties within the organization responsible for completion of the action steps. The Commission will review and adopt the annual plan.

Executive Parameters Policy 2: Program Operations

GRANT PROGRAM

A. The Executive Director will develop grant program operational procedures, subject to periodic review and approval by the Commission. These procedures will be consistent with the Commission's policies, and will contain provisions that specifically support the Commission's implementation of the Monitoring and Oversight Policies herein.

B. The Executive Director will conduct the grant program in a manner that maintains the organization's public image and credibility to support its ability to accomplish its mission.

C. The Executive Director may not initiate a new grant program or terminate an existing one without Commission approval.

LOAN PROGRAM

D. The EDFUND Board/President will market EDFUND programs nationally pursuant to its strategic and annual and plans approved by the EDFUND Board and adopted by the Commission, to maintain competitiveness in the national marketplace.

E. The EDFUND Board/President will conduct the loan program in a manner that maintains the organization's public image and credibility to support its ability to accomplish its mission.

F. The EDFUND President may not initiate a new loan program or terminate an existing one without EDFUND Board approval and adoption by the Commission.

Executive Parameters Policy 3: Fiscal Operations

Financial planning for any fiscal year, or the remaining part of any fiscal year, will conform to the Commission's Ends Policies and the Commission's annual budgeting guidelines, with timely notice to the Commission and, in the case of the loan program, the EDFUND Board.

GRANT PROGRAM

A. *Financial Planning and Annual Budgeting*. In conducting grant program operations, the Executive Director will:

1) Provide sufficient information to the Commission to demonstrate credible projection of revenues (including state appropriations, earned revenue, special grants and funding, and other sources as may be developed over time) and expenses, capital expenditures, and cash flow.

2) Clearly articulate to the Commission all critical planning assumptions.

3) Present an operating budget for each fiscal year that clearly displays the appropriation authority provided in the Budget Act, as well as budget change proposals. This budget (and any budget changes) will support the achievement of the strategic and annual plan goals approved by the Commission, including goals to improve the cost-effectiveness of the administration of the grant program in relationship to the total amount of grants awarded. The Executive Director will also present to the Commission updates to the budget per the state budget process.

4) Provide multi-year CSAC administrative cost projections to the Commission and EdFund Board. These projections will be provided in sufficient time for EDFUND to incorporate them into its budget planning process, pursuant to the budget schedule adopted by the Commission.

B. *Grant Program Operational Expenditures*. The Executive Director will take all reasonable and prudent measures within the Executive Director's control to ensure that grant program activities and expenditures will not cause or allow the development of fiscal jeopardy. These measures will include ensuring that:

1) Grant program expenditures remain within the multi-year expense projections and efficiency targets established by the Commission, and do not exceed the approved budget, to the extent such expenditures are within the Commission's control (recognizing, for example, the entitlement aspects of the grant program).

2) Grant program purchases have been made in compliance with all applicable laws, regulations, and state administrative procedures

3) The Executive Director will not enter into contracts or make a single purchase or commitment in an amount greater than $100,000 without the Commission's prior written approval. The Executive Director will not enter into serial contracts or commitments with the same vendor in a manner that circumvents the intent of this policy. However, in the event an emergency approval is necessary for a contract over $100,000, the Executive Director may approve such contract with simultaneous notification to the Commission. The Commission will either ratify the emergency approval at its next meeting, or if not ratified the contract will be cancelled.

4) Payroll and debts are settled in a timely manner.

5) Government-ordered payments are paid in a timely manner.

6) Receivables that can reasonably be collected are aggressively pursued, in compliance with state administrative procedures.

C. *Grant Program Local Assistance*. The Executive Director will:

1) Provide sufficient information to the Commission to demonstrate credible Grant Program (Local Assistance) expenditure projections.

2) Clearly articulate to the Commission all critical projection assumptions.

3) Present a Grant Program (Local Assistance) budget that clearly displays the appropriation authority provided in the Budget Act.

D. *Asset Protection*. The Executive Director will take all reasonable and prudent measures to ensure that the grant program's assets are protected, adequately maintained, and not unnecessarily risked in a manner consistent with all applicable state and federal laws. These measures will include:

1) Ensuring that the organization, the Commission, and grant staff are not unnecessarily exposed to claims of liability.

2) Protecting intellectual property, proprietary information, consumer identity (e.g., students and families), and confidential files from loss or significant damage.

3) Receiving, processing, or disbursing funds under controls that are sufficient to meet the Commission-appointed Internal Auditor's standards and are in compliance with all applicable state and federal laws and procedures.

4) In addition to the above, the Executive Director will not acquire, encumber, or dispose of real property, without the Commission's prior written approval (in accordance with practices for state asset management through the Department of General Services).

STATE REPORTING REGARDING THE STUDENT LOAN OPERATING FUND AND FEDERAL FUND.

At appropriate times throughout the year, the Executive Director, in collaboration with the EDFUND Board/President and EdFund internal audit staff, will complete and forward reports and documents as necessary to the appropriate state agencies in regard to the Student Loan Operating Fund and Federal Fund. The Executive Director and EDFUND Board/President, and EdFund internal audit staff will do so under the guidance and direction of the Commission and its appropriate committee, and according to normal procedures for State agencies.

LOAN PROGRAM

E. *Financial Planning and Annual Budgeting*. In conducting loan program operations, the EDFUND President will:

1) Provide sufficient information to the EDFUND Board and Commission to demonstrate credible projection of revenues and expenses, capital expenditures, and cash flow.

2) Clearly articulate to the EDFUND Board and Commission all critical planning assumptions.

3) Present a proposed operating budget for each fiscal year that supports the achievement of the strategic and annual plan goals approved by the EDFUND Board and the Commission, including goals relating to further improvement of the cost effectiveness of the loan program as a percentage of loans guaranteed.

4) Project how EDFUND programs will generate annual loan program revenues net of expenses to accomplish the priorities set forth in the Ends Policies.

F. *Loan Program Expenditures*. The EDFUND President will take all reasonable and prudent measures to ensure that loan program activities and expenditures will not cause or allow the development of fiscal jeopardy. These measures will include ensuring that:

1) Loan program expenditures remain within the multi-year expense projections and efficiency targets established by the EDFUND Board and the Commission, and result in a total year-end variance amount (budget-to-actual) that does not exceed the operating contingency established in the approved budget.

2) Loan program purchases have been made such that prudent protection has been given against conflict of interest, and all purchases are in conformance with EDFUND procurement and contracting policy and with applicable state and federal requirements.

3) Payroll and debts are settled in a timely manner.

4) Tax payments or other government-ordered payments are paid in a timely manner.

5) Receivables that can reasonably be collected are aggressively pursued.

G. It is anticipated that continued legislative and regulatory changes will likely occur and will alter and/or reduce revenues paid to guaranty agencies. EDFUND will not fail to update and provide to the Commission its multi-year projections for the Federal Fund, Operating Fund and Operating Reserve Fund within 90 days of such changes.

H. *Asset Protection*. The EDFUND Board/President will take all reasonable and prudent measures to ensure that the loan program's assets are protected, adequately maintained, and not unnecessarily risked. These measures will include

1) Insuring against theft and casualty losses to a level that could materially affect the operations of the organization.

2) Ensuring that personnel with access to material amounts of funds are bonded.

3) Ensuring that the organization, the Commission, and EDFUND staff are not unnecessarily exposed to claims of liability.

4) Protecting intellectual property, proprietary information, consumer identity (e.g., students and families), and confidential files from loss or significant damage.

5) Receiving, processing, or disbursing funds under controls that are sufficient to meet generally accepted accounting practices and are in compliance with all applicable state and federal laws.
6) Investing or hold operating capital in secure instruments or in interest bearing accounts except when necessary to facilitate ease in operational transactions.
7) Investing or hold long-term investment funds in investments that are in keeping with the Commission and EDFUND Board approved investment philosophy and policies.
8) In addition to the above, the President will not:
   - Use any long-term reserves to cover annual operating expenses, without the EDFUND Board's prior written approval and Commission's prior consent.
   - Acquire, encumber, or dispose of real property, without the prior written approval of the Commission and the EDFUND Board.

Executive Parameters Policy 4: Personnel Practices

GRANT PROGRAM

A. The Executive Director will hire, manage, promote, discipline, and terminate employees according to State civil services rules.
B. The Executive Director will ensure that personnel decisions are made fairly.
C. The Executive Director will ensure that working conditions and procedures are safe, dignified, and provide appropriate confidentiality and privacy.
D. In order to protect the Commission from sudden loss of Executive Director services, the Executive Director will ensure that at least one other manager is familiar with their respective duties, pending issues, and key processes.
E. The Executive Director will work collaboratively with the EDFUND President and EDFUND personnel staff to address personnel matters involving CSAC civil service staff assigned to EDFUND, per state civil service provisions.

LOAN PROGRAM

F. The EDFUND Board/President will hire, manage, promote, discipline, and terminate employees consistent with EDFUND Personnel Policies.
G. The EDFUND Board/President will ensure that working conditions are safe, dignified, and provide appropriate confidentiality and privacy.
H. In order to protect the Commission from sudden loss of EDFUND President services, the EDFUND President will ensure that at least one other manager is familiar with their respective duties, pending issues, and key processes.
I. Civil service staff assigned to EDFUND will be eligible for promotion at EDFUND, subject to civil service provisions. In addressing personnel matters involving CSAC civil service staff assigned to EDFUND, the EDFUND President will coordinate with the Executive Director and the EDFUND personnel office will coordinate with the CSAC personnel office.
J. Compensation and benefits will be consistent with policies developed by the EDFUND Board and, in the case of executive compensation-the Commission.

Executive Parameters Policy 5: Internal Communications and Commission Support

The Executive Director and EDFUND Board/President will, for their respective organizations, keep the Commission adequately informed, in a timely manner, and provide the necessary support for the Commission to do its work.

The Executive Director and EDFUND Board/President will:

A. Submit data required by the Commission Monitoring Policies in a timely, accurate and understandable fashion, directly addressing provisions of Commission policies being monitored.

B. Cause the Commission to be aware of relevant trends, anticipated adverse media coverage, and material external and internal issues or changes, particularly issues or changes, which may impact the assumptions upon which any Commission policy or strategic or annual plan has been based.

C. The Executive Director and EDFUND President will provide to the Commission that is accurate, honest, and complete.

D. Provide for the Commission as many staff and external points of view, issues and opinions as needed for the Commission to make fully informed choices and decisions.

E. Present information in a form that emphasizes brevity and clarity, and identifies whether that information is for the purpose of monitoring (per the Commission's Monitoring Policies), supporting Commission decision/action, or other purposes.

F. Deal directly with the Commission as a whole or the appropriate Officer or Committee, avoid lobbying individual Commissioners, and support consensus building rather than communicating with individual Commissioners in a manner that intentionally generates discord or splits the Commission into factions.

G. Report in a timely manner any actual or anticipated non-compliance with any policy of the Commission or any state or federal law or regulation.

Executive Parameters Policy 6: External Communications*

K. Collaboration. As appropriate in communicating with external parties, the Executive Director and EDFUND President will provide each other information, coordinate communication, and participate jointly in presenting information in order to fully and accurately represent the Commission and its programs.

L. *Confidential Information*. In communicating with the public, the media, representatives of financial or educational institutions or associations, or similar external constituencies, the Executive Director and the EDFUND Board/President will not convey information that is proprietary or confidential, and will protect intellectual property and confidentiality of consumer identity (e.g., students and families).

M. Taking Official Positions. The Executive Director, EDFUND Board, EDFUND President, and their respective staffs will not take a position contrary to a position adopted by the Commission, or represent interests contrary to those of the Commission, without making it explicit that such position or interests are not those of the Commission and without informing the Commission Chair of such communications in advance whenever possible, or if not, possible, within but no later than two working days thereafter.

N. Public and Media. In representing their respective Commission programs to the media, the public, interest groups, and other similar external constituencies, the Executive Director and the EDFUND Board/President and their designated staff will not take an official position on critical public policy matters upon which the Commission has not yet adopted a written policy or position. However, if in their judgment not to do so would limit the ability of CSAC to effectively fulfill its mission, then the Executive Director or EDFUND President may take such a position, provided that they inform the Commission Chair of such communications in advance whenever possible, or if not possible, within two working days thereafter. Also, in communicating with the public and the media, the Executive Director and EDFUND President will collaborate as described in A above.

O. Communication with the State and Federal Government. On behalf of the Commission, the Executive Director will take the lead in communicating with state agencies, and the EDFUND President will take the lead when dealing with federal agencies in regard to the loan program. However, in all such communications they will collaborate, as appropriate, as described in A above. Furthermore, when issues involving critical policy decisions arise on which the Commission has not yet taken a position, the Executive Director and EDFUND President will make all reasonable efforts to inform and involve the Commission Chair or other officer or Committee, as appropriate, before communicating with state and federal officials. When inquiries from these officials are of an urgent nature and the Executive Director or EDFUND President cannot contact the appropriate Commissioner(s) beforehand, they will notify the Commission Chair immediately afterward, including summarizing all relevant information that was exchanged.

Monitoring and Oversight Policies

These policies define how the Commission will monitor organizational performance (based on the policies in the other four categories).

Global Policy: Monitoring

The Commission has responsibility for oversight of its grant and loan programs. The Commission cannot delegate the ultimate responsibility for this oversight to the Commission's Chair or its committees, the Executive Director, FPPD staff, the EDFUND Board, or the EDFUND President. To fulfill this responsibility, the Commission will conduct monitoring to ensure that the grant and loan program organizations comply with all Commission policies and applicable laws.

Monitoring Policy 1: Overall Compliance with Commission Policies

Twice annually, the Executive Director and EDFUND Board will each present a report indicating their organization's compliance with the Commission's policies as set forth in this document. The Executive Director and EDFUND Board Chair, respectively, will sign these reports certifying their completeness and accuracy. The reports will identify any substantial lack of compliance, the reason for it, and steps that have been taken or that need to be taken, including any recommended Commission action, to achieve compliance with the Commission's policies.

Monitoring Policy 2: Ends

On a quarterly basis, the Executive Director and EDFUND Board/President will submit a report of programmatic accomplishments and progress. The Commission will review these reports and take action as appropriate.

GRANT PROGRAM

The Executive Director's report will include all relevant statistics, analysis of trends, and narrative information to encapsulate the most significant grant program information, including at a minimum:

A. The number of:
   1) Grant applicants in each of the grant and outreach programs for the current quarter and fiscal year to date.
   2) The amount of grants or services, in total and by category of students (as specified by the Commission), provided in each of the grant and outreach programs for the current quarter and fiscal year to date as compared to budgeted amounts, and compared to actual data for the same periods in the previous three fiscal years.

B. Information on any processing backlogs or other delays that are resulting or could result in a delay of the delivery of funds to students.

C. Costs incurred in providing grant and outreach programs reported by major cost center, as specified by the Commission, for the current quarter and fiscal year to date, as compared to the budgeted amounts and same periods in the previous fiscal year.

D. Efficiency, processing performance, and quality metrics, as specified by the Commission, for the current quarter and fiscal year as compared to the same periods in the previous fiscal year.

LOAN PROGRAM.

The EDFUND Board's report will include all relevant statistics, analysis of trends, and narrative information to encapsulate the most significant EDFUND programmatic information, including at a minimum:

E. The number of loans guaranteed by program and category, as specified by the Commission, for the current quarter and fiscal year to date, as compared to budgeted amounts, and compared to actual data for the same periods in the previous three fiscal years.

F. The total dollar amount of loans guaranteed by program and category, as specified by the Commission, for the current quarter and fiscal year to date, as compared to budgeted amounts, and compared to actual data for the same periods in the previous three fiscal years.

G. Information on any processing backlogs or other delays that are resulting or could result in a delay of the delivery of funds to students.

H. Costs incurred in providing loan guaranty programs reported by major cost center, as specified by the Commission, for the current quarter and fiscal year-to-date, as compared to the budgeted amounts and same periods in the previous fiscal year.

I. Efficiency, processing performance, and quality metrics, as specified by the Commission, for the current quarter and fiscal year as compared to the same periods in the previous fiscal year.

J. Financial statements in sufficient detail, as specified by the Commission, for the current quarter and fiscal year as compared to the same periods in the previous fiscal years.

K. Portfolio performance data, as specified by the Commission, that will include default aversion, claims paid, and recovery of defaulted loans disaggregated by collection type.

L. Any potential impact of the above information on the annual budget.

M. Comparison of key outcomes achieved by the loan program with those achieved by student loan guaranty agencies.

N. Information on competitive and political actions that could: (i) materially affect the availability of loans to students and families provided through the loan guaranty programs; and (ii) materially affect the revenues received by the Commission for the loan program.

Monitoring Policy 3: Commission Governance

On an ongoing basis, the Commission will discuss and decide how to improve the Commission's governance process.

At least annually, the Commission's committee responsible for governance practices will review and present a report to the Commission assessing the Commission's compliance with the Governance Policies herein. This review and report will include assessment of the Commission's application of the overall governance approach, as well as compliance by the Commission Chair, Commissioners, and all Commission Committees to the Governance Policies. It will also examine the effectiveness of the Commissioner orientation and Commission education programs. The Committee will present its findings to the Commission, including any recommendations to improve Commission governance policies or practices.

Monitoring Policy 4: Assignment and Responsibility

On an ongoing basis, the appropriate Commission committee responsible for governance practices will assess the effectiveness of and compliance with the Commission's Assignment and Responsibility Policies by the Executive Director, EDFUND Board/President, and FPPD or its successor. On an annual basis it will conduct an overall assessment of such compliance, and will prepare and present a report of its findings to the Commission, including any recommendations to improve clarity of these policies or compliance therewith.

Monitoring Policy 5: Strategic and Annual Planning

GRANT PROGRAM

On an annual basis, the Commission will review and adopt an annual update to the grant program strategic plan and annual plan, pursuant to the specific provisions in the Executive Parameters policies.

LOAN PROGRAM

On an annual basis, the Commission will review and approve an EdFund Board-approved annual update to the loan program strategic plan and, pursuant to the specific provisions in the Executive Parameters policies.

OVERARCHING CSAC STRATEGIC PLAN

The Commission will ensure that an overall strategic plan is developed from the strategic and annual plans developed by both the grant and loan programs. This overall strategic plan will focus on the linkages between the two organizations and how synergies can support the overall mission of the Student Aid Commission.

STRATEGIC AND ANNUAL PLAN REPORTING AND UPDATING

The Executive Director and EDFUND Board/President will provide the Commission with quarterly updates reviewing progress in implementing the overarching and program-specific strategic plans, including whether annual plan objectives have been or are expected to be achieved in accordance with the specified timeline.

Monitoring Policy 6: Fiscal Operations

On a quarterly basis, the Executive Director and EDFUND President will each present a report examining their organization's compliance with the Commission's Fiscal Operations Policies. For each of the fiscal operations provisions in the Assignment and Executive Parameters Policies, the reports will identify any substantial lack of compliance, the reason for it, and steps that have been taken or that need to be taken, including any recommended Commission action, to achieve compliance. This will include compliance with timelines (for example, whether or not steps in the budgeting process have been completed according to the annual budget schedule).

In addition, as part of its fiduciary obligations and responsibility for oversight, the Commission will receive regular and accurate reporting on the financial status of the grant and loan programs. The Executive Director and/or grant program Internal Auditor, as appropriate, and EDFUND Board/President and/or EDFUND Internal Auditor, as appropriate, will provide complete and accurate reporting to the Commission on a monthly, quarterly, and annual basis as set forth below.

GRANT PROGRAM. The Executive Director (or, where indicated below, the grant program Internal Auditor), will provide to the Commission:

A. On an annual basis:
   1) The proposed operating budget for the grant program which complies with the Commission's Financial Planning and Annual Budget Policy and which is consistent with the grant program strategic and annual goals adopted by the Commission.
   2) A schedule of planned internal audits and reviews of the grant program for the fiscal year. (Internal Auditor)
   3) The Financial Integrity and State Managers Accountability Act (FISMA) report, as necessary indicating updates to procedures to ensure that the grant program's assets are protected, adequately maintained, and not unnecessarily risked.

B. On a quarterly basis:
   1) A summary or "dashboard" report describing the grant program's current financial condition, including summarized financial statements and any items of significance to the overall financial performance of the organization, including at a minimum:
      a) Year-to-date expenditures, as compared to the annual budget, with projection for year-end results.
      b) Any significant budget variances based on the categories determined by the Commission.
      c) Progress toward the attainment of the cost efficiency metrics established pursuant to the annual plan.
      d) Proposed steps to address budget variances or other issues identified in a) through c) above, consistent with state processes.

C. Periodically as appropriate:
   1) As scheduled, information on audits or reviews of the grant program to be performed by the State or federal government.
   2) As completed, audits or reviews of the grant program performed or required by the State or federal government.

3) As completed, summary of internal grant program audit findings and resolutions to the satisfaction of grant program management and the Commission's Audit Committee.

STATE REPORTING REGARDING THE STUDENT LOAN OPERATING FUND AND FEDERAL FUND.

At appropriate times throughout the year, the Executive Director, in collaboration with the EDFUND Board/President and EDFUND internal audit staff, will present to the appropriate Commission committee draft reports and documents to be submitted as necessary to the appropriate state agencies in regard to the Student Loan Operating Fund and Federal Fund. The Executive Director, EDFUND Board/President, and EDFUND internal audit staff will complete these reports and documents, and will submit them to the appropriate state agencies, under the guidance and direction of the Commission and its appropriate committee, and according to the procedures established in the Annual Oversight Plan.

LOAN PROGRAM. The EDFUND Board/President (or, where indicated below, the EDFUND Internal Auditor), will provide to the Commission:

D. On annual basis:

1) The operating budget for the loan program approved by the EDFUND Board which complies with the Commission's Financial Planning and Annual Budget Policy and which is consistent with the loan program strategic and annual goals adopted by the Commission.

2) A financial, system, and compliance audit of the loan program performed by an independent auditing firm approved by the Commission and EDFUND Board Audit Committees, including audited financial statements.

3) External audits or reviews performed by the federal Department of Education (e.g., FFEL program compliance audit, VFA review), and by state entities (e.g., annual FFEL program compliance audit performed by the Bureau of State Audits).

4) A schedule of planned internal audits and reviews of EDFUND and its programs for the fiscal year. (Internal Auditor)

5) A report reviewing, and as necessary indicating updates to, procedures to ensure that all reasonable and prudent measures are being taken to ensure that the loan program's assets are protected, adequately maintained, and not unnecessarily risked (pursuant to the specific provisions in the Executive Parameters policies).

E. At each regularly-scheduled Commission meeting:

1) A summary report describing the organization's current financial condition, including summarized financial statements (or a "dashboard" report) any items of significance to the overall financial performance of the organization, including at a minimum:

a) Year-to-date expenditures, as compared to the annual budget, with projection for year-end results.

b) Any significant budget variances based on the categories determined by the Commission.

c) Year-to-date and projected use of the operating contingency established as part of the annual budget.

d) Progress toward the attainment of the cost efficiency metrics established pursuant to the annual plan.

2) A report, reviewed and approved by the EDFUND Board, on the balance in the Federal Fund, Operating Fund, and Operating Reserve Fund, and the projected ability to meet the minimum reserve levels established by the Commission during the remainder of the fiscal year.

F. Periodically as appropriate:

1) As scheduled, information on audits or reviews to be performed by the State or federal government.

2) As completed, audits or reviews performed or required by the State or federal government.

3) As completed, summary of internal audit findings and resolutions to the satisfaction of EDFUND management and the EDFUND Board.

Monitoring Policy 7: Personnel Practices

Annual Executive Performance Reviews

At least annually, the Commission will conduct a performance evaluation of the Executive Director, pursuant to the specific provisions in Governance Policy the policy that defines the commission's role. At least annually, the Commission will receive and accept from the EDFUND Board a summary of its performance evaluation and subsequent-year goals for the EDFUND President. This review will include assessment of compliance with Commission policies herein.

EDFUND Board Performance Assessment

On an annual basis, the Commission will conduct an assessment of the EDFUND Board's performance, in conjunction with the statutorily required Annual Report to the Legislature. This assessment will be based on the policies herein, and will include discussion with the EDFUND Board regarding ways to improve governance practice and Commission and Board oversight of the loan program. This review will also include, based on input from the Executive Director, assessment of EDFUND's performance with respect to the administrative services provided by EDFUND to the grant program.

Monitoring Policy 8: Internal/External Communications and Commission Support

On an annual basis, the Commission will conduct an assessment of compliance with the Commission's policies regarding Internal and External Communications, specifically the following four Policies:

- Commission Governance Policy 2 (entitled "Commission's Role")
- Commission Governance Policy 4 (entitled "Commissioner Role and Code of Conduct")
- Executive Parameters Policy 5 (entitled "Internal Communications and Commission Support")
- Executive Parameters Policy 6 (entitled "External Communications")

This assessment will consider compliance by the Commissioners, the Executive Director, and the EDFUND Board/President. It will assess the extent to which the Executive Director and EDFUND Board/President have kept the Commission informed (e.g., regarding industry trends, staff points of view, etc.) and have supported the Commission in its external communication responsibilities (e.g., appropriately supporting Commission communication with government officials).

The report will identify any substantial lack of compliance, the reason for it, and steps that have been taken or that need to be taken, including any recommended Commission action, to achieve compliance.

In addition:

A. The annual evaluation of the Executive Director and EDFUND President (described above) will include assessment of compliance with the Commission's Communications Policies.

B. The report described in the Commission Governance Monitoring Policy will focus on the extent to which the Executive Director and EDFUND Board/President have kept the Commission informed (e.g., regarding industry trends, staff points of view, etc.) and supported the Commission in its external communication responsibilities (e.g., appropriately supporting Commission communication with government officials).

C. From time to time, the Commission may also call upon the Commission committee responsible for governance practices to monitor and report compliance with these policies on the part of the Commission, the Executive Director, or the EDFUND Board/President.

CALIFORNIA STUDENT AID COMMISSION
COMMISSION MEETING

MINUTES
NOVEMBER 21, 2003

A meeting of the California Student Aid Commission was convened at 9:30 a.m. on Friday, November 21, 2003, at 3300 Zinfandel Drive, Rancho Cordova, California.

Commission Members Present:

C. Michael Cooney, Chair
Josefina Baltodano
Ayanna Bledsoe
James Fousekis
Adele Levine
Louise McClain
Charles Moore
Nhung Ngo
Sheryl Rabinovich
Maria Elena Serna
Bob Suzuki
Richard Verches

Commission Members Absent:

Sally Furay
David Roth
James Sandoval

AGENDA ITEM 8.0 – COMMISSION CHAIR'S REPORT

Commission Chair Cooney reported from the Closed Session pursuant to the California Government Code §11126(a)(1) and the disclosure of the actions taken in Closed Session pursuant to California Government Code §11126-3(f). No action was taken during the Closed Session, which included discussion of the Executive Director's 2003-2004 Performance Evaluation Objectives.

AGENDA ITEM 8.1 – EXECUTIVE DIRECTOR'S REPORT

Executive Director Fuentes-Michel reported on CSAC's comprehensive outreach plan, noting that the campaign began this past November, earlier than previous years. She indicated that CSAC must report to the Legislature on the impact of the Cal Grant Entitlement program and will have better persistence information as we will have reached the first complete cycle of cohort students who have completed college.

In addition, Executive Director Fuentes-Michel mentioned that she had the opportunity to work with EDFUND President Stilling on several items coming before the Commission and wished to publicly thank President Stilling for coming to the table with a sense of teamwork, commitment and excellence for the value that both CSAC and EDFUND have in terms of the State.

AGENDA ITEM 8.2 – APPROVAL OF THE SEPTEMBER 12, 2003 MINUTES

On **MOTION** by Commissioner McClain, **SECONDED** and **CARRIED**, the September 12, 2003 minutes were **APPROVED** as presented.

AGENDA ITEM 8.3 – STANDING COMMITTEE REPORTS

Item 8.3.1 – Personnel, Evaluation and Nominations (PEN) Committee Report

Commissioner Levine, Chair of the Personnel, Evaluation and Nominations Committee, reported that the Committee met on November 19, 2003, and discussed the following: (Additional information may be found in the November 19, 2003 agenda materials and/or transcripts.)

Nominations to the Loan Advisory Council

On **MOTION** by the Committee and **CARRIED**, the Commission **APPROVED** the following appointments to the Loan Advisory Council:

- Albert Mendez as the California Community Colleges Student representative for the term November 21, 2003 to November 21, 2005;
- Melanie Saracco for re-appointment as the California State University representative for the term November 21, 2003 to November 21, 2005;
- Karen Cai as the University of California Student representative for the remaining term of Nadine Sayegh, from November 21, 2003 to June 21, 2004;
- Rainie Brazil as the Private Post-Secondary Education (for-profit) Student representative for the term November 21, 2003 to November 21, 2004;
- Billie Jones as the Private Post-Secondary Education (non-profit) Institution representative for the remaining term of Donna Palmer, from November 21, 2003 to September 8, 2004; and
- Martin Daniels for re-appointment as a Lending Community Representative for the term November 21, 2003 to November 21, 2005.

It was clarified that the Council will meet at the discretion of the Executive Director.

Nomination to the Grant Advisory Committee

On **MOTION** by the Committee and **CARRIED**, the Commission **APPROVED** the following appointments to the Grant Advisory Committee:

- Karl Engelbach as the California Post Secondary Education Commission representative for the term November 16, 2003 to November 16, 2005.

Item 8.3.3 – Grants and Programs Committee Report

Commissioner Rabinovich, Acting Chair of the Grants and Programs Committee, reported that the Committee met on November 20, 2003, and discussed the following: (Additional information may be found in the November 20, 2003 agenda materials and/or transcripts.)

On **MOTION** by the Committee and **CARRIED**, the Commission **ADOPTED** the 2004-2005 Student Expense Budgets.

On **MOTION** by the Committee and **CARRIED**, the Commission **ADOPTED** the 2004-2005 Grant Program Income and Asset Ceilings.

On **MOTION** by the Committee and **CARRIED**, the Commission **ADOPTED** the 2004-2005 Cal Grant Selection Criteria.

On **MOTION** by the Committee and **CARRIED**, the Commission **APPROVED** the implementation of the Chafee Grant Program in accordance with Commission guidelines and policy guidance from the Department of Social Services.

Item 8.3.3 – Federal Loan & EDFUND Oversight (FLEO) Committee Report

Commissioner Verches, Chair of the Federal Loan & EDFUND Oversight Committee, reported that the Committee met on November 20, 2003, and received the following reports: (Additional information may be found in the November 20, 2003 agenda materials and/or transcripts.)

- Report from the EDFUND President.
- Federal Family Education Loan (FFEL) Program Financials through September 30, 2003.
- Draft Annual Report to the California Legislature on EDFUND.

On **MOTION** by the Committee and **CARRIED**, the Commission **APPROVED** the delegation of approval of the final Annual Report to the Legislature on EDFUND to the Executive Director, in consultation with CSAC and EDFUND staff, and to circulate it to the Commissioners for review and comment at least two weeks prior to the end of the year.

Item 8.3.4 – Audit Committee Report

Commissioner Fousekis, Chair of the Audit Committee, reported that the Committee met on November 20, 2003, and was provided with the following presentations: (Additional information may be found in the November 20, 2003 agenda materials and/or transcripts.)

- Financial Statement Presentation by KPMG, LLP
- Audit Activities Update

It was also reported that representatives from several Cal-SOAP consortia were on hand to answer questions pertaining to the Commission's program review findings. Guidelines were discussed but no action was taken.

Action was deferred on the Audit Committee and Internal Audit Services Charters and left for discussion between Interim Audit Services Manager, Jacqueline Tsang, and EDFUND's Vice President of Finance & Administration, Michael Rothman. Revised charters will be provided to the Chair of the Audit Committee for dissemination to the committee members and presentation to the Commission at its next meeting.

Item 8.3.5 – Fiscal Policy and Long-Range Planning (Fiscal) Committee Report

Commissioner Suzuki, Chair of the Fiscal Policy and Long-Range Planning Committee, reported that the Committee met on November 20, 2003, and discussed the following items: (Additional information may be found in the November 20, 2003 agenda materials and/or transcripts.)

On **MOTION** by the Committee and **CARRIED**, the Commission **APPROVED** authorization for the Executive Director to enter into an inter-agency agreement with the Department of Social Services for the administration of the Chafee Education and Training Voucher Program, beginning in the 2003-04 fiscal year, and on an on-going basis subject to available funding.

RECOMMENDATIONS FROM THE NOVEMBER 7, 2003 JOINT FISCAL POLICY & LONG-RANGE PLANNING AND GOVERNMENTAL RELATIONS COMMITTEE MEETING

The Commission decided to take each of the Committee's recommendations in Tab 4.4 separately.

A **MOTION** was made by the Joint Committee, and **SECONDED**, that the Commission adopt the following bylaw changes included under Tab 4.4 (1):

Increase the number of directors on the EDFUND Board from eleven to thirteen

- Make the Executive Director of the California Student Aid Commission a voting member of the Board;
- Increase the minimum number of Commissioner directors on the Board from three to four; and

Adopt a policy that states that the Commission should consider the Chair of the Fiscal Policy and Long-Range Planning Committee when making appointments to the Board.

An Amendment to the motion was discussed.

On **MOTION** by Commissioner Verches, **SECONDED** and **CARRIED**, the Commission **APPROVED** an **AMENDMENT** to the original motion to direct the Commission Chair to move forward with the Commission's desire to include its Executive Director as a member of the EDFUND Executive Committee and to, in consultation with the Chair of EDFUND Board, come back to the Commission, as well as the EDFUND Board, with a suggested bylaw amendment.

The Commission **APPROVED** the motion as amended.

On **MOTION** by the Joint Committee and **CARRIED**, the Commission **ADOPTED** the following language as Commission policy: "The ultimate authority for the operations of EDFUND rests with the California Student Aid Commission through its Executive Director, and all actions of EDFUND shall be carried out with this line of authority in mind."

On **MOTION** by the Joint Committee and **CARRIED**, the Commission **APPROVED** the recommendation to clarify in the EDFUND bylaws that the Executive Director would not receive a stipend for serving on the EDFUND Board.

On **MOTION** by the Joint Committee and **CARRIED**, the Commission **APPROVED** the recommendation to transfer the FLEO Committee's responsibilities with the specific responsibilities to be decided at a later date, thereby concluding the activities of the FLEO Committee.

On **MOTION** by the Joint Committee and **CARRIED**, the Commission **APPROVED** authorization for the Commission's Executive Committee to take action, as appropriate on behalf of the Commission, between meetings of the Commission, but with specific respect to the strategic planning issues.

On **MOTION** by the Joint Committee and **CARRIED**, the Commission **APPROVED** authorization for staff to discuss with Legislative and Administration leaders the feasibility of pursuing legislation on the following proposals:

1. Grant administrative flexibility to the Commission in the areas of technology and budget (Enterprise Agency model).

2. Expand authority of its auxiliary (EDFUND) beyond current FFEL Program support activities, to include "services for other student financial aid related activities." Provide clear legal authority to pursue business diversification options and to create new business enterprises, e.g., EDFUND USA.

3. Provide additional authority to advance funds to EDFUND as needed to pursue "services for other student financial aid related activities" above.

4. Permit meetings of the EDFUND Board to be conducted in closed sessions when considering matters of proprietary nature (partial exemption from Bagley-Keene Open Meeting Act for the Board).

RECOMMENDATIONS FROM THE NOVEMBER 19, 2003 JOINT CSAC FISCAL POLICY & LONG-RANGE PLANNING AND EDFUND FINANCE, BUDGET & AUDIT COMMITTEE MEETING

On **MOTION** by the Joint Committee and **CARRIED**, the Commission **APPROVED** the following designations of the Student Loan Operating Fund.

- CSAC Administrative Costs - $80 million
- Outreach Program and Public Awareness - $25 million
- EDFUND and Loan Program Reserve - $45 million
- Activities to Grow FFEL Program - $50 million
- Activities in Support of Business Diversification - $75 million

Commissioner Rabinovich was **ABSENT** for the vote.

Commissioner Fousekis expressed support of the motion with the caveat that if changing circumstances require a different usage of the funds, he would support a re-evaluation of the amounts.

On **MOTION** by the Joint Committee and **CARRIED**, the Commission **APPROVED** the proposed process for financial planning, whereby the Commission and EDFUND Board will approve the Capital Utilization Plan (CUP) and any modifications; the Commission will approve the detailed Operating Budget of CSAC and the outreach campaign; the EDFUND Board will approve the detailed budget of EDFUND for the operation of the FFEL Program; and the organization will develop a new CUP and allocation methodology following the reauthorization of the Higher Education Act.

Commissioner Rabinovich was **ABSENT** for the vote.

On **MOTION** by the Joint Committee and **CARRIED**, the Commission **APPROVED** the following assumptions of the Capital Utilization Plan:

- Financial reporting should clearly identify the cost to conduct the major activities of the Organization (grant, outreach, loan guarantee, and future activities).
- The Commission's sole source of revenue for operations is the FFEL Program.
- The Commission's administrative costs to deliver the Cal Grant Program will be fully supported in the long term without the use of State general funds.
- The CUP will be constructed to maintain a designated balance of approximately two years of operating costs for Commission administrative costs.
- FFELP operating costs have "first claim" on FFELP revenues, which the USED may view as consistent with their intent for the operation of a guarantee agency.
- The Student Loan Operating Fund will continue to be maintained through the State Controller's Office.
- The Organization places a high standard on the efficient and effective use of the funds which it administers. Expenditures of the FFEL Program are subtracted from FFELP Revenues and the resulting is the FFELP Surplus. The undesignated portion of the resulting funds balance will be designated as considered appropriate by the Board and Commission from time to time.

Commissioner Levine made an announcement and requested nominations for the vacancies resulting from the Commission's action to expand the EDFUND Board.

EDFUND President Becky Stilling publicly expressed her gratitude to the Commissioners for the time and effort spent on making the above important and difficult decisions, to Committee Chair Suzuki for his leadership of the group, and to Executive Director Fuentes-Michel for being such a proactive and supportive team member.

Item 8.3.6 – Outreach Committee Report

Commissioner McClain, Chair of the Outreach Committee, reported that the Committee met on November 20, 2003, and discussed the following items: (Additional information may be found in the November 20, 2003 agenda materials and/or transcripts.)

- Public Awareness Campaign
- College Goal Sunday Campaign
- Proposed Multi-Year Outreach Plan

On **MOTION** by Commissioner Levine, **SECONDED** and **CARRIED**, the Commission **APPROVED** authorization for the Executive Committee to convene and act on the first year of the outreach plan prior to the next meeting of the Commission, due to the time sensitive nature of the work required to be effective for the upcoming Cal Grant award cycle.

Margaret Heisel of the University of California Office of the President commented that the University of California would very much like to work in a concerted approach with CSAC and hope that the Commission will consider it.

Granger Ward, State Director of the AVID Program, answered questions about the AVID Program and described its impact in some specific districts.

Item 8.3.7 – Governmental Relations Committee Report

Commissioner Serna, Chair of the Governmental Relations Committee, reported that the Committee met on November 20, 2003, and discussed the following items: (Additional information may be found in the November 20, 2003 agenda materials and/or transcripts.)

- Federal Issues and Reauthorization of the Higher Education Act Update
- State Legislative Round Up Report

It was reported that the Committee supported making Commissioner and staff appointments with the new administration and meeting with legislative leadership as soon as possible.

It was suggested that the Commission send its congratulations to Assembly Member Fabian Nunez for his appointment as Assembly Speaker.

AGENDA ITEM 8.4 – NEW BUSINESS

Commission Chair Cooney announced the appointment of Commissioner Moore to the Fiscal Policy & Long-Range Planning Committee and the Governmental Relations Committee.

It was also announced that the Executive Committee and Outreach Committee will meet December 3, 2003 from 8:30 am to 10:30 am.

PUBLIC COMMENT

Mary Robinson of the California State University Chancellor's Office asked for a status on the report to the Legislature due December 31st on the first two cycles of the Competitive Cal Grant program. She also suggested that the Annual Reports be made available on CSAC's website.

There being nothing further to come before the Commission, the meeting was adjourned at 11:50 a.m.

Maria Elena Serna
Secretary