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# 5

## Action/Information Item

### *California Student Aid Commission*

#### Consent Calendar

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

- September 4-5, 2008 and October 23, 2008 minutes.

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**CALIFORNIA STUDENT AID COMMISSION  
MEETING MINUTES  
SEPTEMBER 4 - 5, 2008**

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A meeting of the California Student Aid Commission was held on Thursday, September 4, 2008 at State Capitol Room 126, Sacramento, CA and Friday, September 5, 2008, at State Capitol Room 447, Sacramento, CA.

Chair Peter Hankwitz called the meeting to order at 8:00 a.m.

The following Commission Members were present:

Peter Hankwitz, Chair  
Lorena Hernandez, Vice Chair  
Yasmin Delahoussaye, Secretary  
Tomás Arciniega  
Lynne de Bie  
Barry Keene  
Patricia Fong Kushida  
Bonaparte Liu  
Enrique Murillo  
Israel Rodriguez  
Antonio Solórzano, Jr.

Roll Call was taken and a quorum was recognized.

**CLOSED SESSION**

Chair Hankwitz announced that the Commission would meet in CLOSED SESSION to discuss and possibly take action on business matters of a proprietary nature pursuant to California Education Code Section 69525(g)(3). Scheduled topics include:

**AGENDA ITEM 1 – LOAN PROGRAM ITEMS**

***Item 1.a – Consideration of Waiver of the Attorney-Client Privilege for an Attorney General's Memorandum Relating to the Payment of Default Fee Invoices***

The Commission resolved into CLOSED SESSION at 8:06 am.

**RECONVENE IN OPEN SESSION**

Chair Hankwitz reconvened the Commission meeting into OPEN SESSION at 9:11 a.m., and indicated that the Commission had no items to report from Closed Session.

**PUBLIC COMMENT**

The following Cal Grant recipients presented their comments about the Cal Grant and Cash for College programs:

- Cecilia Sanchez, Student, Sacramento City College
- Sharday White, Student, American River College
- Lucero Chavez, President, University of California Student Association
- Leah Espitia, Student, Cosumnes River College
- Sandra Flores, Executive Vice President, Associated Students, Incorporated
- Elmin Leung, Student, University of California at Davis
- McKee Mason, President, President, Associated Students, Incorporated

On behalf of Mr. Michael Genest, Director of the Department of Finance, Mr. Lynn Podesto, Assistant Program Budget Manager, requested that the Commission not take action on the agenda items that would affect the governance and operations of EdFund. Mr. Podesto reported that the Department of Finance wishes to complete the Office of State Evaluations & Audits review of the allegations related to the EdFund-related items.

Ms. Kristin Shear, President of the California Community Colleges Student Financial Aid Administrators Association (CCCSFAAA), reported that CCCSFAAA is asking the Commission not to act on the agenda items, which CCCSFAAA believes could potentially signal destabilization or devaluation of EdFund, and to allow for full consultation from the field.

#### CHAIR'S REPORT

Chair Hankwitz presented comments on his background, his role as the chair, the mission of the Commission as well as some of the major obstacles it faces, and asked the Commission to join him in respectfully and openly discharging their duties as guardians of the authority vested in each of them as they worked to fulfill the Commission's mission of making education beyond high school accessible to all Californians.

#### **AGENDA ITEM 2 - CONSIDERATION OF A COMMISSION RESOLUTION ON FULFILLING THE COMMISSION'S RESPONSIBILITIES AS THE SINGLE STATE AGENCY DESIGNATED BY THE FEDERAL GOVERNMENT UNDER THE FEDERAL FAMILY EDUCATION LOAN PROGRAM TO BE THE STUDENT LOAN GUARANTY AGENCY IN CALIFORNIA, CONSISTENT WITH ARTICLE III OF THE ARTICLES OF INCORPORATION OF EDFUND, AND CHAPTER 182 OF THE STATUTES OF 2007 (SB 89)**

Mr. Ed Emerson, Chief of the Federal Policy & Programs Division, and Ms. Keri Tippins, General Counsel, provided background information on the Commission's responsibilities with regard to the Federal Family Education Loan (FFEL) Program and Senate Bill (SB) 89. Further discussion ensued about the law and the specific language of the proposed Commission resolution.

On **AMENDED MOTION** by Commissioner Solórzano, **SECONDED** and **CARRIED**, the Commission **ADOPTED** by ROLL CALL VOTE the proposed Commission resolution, as amended (amended language in bold, underlined and italicized text below) stating that the Commission has, and will exercise, full authority under both federal and state law to administer the Federal Family Education Loan (FFEL) Program as the student loan guarantee agency designated by the United States Department of Education. To the extent that the Commission concludes that a decision by the Department of Finance under Chapter 182, Statutes of 2007 (SB 89) results in a conflict that causes the administration of the FFEL Program to be

inconsistent with federal law, the Commission will consult with and petition the United States Department of Education for a resolution of the conflict.

### **AGENDA ITEM 3 - UPDATE ON THE LENDER OF LAST RESORT PROGRAM**

Ms. Janet McDuffie, Chief of Administration & External Affairs, provided a summary of the Lender of Last Resort (LLR) Program and reported that, according to the U.S. Department of Education (USDE), some guarantors have found lenders to serve as their lenders of last resort; however, the Commission/EdFund has not. Additionally, Ms. McDuffie noted that EdFund had issued a Request for Proposal (RFP) in June 2008, and subsequently signed a contract not to exceed \$5,000,000 effective July 1, 2008, for loan origination and processing services, which EdFund is prohibited to conduct, should the Commission need to enact the USDE's federal fund advance system. She added that EdFund informed neither Commission staff nor the EdFund Board prior to finalizing the contract.

EdFund President Sam Kipp explained the need for the contract and discussed EdFund's contracting policies. Mr. Brad Hardison, CCCSFAAA President-Elect, expressed the community college segment's concern about access to loans and indicated that EdFund reassured the segment that it was working expediently to put the LLR Program in place.

There was additional discussion about the requirements for the LLR Program and the Commission's current lack of statutory authority to participate in the USDE's federal advance program.

### **AGENDA ITEM 4 - CONSIDERATION OF THE RECISSION OF EDFUND RFP #07-112, FOR PUBLIC RELATIONS SERVICES TO DEVELOP A MULTIMEDIA PUBLIC AWARENESS CAMPAIGN THAT DESCRIBES THE INDISPENSIBLE ROLE OF GUARANTY AGENCIES, AND TERMINATION OF ANY CONTRACT RELATED TO RFP #07-112**

Mr. Emerson summarized the EdFund RFP #07-112 for public relations services and the potential policy implications. He also presented a series of email communications between Mr. David Reid, EdFund General Counsel, and representatives of the Department of Finance (DOF), in which DOF indicated it did not anticipate making a decision on whether EdFund should move forward with the RFP until after its investigation of various allegations. The email correspondence indicated that EdFund agreed to hold off on the contract negotiations. Further discussion followed about the RFP and the Commission's Governance Policies related to external communications.

On **MOTION** by Commissioner Keene, **SECONDED** and **CARRIED**, the Commission APPROVED the staff recommendation to direct EdFund to rescind EdFund RFP #07-112 for Public Awareness Campaign for Guarantors.

### **AGENDA ITEM 5 - CONSIDERATION OF A COMMISSION POLICY, PURSUANT TO TITLE 34, CODE OF FEDERAL REGULATIONS, SECTION 682.401(b)(16), TO SUPERVISE THE CONTRACTS OF THE COMMISSION'S AUXILIARY ORGANIZATION (EDFUND)**

Ms. McDuffie provided a summary of Commission staff's existing process for reviewing EdFund contracts. In addition, Ms. Tippins presented the proposed Commission Policy.

Ms. Margaret Dennis, an EdFund civil service employee, commented that EdFund’s contracting process previously had been an issue and EdFund addressed it by establishing a new contracting policy; however, the issue continues to be raised that EdFund is not following contracting rules and regulations. Ms. Molly Greek, EdFund Board Employee Director, indicated that she is available to employees to discuss their concerns; however, the contracting issue is a new concern to her. She also explained the selection process for the employee representative on the EdFund Board and described her relationship with President Kipp and EdFund Senior Management. Mr. Reid commented that further amendments to the proposed Commission policy should be made at some point. Further discussion ensued.

On **AMENDED MOTION** by Commissioner Keene, **SECONDED** and **CARRIED**, the Commission **ADOPTED** the proposed Commission General Policy on EdFund Procurement Contracts, with the following changes:

- Revise the proposed Policy Statement (which currently includes language stating “although EdFund is a non-profit public benefit corporation”) to reflect the statement that “EdFund is an auxiliary of a State agency.”
- Add language that states “the Commission staff and EdFund staff would work together to establish timelines for the review of all procurements.”

**AGENDA ITEM 6 – CONSIDERATION OF THE PAYMENT OF DEFAULT FEE INVOICES**

Chair Hankwitz indicated that the Commission would discuss this item on Friday, September 5, 2008.

**AGENDA ITEM 7 - UPDATE ON THE VOLUNTARY FLEXIBLE AGREEMENT**

Ms. Tippins provided an overview of the Voluntary Flexible Agreement (VFA) and discussed Commission staff’s concerns about the additional changes made by the USDE. These changes include provisions that 1) would make the Commission liable for EdFund’s actions in the event DOF changed an action by the Commission that caused a liability to arise, and 2) call for the termination of the VFA if the Commission’s executive management changes. A brief discussion followed.

**AGENDA ITEM 8 - CONSIDERATION OF A COMMISSION POLICY, PURSUANT TO TITLE 34, CODE OF FEDERAL REGULATIONS, SECTION 682.401(b)(16), TO SUPERVISE THE COMPENSATION OF EXECUTIVES OF THE COMMISSION’S AUXILIARY ORGANIZATION (EDFUND), INCLUDING SEVERANCE AGREEMENTS, RETENTION BONUSES, BASE SALARIES AND SALARY INCREASES**

Commission staff, including Ms. McDuffie, Ms. Tippins and Mr. Emerson, provided an overview of the proposed Commission policy. Executive Director Michel explained that she receives information from the EdFund Board and the Commission Chair on the recommended pool for EdFund’s executive management team (EMT) and the amount of proposed incentive for the EdFund President. She clarified that the evaluation and additional salary adjustment for the EMT, as well as any retention and severance policies, are decided by the EdFund Board, and the Commission has no policies in regards to those particular considerations.

Chair Hankwitz indicated that the Director of DOF told him that he had advised EdFund that no decisions about any increase or substantive change in compensation should be made until after DOF's on-going review.

Ms. Greek commented that the EdFund Board implemented the salary survey process to ensure that it was following the Internal Revenue Service (IRS) regulations. Ms. Dennis commented that issues about EdFund's executive compensation date back to EdFund's first president, and asked the Commission to put in place a policy on how the executive compensation is structured that include more Commission involvement. There was more discussion about the incentive compensation process and the need for more oversight.

On **MOTION** by Commissioner Hernandez, **SECONDED** and **CARRIED**, the Commission **ADOPTED** the proposed Commission Policy on EdFund Executive Compensation.

Commissioners Delahoussaye, Hankwitz and Keene **ABSTAINED**.

**AGENDA ITEM 9 - CONSIDERATION OF THE REMOVAL OF DIRECTORS OF THE BOARD OF THE COMMISSION'S AUXILIARY ORGANIZATION (EDFUND)**

Chair Hankwitz reported that the DOF Director requested that the Commission table the discussion of the removal of the EdFund Board of Directors until after DOF's investigation into certain allegations. Chair Hankwitz responded that he would relay the Director's request to the Commission and ask its members if they wished to move forward with the discussion or table it until a future meeting after the completion of the investigation.

After some discussion, the Commission reached a consensus, with the exception of Commissioner Delahoussaye, to consider the removal of the EdFund Board of Directors. Mr. Emerson and Ms. Tippins described the lack of oversight provided by the EdFund Board and the breakdown in communication between the EdFund Board and the Commission.

There was further discussion about the financial aid community's concerns regarding the potential damage that the removal of the EdFund Board could cause. Ms. Shear commented that more time is needed for consultation with the community, and that removal of the EdFund Board could affect EdFund's market share. Ms. Vicki Shipley, representative of the California Lenders for Education (CLFE), reiterated the desire for more consultation with the lending community. Ms. Mary Lindsay, Financial Aid Director at The Fashion Institute of Design & Merchandising, commented that the loss of the EdFund Board three years ago had an impact on the financial aid community and she has concerns that the potential loss of EdFund's senior management and employees would affect services. President Kipp expressed his opinion that significant disruption could be very damaging to the loan program and the ultimate objectives of the Commission. Further discussion ensued.

On **MOTION** by Commissioner Keene, **SECONDED** and **CARRIED**, the Commission **APPROVED** by ROLL CALL VOTE to replace the EdFund Board with the Commission.

Commissioner Delahoussaye **OPPOSED**.

**AGENDA ITEM 10 - CONSIDERATION OF THE DESIGNATION OF DIRECTORS OF THE BOARD OF THE COMMISSION'S AUXILIARY ORGANIZATION (EDFUND)**

This agenda item was addressed within the discussion and motion under agenda item 9.

Thereupon, the September 4, 2008 meeting of the California Student Aid Commission was adjourned until 8:38 a.m. on September 5, 2008.

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**RECONVENE IN OPEN SESSION**

Chair Hankwitz re-convened the OPEN SESSION meeting of the California Student Aid Commission at 8:38 a.m. on Friday, September 5, 2008.

The following Commission Members were present:

- Peter Hankwitz, Chair
- Lorena Hernandez, Vice Chair
- Yasmin Delahoussaye, Secretary
- Tomás Arciniega
- Lynne de Bie
- Patricia Fong Kushida (\*\*absent for roll call, but arrived shortly thereafter.)
- Barry Keene
- Enrique Murillo
- Israel Rodriguez
- Antonio Solórzano, Jr.

The following Commission Members were absent:

- Bonaparte Liu

Roll Call was taken and a quorum was recognized.

**PUBLIC COMMENT**

Mr. Hardison commented that the reduction in school training due to budget cuts has affected the schools, and CCCSFAAA is very concerned because schools are being cited for findings that might have been prevented had training been available. Ms. Catalina Mistler, Chief of Program Administration & Services, reported that the Commission has been looking into alternative ways of providing training, including the redirecting of new hires to the training unit, the development of Webinars and power-point demonstrations with voice recordings, and collaboration with the institutions on joint training sessions.

**CLOSED SESSION**

Chair Hankwitz announced that the Commission would meet in CLOSED SESSION to discuss and possibly take action on business matters of a proprietary nature pursuant to California Education Code Section 69525(g)(3). Scheduled topics include:

**AGENDA ITEM 1 – LOAN PROGRAM ITEMS**

- ***Item 1.a – Consideration of Waiver of the Attorney-Client Privilege for an Attorney General’s Memorandum Relating to the Payment of Default Fee Invoices***

**AGENDA ITEM 15 – LOAN PROGRAM ITEMS**

- ***Item 15.a - Consideration of 2008-09 Annual Loan Program Business Plan, Budget and Goals***

**AGENDA ITEM 16 - PERSONNEL ITEMS**

- ***Item 16.a - Consideration of Evaluation of Executive Director’s Performance for 2007-09***

The Commission resolved into CLOSED SESSION at 8:52 am.

**RECONVENE IN OPEN SESSION**

Chair Hankwitz reconvened the Commission meeting into OPEN SESSION at 11:46 a.m. and reported that there were no items to report, except for Agenda Item 1, the Commission agreed to waive the attorney-client privilege on the Attorney General's Memorandum relating to the payment of default fee invoices, which would be made available to the public by close of business Friday, September 5, 2008.

The Commission did not discuss Agenda Item 6 – Consideration of the Payment of Default Fee Invoices and TABLED the following agenda items until the next regularly scheduled Commission meeting:

***Agenda Item 11 – Consideration of Restructuring Organizational Responsibilities to Require the Audit and Legal Functions of the Commission’s Auxiliary Organization (EdFund) to Report to the Commission’s General Counsel;***

***Agenda Item 12 – Consideration of Conducting a Performance Evaluation of the Commission’s Auxiliary Organization (EdFund), Pursuant to Education Code Section 69522(c)(3), in the Furtherance of the Commission’s Fiscal and Fiduciary Responsibilities for the Federal Family Education Loan Program, to Ensure that the Implementation and Effectuation of the Auxiliary Organization is Carried Out to Enhance the Administration and Delivery of Commission Programs, and to Maintain or Enhance the Value of the State Student Loan Guaranty Program Assets – the Last Performance Review Occurred in 2005; and***

***Agenda Item 13 – Consideration of Authorizing the Executive Director to Assign Employees of the Commission, Pursuant to Education Code Section 69522.5(a), to Work at the Commission’s Auxiliary Organization (EdFund) to Ensure that the Implementation and Effectuation of the Auxiliary Organization is Carried Out to Enhance the Administration and Delivery of Commission Programs, as Required by***

***Education Code Section 69522(c)(3), and to Maintain or Enhance the Value of the State Student Loan Guaranty Program Assets.***

**AGENDA ITEM 14 - UPDATE ON EDFUND LEASE OF BUILDING B, 10390 PETER A. MCCUEN BLVD., MATHER, CA**

Ms. McDuffie provided an overview of the plans for relocating the Commission and EdFund. There was some discussion about the cost of entering into a sublease for Building B. Mr. Martin Scanlon, Vice President and Chief Financial Officer of EdFund's Finance & Administration, expressed his concerns about the long-term liability for EdFund and the need to act as a landlord for ten years if the Commission occupies 75 percent of the space in Building B.

On **MOTION** by Commissioner Fong Kushida, **SECONDED** and **CARRIED**, the Commission APPROVED to direct staff to begin working with Commissioner Keene, the Department of Finance and the Department of General Services to identify an appropriate 25 percent tenant, so that, along with the Commission, the entire tenancy of Building B could be considered, in hopes that EdFund would be able to buy out of its obligation to be the landlord thereof and thereby preserving the value of the asset of the student loan program of the State of California.

**PUBLIC COMMENT**

Mr. Ed Hanson, DOF Principal Program Budget Analyst, presented a letter from DOF Director Michael Genest, indicating that he disapproves of the Commission's action to remove and replace EdFund Board members and change compensation policies and, therefore, the Commission's actions have no force and effect. The letter also indicated that it is Mr. Genest's statutory obligation to determine whether to approve the Commission's actions as consistent with the Legislature's intention to maximize the value of the student loan guarantee program. The letter reiterated his intent to undertake an independent review of allegations of impropriety cited by the Commission's Chair and its staff, as well as EdFund staff. He encouraged the Commission's oversight of EdFund in compliance with the Commission's statutory obligations and encouraged EdFund's cooperation with the Commission. He also encouraged Commission staff to consult with DOF staff to determine the likelihood of whether certain decisions, if made by the Commission, would be approved; however, he did not recommend that Commission or EdFund staff seek DOF's input on day-to-day operations.

Further discussion ensued and Chair Hankwitz pointed out that the Commission has all of the responsibility and liability, but none of the authority.

**AGENDA ITEM 17 - CONSENT CALENDAR**

***Item 17.a - Approval of May 27, 2008, June 26-27, 2008 and July 14, 2008 Minutes***  
***Item 17.b - Consideration of 2009 Meeting Calendar***

On **MOTION** by Commissioner Solórzano, **SECONDED** and **CARRIED**, the Commission APPROVED the minutes of the May 27, 2008, June 26-27, 2008 and July 14, 2008 Commission meetings, and the 2009 Commission meeting calendar.

**AGENDA ITEM 20 - APPOINTMENTS TO ADVISORY BODIES**

Committee Chair Delahoussaye reported that the Personnel, Evaluations & Nominations (PEN) Committee met on August 29, 2008 to consider and take possible action on the following items:

Loan Advisory Council

On **MOTION** by Commissioner Hernandez, **SECONDED** and **CARRIED**, the Commission APPROVED the appointment of Ms. Kortney McBride to the Loan Advisory Council as the University of California Student Representative for the term September 8, 2008 to September 8, 2010.

Grant Advisory Committee

On **MOTION** by the Committee, **SECONDED** and **CARRIED**, the Commission APPROVED the appointment of Mr. Andrew Grant to the Grant Advisory Committee as the University of California Student Representative for the term September 4, 2008 to September 4, 2009.

**AGENDA ITEM 19 - CONSIDERATION OF CONCEPTS FOR BUDGET CHANGE PROPOSALS FOR THE 2009-10 STATE BUDGET**

Executive Director Michel reported that the Commission had not yet received any instructions from DOF regarding the budget directions for 2009-10 cycle. A brief discussion followed.

On **MOTION** by Commissioner Hernandez, **SECONDED** and **CARRIED**, the Commission APPROVED the Budget Change Proposal (BCP) Concepts and authorized staff to submit 2009-10 BCPs to the Department of Finance.

**AGENDA ITEM 18 - EXECUTIVE DIRECTOR'S REPORT (INCLUDING A BUDGET UPDATE, LEGISLATIVE REPORT AND EDFUND REPORT)**

Executive Director Michel indicated that this agenda item contains several reports for informational purposes.

There being no further business, the meeting of the California Student Aid Commission was adjourned at 1:02 pm.

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YASMIN DELAHOUSAYE  
SECRETARY

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**CALIFORNIA STUDENT AID COMMISSION  
TELECONFERENCE MEETING MINUTES  
OCTOBER 23, 2008**

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A meeting of the California Student Aid Commission was held on Thursday, October 23, 2008 at the UC Center Sacramento located at 1130 K Street, Suite LL3, Sacramento, California.

Acting Chair Lorena Hernandez called the meeting to order at 1:39 a.m.

The following Commission Members were present:

Lorena Hernandez, Acting Chair  
Lynne de Bie  
Barry Keene  
Patricia Fong Kushida  
Bonaparte Liu (via telephone)  
Enrique Murillo (via telephone)  
Israel Rodriguez  
Antonio Solórzano, Jr.

The following Commission Members were absent:

Yasmin Delahoussaye, Secretary  
Tomás Arciniega

Roll Call was taken and a quorum was recognized.

**AGENDA ITEM 1 - ELECTION OF CHAIR**

Acting Chair Hernandez recommended Barry Keene for the position of Chair of the Commission.

On **MOTION** by Commissioner Solórzano, **SECONDED** and **CARRIED**, the Commission **APPROVED** by ROLL CALL VOTE the nomination of Barry Keene as the Chair of the Commission to complete the unexpired term of Peter Hankwitz until June 30, 2008.

**AGENDA ITEM 2 – LEGISLATIVE UPDATE AND REPORT ON THE STATE BUDGET AND ITS EFFECT ON THE COMMISSION’S PROGRAMS**

Ms. Lori Nezhura, Legislative Liaison, provided an overview of the 2009 State Budget bill process and a status update of the legislative bills affecting the Commission’s programs.

Ms. Janet McDuffie, Chief of Administration & External Affairs, summarized the final budget changes made by the Legislature and Governor to the Commission’s 2008-09 Budget and their impact on the Commission’s state operations and local assistance programs.

Ms. Catalina Mistler, Chief of Program Administration & Services, and Mr. John Bays, Chief of Information Technology Services, summarized the issues affecting the level of service provided by the Commission.

There was some discussion about various strategies to overcome the Commission's economic challenges, including advocacy efforts, joint training sessions, and consultation/collaboration with the financial aid community.

### **AGENDA ITEM 3 - ADJUSTMENTS TO THE 2008-09 CAL-SOAP PROJECT FUNDING LEVELS**

Ms. McDuffie presented an overview of the 2008-09 California Student Opportunity & Access Program (Cal-SOAP) project funding levels and reported that Commission staff agrees with the Project Directors' recommended allocations.

Ms. Emalyn Lapis, Project Director for the San Francisco Cal-SOAP, reported that some projects have been operating at a minimal level since July while others have closed, and others are waiting for contracts. She indicated that Project Directors are meeting regularly to discuss how they can work with either the California community colleges and/or the California Department of Education on career technical education.

On **MOTION** by Commissioner Hernandez, **SECONDED** and **CARRIED**, the Commission **APPROVED** by ROLL CALL VOTE the recommendation to authorize the Executive Director to execute contracts totaling \$6,349,000 with the Cal-SOAP consortia for the 2008-09 award year at the allocation levels proposed by the Cal-SOAP Project Directors

*Chair Keene decided to discuss the following agenda items out of sequence.*

### **AGENDA ITEM 5 – AUDIT COMMITTEE REPORT: UPDATE ON THE ASSESSMENT OF “INDEPENDENT REVIEW” BY THE DEPARTMENT OF FINANCE OF CONCERNS RAISED BY THE COMMISSION’S FORMER CHAIR AND CONCERNS CONSIDERED BY THE COMMISSION AT THE SEPTEMBER 4 – 5, 2008 MEETING**

Ms. Kim Tarvin, Manager, and Mr. David Botelho, Chief, Department of Finance Office of State Audits and Evaluations (OSAE), presented the results of their review of the issues raised by the former Commission chair and the staffs of both the Commission and EdFund. A description of the findings is included in a letter dated October 21, 2008 from Mr. Michael Genest, Director of the Department of Finance, to former Acting Chair Hernandez. Further discussion ensued.

### **AGENDA ITEM 4 – SEPTEMBER 5, 2008 LETTER FROM DIRECTOR OF FINANCE PURPORTING TO OVERTURN CERTAIN ACTIONS TAKEN BY THE COMMISSION AT ITS SEPTEMBER 2008 REGULAR MEETING**

Chair Keene discussed the events leading up to the previous chair's removal from the Commission and requested that the Director of the Department of Finance (DOF) consider his re-appointment. He also discussed the two-board structural problems resulting from the legislation that created EdFund and discussed the intent of Senate Bill 89, which was not to give DOF absolute latitude but to have it circumscribed by Federal law. Chair Keene further commented that the Commission wishes to know the reasons behind the DOF Director's conclusions that the Commission's actions, taken at the September meeting, were inconsistent

with protecting and maximizing the value of the State’s student loan guaranty program. He indicated that the Commission does not wish to defy DOF, but it also does not recognize the actions taken by DOF at the September meeting, nor its commandeering of the oversight function of the Commission, as occurred with the preparation of the OSAE report. He indicated that the Commission, not DOF, will be held responsible should the unsupervised activities of EdFund turn out to be a serious problem. He stated that the Commission needs a resolution of the apparent conflict between the Commission’s sole responsibility for the student loan program under Federal law and DOF’s de facto usurpation of the power to carry out that charge.

**AGENDA ITEM 6 – AUTHORIZING THE EXECUTIVE DIRECTOR TO SIGN THE AGREEMENT WITH THE UNITED STATES DEPARTMENT OF EDUCATION FOR FEDERAL ADVANCES FOR LENDER OF LAST RESORT SERVICES FOR THE 2008-09 ACADEMIC YEAR**

Ms. Leanna Sinibaldi, Manager of Federal Policy & Programs, presented the staff recommendation.

On **MOTION** by Commissioner Fong Kushida, **SECONDED** and **CARRIED**, the Commission **APPROVED** by ROLL CALL VOTE the recommendation to authorize the Executive Director to sign the agreement with the United States Department of Education for Federal advances for lender-of-last-resort services for the 2008-09 academic year.

**AGENDA ITEM 12 - CLOSED SESSION**

Ms. Keri Tippins, Commission General Counsel, announced that the Commission would meet in **CLOSED SESSION** to discuss and possibly take action on business matters of a proprietary nature pursuant to California Education Code Section 69525(g)(3). Topics will include:

***Item 12.a – 2008-09 Loan Program Business Plan, Budget and Goals***

The Commission resolved into **CLOSED SESSION** at 3:40 p.m.

**RECONVENE IN OPEN SESSION**

Chair Keene reconvened the Commission meeting into **OPEN SESSION** at 5:18 p.m., and indicated that the Commission had no items to report from Closed Session.

There being no further business, the meeting of the California Student Aid Commission was adjourned at 5:18 pm.

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The Commission did not discuss the following agenda items:

***Agenda Item 7 – Update on the Voluntary Flexible Agreement***

***Agenda Item 8 – Existing EdFund Contracts for Lobbying, Advocacy, Public Relations and Legal Services***

***Agenda Item 9 – 2006 Cohort Default Rate for the Student Loan Guarantee Program***

***Agenda Item 10 – Update on Commission and EdFund Staff’s 2008-09 Loan Program  
Business Plan and Budget Working Sessions***

***Agenda Item 11 – Direction to the EdFund Board to Cancel the EdFund Board  
Meeting Scheduled for November 14, 2008***

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YASMIN DELAHOSSAYE  
SECRETARY