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## 3.2

### **Action/Information Item**

#### ***California Student Aid Commission***

Approval of April 15, 2005 and May 23, 2005 Minutes

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

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**CALIFORNIA STUDENT AID COMMISSION  
COMMISSION MEETING**

**MINUTES  
April 14-15, 2005**

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A meeting of the California Student Aid Commission was held on Thursday, April 14, 2005 and Friday, April 15, 2005, at 3300 Zinfandel Drive, Rancho Cordova, California.

On April 14, 2005, Chair David Roth called the meeting of the Full Commission to order at 8:05 a.m.

The following Commission Members were present:

David Roth  
Josefina Baltodano  
Michelle Dyke  
James Fousekis  
Sally Furay  
Adele Levine  
Louise McClain  
Charles Moore  
James Sandoval  
Maria Elena Serna

At 8:17 a.m., Chair Roth announced that the Commission would recess the Open Session portion of the meeting to conduct a Closed Session. At 9:10 a.m., Chair Roth recessed the Closed Session of the Full Commission meeting and the Standing Committees met accordingly.

On the evening of Thursday, April 14, 2005, Chair Roth reconvened the Full Commission Closed Session meeting at 7:35 p.m. At 9:30 p.m., Chair Roth recessed the Closed Session.

On April 15, 2005, Chair David Roth reconvened the Full Commission meeting at 8:07 a.m.

The following Commission Members were present:

David Roth  
Josefina Baltodano  
James Fousekis  
Sally Furay  
Adele Levine  
Louise McClain  
Charles Moore  
James Sandoval  
Maria Elena Serna

The following Commission Member was absent:

Michelle Dyke

Chair Roth reported that 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), Chair Roth indicated that no action was taken in the closed sessions held on April 14, 2005.

To allow a thorough discussion, Chair Roth rearranged the agenda format to: 1) Approve the minutes; 2) Review and discuss Tab 7.4; 3) Hear reports from Executive Director Michel and President Stilling; and (4) Hear reports from the Standing Committees.

#### **AGENDA ITEM 7.2 – APPROVAL OF COMMISSION MINUTES**

On **MOTION** by Commissioner McClain, **SECONDED**, and **CARRIED**, the Commission unanimously approved the minutes of the February 23, 2005 meeting as presented.

On **MOTION** by Commissioner McClain, **SECONDED**, and **CARRIED**, the Commission unanimously approved the minutes of the March 10, 2005 meeting as presented.

#### **AGENDA ITEM 7.4 – CALIFORNIA STUDENT AID COMMISSION**

Chair Roth provided the Commission with the following items for discussion and possible action.

- 1) Possible removal of all or some of the members of the EDFUND Board of Directors
- 2) Possible designation of all or some of the Commissioners of the California Student Aid Commission as Directors of the EDFUND Board

Chair Roth stated that the conversation was about governance. In addition, there has been no time in recent memory at the California Student Aid Commission (Commission), when it has been more important for the entire Commission and EDFUND organization to work together toward a unified set of goals, and no more important time to focus as a body of Commissioners, as the leaders of this organization charged by the Legislature or by the Administration to act in the best interest of the students of the State of California and the students that reside in the states served by EDFUND. It was important to note that this conversation was not about individuals. The Commission was very grateful for the work and contribution of each and every member of the Commission, and every member of the EDFUND Board.

Chair Roth provided the following three options to facilitate discussion:

1. Do nothing and the governance structure remains the same.
2. Remove the EDFUND Board and the same group of people who have been appointed as Commissioners will serve as the EDFUND Board.
3. Reconstitute and recontextualize the EDFUND Board by the immediate removal of the current non-Commissioner members, work toward the establishment of specific roles and responsibilities, and then appoint EDFUND Board members.

Prior to presenting a motion, Public Comments were heard by:

- Ms. Mary Lindsey, Fashion Institute of Design and Merchandising
- Dr. Sam Kipp, Research Manager, CSAC Research and Policy Analysis Branch.
- Ms. Jennie Woo, EDFUND Employee Representative, EDFUND Board of Directors

Chair Roth continued by providing an updated list of potential options.

**Option #1**

Reconstitute the EDFUND Board and re-contextualize its work and the roles and responsibilities guiding the work of the Board by immediately removing the non-Commissioner members of the Board and immediately replacing the non-Commissioner members of the Board with the rest of the Commission for a specified period of time, during which the Commission would immediately establish a working group to create a set of roles and responsibilities and regulations that will guide the work of the EDFUND Board and identify those individuals to either be appointed or reappointed to the Board at the end of that period of time.

**Option #2**

Reconstitute the EDFUND Board and re-contextualize the role and responsibilities guiding the work of the EDFUND Board by removing the non-Commissioners effective May 31 2005, except for the Student Member, Employee Member and Executive Director Member. The Commission Chair will establish a workgroup to develop the oversight, fiduciary, and all other roles and responsibilities guiding of the work of the Commission and EDFUND Board. The work group will recommend to the Commission which EDFUND Board members will be reappointed and which new members will be approved. The work group will also review the EDFUND Bylaws and make recommendations for change.

**Option #3**

Reconstitute the EDFUND Board and re-contextualize its work by immediately removing the non-Commissioner members of the Board and leaving it with the existing quorum of four Commissioner Board members and the three required positions for a period of time the Commission would set during which the Commission would create a working group to develop the roles and responsibilities and to determine who would be appointed or reappointed to the Board at the end of that period of time.

**MOTION** by Commissioner Fousekis to adopt Option #2, with a **SECOND** by Commissioner Moore.

**MOTION** by Commissioner Furay, **SECONDED** by Commissioner Levine, to divide Option #2 into separate votes on: (A) removing the EDFUND Board members as of May 31<sup>st</sup>; and (B) creating a working group to establish the roles and responsibilities guiding the EDFUND Board. The motion **FAILED** by a roll-call vote of five (5) No votes and four (4) Yes votes.

**MOTION** to adopt Option #2 being in order, the motion **CARRIED** by a roll-call vote of: Six (6) Yes votes and three (3) No votes.

Chair Roth thanked the Commissioners, Commission staff, EDFUND staff and all the individuals in the audience.

**CHAIR REPORT**

Chair Roth did not have any items to report.

**AGENDA ITEM 7.1 – EXECUTIVE DIRECTOR’S REPORT**

Executive Director Michel reported on the following:

- A budget presentation was made to the Assembly Budget Committee for the 2005-06 budget. Copies are available for distribution.
- Staff are continuing to finalize the Cal Grant Projections for the May revisions. This year’s award process is showing that program is up to about 72,000 students. Staff will provide an update at the next Commission meeting.
- A copy of the recent Operations Memo, which provides an overview of the reorganization of the Grant Services Division under its new name – Program Administration and Support Division was distributed. The Memo describes the roles and responsibilities of the Division by each of the units within the Cal Grant program.

**AGENDA ITEM 7.3 – EDFUND PRESIDENT’S REPORT**

Ms. Becky Stilling, President, EDFUND provided the following report:

- The new volume of loans for March 2005, continue to trend positively. In addition, EDFUND was up 30 percent for non-consolidation activity, Stafford subsidized, unsubsidized, and PLUS loans. The total activity (in March) was up 24.5 percent.
- Overall, year-to-date, the new guarantee volume, including consolidations was up almost 30 percent.
- Collection activities are better than they have ever been
- Claims are trending up, and while expected, there are larger claim volumes than originally anticipated. These claims are for defaulted loans have and the lenders file claims for insurance, which the guarantor pays, and the loans become the guarantor’s responsibility to collect. The claims affect the trigger rate and the cohort default rate. The claims are paid out of the Federal Fund and the guarantor is reimbursed substantially by the federal government for the claims it pays.
- Part of President Bush’s budget is to reduce the percentage of reimbursement or, in other words, increase the risk sharing of guarantors.
- Sixty percent of revenue, non Voluntary Flexible Agreement (VFA) revenue comes from collections. EDFUND staff has made terrific progress over the last couple of months due to staff applying new tactics, new techniques and hard work.
- Overall, the EDFUND operating margin revenue and expenses is coming in at about what was predicted. A report will be provided as soon as the six month numbers become available.
- The VFA workgroup has reconvened and is working on a new agreement. The U.S. Department of Education has specific priorities that will be included in VFAs and the workgroup is discussing them

## AGENDA ITEM 7.5 – STANDING COMMITTEE REPORTS

Chair Roth explained that because the Commission met as a Committee of the Whole yesterday, it was not necessary to hear each Standing Committee Report. Therefore, the following Standing Committees actions were brought forward for consideration and/or approval:

### 7.5.2 – GRANTS AND PROGRAMS COMMITTEE REPORT

Commissioner Baltodano, Chair of the Grants and Programs Committee reported that the Committee met on November 29<sup>th</sup> and took action on the following:

#### ***Grant Advisory Committee Review of the Cal Grant High School Grade Point Average Report***

On **MOTION** by the Committee, **SECONDED** and **CARRIED**, the Commission unanimously approved the Committee's recommendation on:

- The definition of remedial coursework.
- Work with the California Department of Education to remove the remedial language referenced in the statute governing the grade point average (GPA) calculation.
- Pursuing through Legislation, the goal of shifting responsibility for GPA submission for the Cal Grant programs from students directly to the high schools.
- Develop a feasibility study report (FSR) providing for a secondary clean-up process as outlined in the Grant Advisory Committee review of the Cal Grant High School GPA report and to report back to the Commission.

### 7.5.3 – GOVERNMENTAL RELATIONS COMMITTEE REPORT

Commissioner Serna, Chair of the Governmental Relations Committee reported that the Committee met on February 9<sup>th</sup> and took action on the following:

#### ***Approval of the Guiding Principles for Reauthorization of the Higher Education Act.***

On **MOTION** by the Committee, **SECONDED** and **CARRIED**, the Commission unanimously approved the Guiding Principles for Reauthorization of the Higher Education Act as presented.

The next meeting of the Governmental Relations Committee will be held on May 12, 2005 as a teleconference meeting.

## PUBLIC COMMENT

- No additional public comments were heard.

## NEW BUSINESS

- A workgroup was created to look at business diversification.

**CLOSED SESSION**

At approximately 11:30 a.m., Chair Roth announced that the Commission would again recess the Open Session portion of the meeting to conduct a Closed Session. Chair Roth reconvened the Open Session of the Full Commission meeting and reported from the Closed Session pursuant to the California Government Code §11126(a)(1) and the disclosure of the actions taken in Closed Session pursuant to California Government Code §11126-3(f). No action was taken.

There being nothing further to come before the Commission, the Full Commission meeting was adjourned at approximately 12:00 p.m.

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CHARLES MOORE  
Secretary

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**CALIFORNIA STUDENT AID COMMISSION  
COMMISSION MEETING**

**MINUTES  
MAY 23, 2005**

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A meeting of the California Student Aid Commission was held on Monday, May 23, 2005, at 10811 International Drive, 2<sup>nd</sup> Floor, Executive Board Room, Rancho Cordova, California.

Chair David Roth (via teleconference) called the meeting to order at 9:04 a.m.

The following Commission Members participated on-site:

Josefina Baltodano  
Michelle Dyke  
James Fousekis  
Sally Furay  
Adele Levine  
Louise McClain

The following Commission Members participated via teleconference:

David Roth, Chair  
Charles Moore  
James Sandoval

The following Commission Member was absent:

Maria Elena Serna

**CLOSED SESSION**

Roll Call was taken and a quorum was recognized. At 9:07 a.m., Chair Roth announced that the Commission would recess the Open Session portion of the meeting to conduct a Closed Session. The Closed Session adjourned at 10:50 a.m.

Chair Roth reconvened the Open Session of the Full Commission meeting at 11:00 a.m. and reported from the Closed Session pursuant to the California Government Code §11126(a)(1) and the disclosure of the actions taken in Closed Session pursuant to California Government Code §11126-3(f). No action was taken during the Closed Session.

**OPEN SESSION - AGENDA ITEMS**

*Report from Work Group #2 on the Roles and Responsibilities of CSAC and EDFUND and the Composition of the EDFUND Board, and Possible Action to Adopt the Recommendations from the Report.*

Commissioner James Sandoval and Commissioner Josefina Baltodano, members of the Work Group 2 – Future Composition and Responsibilities of the EDFUND Board, reported that the Work Group met and reviewed the current roles and responsibilities of the EDFUND Board of Directors, as well as its structure. In addition, both Commissioners attended the EDFUND Board of Director’s Workshop held in Del Mar, CA on May 12, 2005.

The Work Group 2 members prepared and presented the following recommendations for the Commission’s approval:

**Recommendation One**

The Commission affirms that as of June 1, 2005, the composition of the EDFUND Board of Directors shall consist of the following Directors:

- Commissioner Sally Furay
- Commissioner Adele Levine
- Commissioner Charles Moore
- Commissioner James Sandoval
- EDFUND Employee Jennie Woo
- Student Representative Ryan Alcantara
- CSAC Executive Director Diana Fuentes-Michel

EDFUND President Becky Stilling will remain as an Ex-Officio member on the EDFUND Board.

**Recommendation Two**

The EDFUND Board of Directors shall be responsible for the following:

1. Providing recommendations to the Commission on the roles and responsibilities of the EDFUND Board. The Board’s recommendations shall be consistent with existing law establishing the Commission as the state student loan guaranty agency responsible for policy leadership and program administration of the student loan guaranty program, and the auxiliary organization as providing operational and support services to the Commission.
2. Providing recommendations to the Commission on the composition of the EDFUND Board.
3. Providing recommendations to the Commission on criteria for nominating and designating directors of the EDFUND Board.
4. Providing recommendations to the Commission’s Personnel, Evaluation and Nominations (PEN) Committee of persons to be designated as directors of the EDFUND Board.

**Recommendation Three**

The Commission affirms that under the EDFUND Bylaws, Vice Chair Sally Furay will carry out the duties of the Chair of the EDFUND Board of Directors as of June 1, 2005, and wishes to express to her the Commission's wholehearted support as she guides the Board through this period of transmission.

Public Comments were heard from:

- Wayne Mahoney, former President of California Association of Student Financial Aid Administrators.
- Doris Gross, representing Wachovia Bank
- Colleen McDonald, representing Stanford's Graduate School of Business

Upon completion of the Public Comments, on **MOTION** by Commissioner Fousekis, **SECONDED** by Commissioner McClain, the Commission unanimously approved the adoption of the Work Group #2's three recommendations as stated above.

In addition, Commissioner Baltodano motioned that the Commission acknowledges and expresses their gratitude to the departing members of the EDFUND Board of Directors for all their dedication and hard work in assisting students to continue their education:

- John Anderson
- Jonathan Brown
- Frederic Prager
- Wayne Sparks
- Frederick Weis

The Commission members unanimously approved Commissioner Baltodano's motion.

**AGENDA ITEM 2 – Report on the Governor's May Revise Budget for 2005-2006 and Budget Committee Hearings**

Executive Director Michel and Ms. Janet McDuffie, Chief of the Management Services Division highlighted on the Governor's May Revise, which includes the following:

- ✓ Restoration of the maximum Cal Grant award back to \$8,322.
- ✓ Fund shift for Cal Grant Program of \$51 million from the General Fund to Operating Fund.
- ✓ Establishment of the new Science and Math Area Resources Teachers (SMART) APLE Program to issue 350 additional warrants part of the Math and Science Initiative to increase supply of highly qualified public school math and science teachers. This will be trailer bill language.
- ✓ Technical baseline item in the amount of \$200,000 in continued reimbursement authority for the administration of the Chafee Foster Cal Grant Youth Program.
- ✓ \$150,000 for a limited temporary help in the Customer Service Call Center to be hired during the peak time – March 2<sup>nd</sup> and September 2<sup>nd</sup> Deadline cycles).
- ✓ \$1.6 million in additional funds to enhance the Grant Delivery System. This item is currently in the Budget Conference Committee. The Senate-side has agreed that this item has merit.

- ✓ \$65,000 for a one time limited-term position to support the administration of the National Guard APLE Program. This item is currently in the Budget Conference Committee. Both the Senate and Assembly are unsure if they want to actually fund the Program.

**NEW BUSINESS**

- Commissioner Levine questioned when the next Personnel, Evaluation and Nominations (PEN) Committee will meet, as well as its agenda items. Commissioner Sandoval stated that the next meeting will be held on Tuesday, June 14<sup>th</sup> in Riverside, CA. The Committee will discuss the nominations for the next set of Commissioner Officers, along with other items.
- Commissioner Furay affirmed that the recommendation from Senator Scott and Assemblymember Liu to have CSAC and EDFUND hire an independent management consultant should be discussed and considered. She would like to see a joint discussion between CSAC and EDFUND to discuss and recommend whether or not the suggestion is warranted and how to move forward.
- Commissioner Levine also commented that the items in the letter from Senator Scott and Assemblymember Liu need to be addressed by the Commission. Chair Roth committed to having this topic placed on the agenda for discussion at a future meeting of the Commission.

**PUBLIC COMMENT**

- No public comments were heard.

There being nothing further to come before the Commission, the Full Commission meeting was adjourned at 12:04 p.m.

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CHARLES MOORE  
Secretary