

Exhibit 3

Information/ Item

Presentation on the planning process for the Grant Delivery System Modernization Project

Governor Brown has included \$840,000 in his 2015-16 Proposed Budget for the initial year of planning to modernize the Grant Delivery System (GDS) and update the technology and to integrate the processing of all administered financial aid programs into a new system.

The budget includes funding for the following four new information technology staff:

- Three Staff Programmer Analysts will maintain the various applications that comprise the GDS System including all of the peripheral Access databases. The new staff will support individual applications and major functions of the GDS System that are currently spread out among a small number of staff. Often only one staff member has expertise on the applications and functions with no one to back them up.
- One Systems Software Specialist II will provide support for the current GDS System Oracle database to ensure its longevity during the tenure of this project. This will include code migration, updates, security patches, and overall maintenance. The current enterprise services staff will be fully engaged in working with the vendor to develop a new GDS System. Approximately 30 to 60 percent of their time will be spent on database design, configuration, code migration, knowledge transfer, and data cleansing, transformation and migration to the new GDS System database.

Once the project has been completed, these staff members will transition over to support the new GDS System. This augmentation of staff will ensure that adequate staff are available to support the operations and maintenance of the GDS System.

The 2015-16 budget also includes funding for the following contracted staff:

- Project Manager: The person will assist with project management activities to facilitate effective management of the project through the use of project management best practices and develop the Request for Proposal to solicit a prime vendor to implement a system that meets CSAC's objectives and requirements.
- Independent Verification and Validation: The IV&V vendor will provide an objective assessment of all products and processes throughout the project lifecycle to ensure the project is following industry best practices and that the product of the project will meet the defined requirements. IV&V will facilitate early detection and correction of errors and improve management insight into issues and risks before they become problems that could impede the progress and quality of the development effort.

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- Independent Project Oversight: A staff person from the California Technology Agency (CTA) will provide an independent assessment to determine if the project remains within the scope, schedule and cost. This person also tracks and helps identify any risks or issues that would cause a negative impact to the scope, schedule and cost for the project.

Background

The existing GDS system is based upon business rules and processes that were established in the 1980s and 1990s. Since this time, the Cal Grant program has gone through numerous revisions. Most of which significantly changed the way Cal Grant awards are administered.

- During the 1990s the Cal Grant Program was administered on CSAC's Financial Aid Processing System (FAPS), an integrated Student Loan Guarantee and Cal Grant mainframe application. In 1997 a Feasibility Study Report (FSR) was approved to convert the Grant portion of the FAPS application to an Oracle Database client/server and to create a web application. The Grant Delivery System (GDS System) project was approved with the understanding that the Grant portion of FAPS would be converted to the newer technology without adding new functionality and capabilities. This stipulation was instituted to reduce risk and scope to the conversion project. It was also agreed that future enhancements would be made with follow-on projects. The conversion project was completed with the implementation of the GDS System during spring 2000.
- On September 11, 2000, the Governor of California approved Senate Bill 1644, which amended existing law and sections of the Education Code relating to student financial aid. This bill enacted the Ortiz-Pacheco-Poohigian-Vasconcellos Cal Grant Program, which set forth the long-term policy that Cal Grant awards should be granted to all recent high school graduates with demonstrated financial need and eligible grade point averages, and who meet other prescribed criteria. Cal Grant awards continue to be available for other students, but to a lesser degree. The bill established Cal Grant A and B Entitlement Awards, California Community College Transfer Entitlement Awards, Competitive Cal Grant A and B Awards, Cal Grant C Awards, and modified Cal Grant T Awards. Each of these grants has different eligibility requirements. The provisions of the bill required extensive modifications to CSAC's just-completed Grant Delivery System and sidelined imminent plans for system enhancements. The project was implemented by the California Entitlement Grant Project No. 7980-30 which was started January 2, 2001 and completed August 2003.
- Chapter 627, Statutes of 2011, Senate Bill 451 (SB 451) required CSAC to give priority in selecting Cal Grant C recipients to eligible students pursuing occupational or technical training in areas with high employment, high demand and high growth potential. To comply with the requirements defined in SB 451, CSAC modified its Cal Grant C award selection process to give priority to student's pursuing occupational or technical training areas with high need, high growth, and or high wages.
- Chapter 604, Statutes of 2011, Assembly Bill 131 (AB 131), also known as part two of the California Dream Act, allows AB 540 students who meet the Cal Grant Program requirements to apply for and receive a Cal Grant while attending a participating Cal Grant eligible institution beginning in 2013/14. AB 131 required CSAC to establish procedures and forms that enable those students who are exempt from paying nonresident tuition under AB 540 to apply for, and participate in, all student financial aid programs administered by the State of California to the full extent permitted by federal law. To meet the requirements of

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AB 131, CSAC developed forms and processes that allowed for the collection of financial data from documents other than the FAFSA, the ability to calculate an expected family contribution (EFC) based on federal methodology, and the matching of verified GPAs when SSNs are not available. CSAC developed an on-line and paper Dream Application so that AB 540 students can submit financial data beginning March 2012. CSAC then provided the California ISIR (Cal ISIR) data to the institutions for processing other financial aid for the 2012/13 school year. Processing the Dream Application data for the 2013/14 Cal Grant awards commenced January 2013.

- Assembly Bill 94 (Chaptered 6/2013), enacted a Middle Class Scholarship (MCS) program that beginning in the 2014/15 academic year provides undergraduate students, with family incomes up to \$150,000, a scholarship to attend University of California (UC) or California State University (CSU) campuses. CSAC completed the MCS project in December 2014.

These ongoing changes revealed the limitations of GDS architecture in terms of scalability, security, availability, integration, performance, flexibility, costs, and business value. With these limitations, many of the needed changes were done as manual processes which increased the workload. Historically, manual processes are also prone to errors.

With ever-changing technology the average life span of a software application is 7-10 years. GDS' core system is approximately 30 years old. The security components employed by GDS are outdated and are more likely to be exploited by hackers, which ultimately can externally expose confidential data such as SSN, date of birth, et al.

Current GDS System

The GDS system currently:

- Receives nearly 3 million Free Applications for Federal Student Aid (FAFSA) each year;
- Is the processor for over 38,000 Dream Act Applications used by CSAC for Cal Grants and by UC, CSAC and CCC for institutional aid;
- Determines awards for Cal Grants, Chafee Grants, Middle Class Scholarships, and National Guard Education Assistance Award (NG EAAP); and
- Disburses over \$2 billion in financial aid to students each year.

There is limited integration of the programs on GDS. GDS does not process APLE, SNAPLE, LEPD, Child Development – these programs are on Access databases or Excel spreadsheets.

Current capacity of the existing GDS system is being over-taxed and the numbers of records are expected to increase annually. This, with the current workload, puts the GDS system at risk of not being able to process and store additional student data

The GDS system is inflexible and difficult to modify, does not interface with modern devices and communication technologies and does not provide an information portal for students, high school campuses, and post-secondary institutions.

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A Modernized GDS System

The objective is to implement a modernized GDS System that:

- Is functionally integrated and reduces the amount of manual processes and can be sized and expanded to meet legislative, regulatory, and operational requirements;
- Is built and documented according to current architectural methods and provides an open architecture for further integrated enhancements;
- Provides interfaces to current mobile technologies (i.e., Android, iOS/Apple, Windows phone, etc.) and communication methods;
- Implements system security and privacy technologies commensurate with elevated risk for each system in accordance with State of California and Federal policies and standards to maintain the confidentiality, security, and integrity of student data;
- Implements an information portal to allow data transparency to users of GDS System based upon authenticated user roles and privileges; and,
- Provides for web entry of all applicable program data and provides for user friendly mass data upload capability.

Oversight of the GDS Project

CTA recently adopted a new process for reviewing technology projects known as the State Technology Approval Reform Project (STAR) to replace the FSR process. The STAR project is intended to ensure projects are undertaken with clear business objectives, accurate costs, and realistic schedules. The new process will include multiple stages that are separated by gates which require CTA approval before projects can begin. While CTA will not fully implement the STAR process until next year, the GDS project has been selected as a pilot project for the STAR/GATE mode.

The STAR model has four stages:

1. Stage 1 Business Analysis: Establish Business Case
2. Stage 2 Alternatives Analysis: Conduct Market Research
3. Stage 3 Procurement Analysis: Build the Request for Proposal (RFP)
4. Stage 4 Solution Analysis: RFP Solicitation

CSAC submitted a GDS Modernization Project FSR to the CTA last fall. CTA also required that a Stage 1 Business Analysis be submitted. CTA approved the GDS Stage 1 Business Analysis. Staff is working on the Stage 2 Alternatives Analysis. Staff will begin the Stage 3 this fiscal year. Stages 3 and 4 will be completed with the assistance of the contractors in 2015-16. Awarding a contract is expected to occur in 2016-17.

Staff has established weekly conference calls with CTA and internal weekly meetings to discuss the planning process and any issues that need to be addressed.

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Planning Timeline

Exhibit 3.1 provides a high level overview of the first 18 months of the planning process. While new resources will not be received until July 2015, assuming the funding is approved by the Legislature, there is extensive planning that is occurring prior to July. Existing staffing resources are being used during the planning process.

From January to June 2015, staff will be preparing consultation and communication plans in order to consult with our financial aid partners and students in preparation of developing a new system that is:

- Student Centered,
- Simplifies Processes, and
- Flexible for future changes to the programs administered by CSAC.

Staff will meet on a regular basis with institutional financial aid and technology professionals to discuss issues with the current system and proposals to improve processing for students, institutions and CSAC. Concurrently, an internal workgroup will begin the development of the functional requirements and complete the plans that will be used to manage the project.

To prepare for the new system, staff is also working on replacing its current code repository, data archiving information in the current GDS system and developing a new change and release management system. These activities are expected to be completed by June 2015.

Staff will complete the RFP with the assistance of the contracted staff in 2015-16. Upon approval of the RFP and additional funding, staff anticipates a contract can be awarded in 2016-17. Staff will also need to submit a 2016-17 Budget Change Proposal (BCP) in September 2015 to request funding for additional contract staff to develop the new system.

Consultation

There are three main external users of the GDS System, students, high schools, and participating post-secondary institutions. Staff recognizes that early communication with these stakeholders is imperative to ensure success of the GDS project. Staff will solicit input for project planning and establish workgroups of financial aid and technical professional for ongoing discussions during the development of the new system.

Complicating the development of a new system is the various financial aid management systems used by the institutions. The University of California (UC) campuses have different systems, but typically have good technology support for making system changes. All but one of the California State University (CSU) campuses work on the same system. The systems used by California Community Colleges (CCC) and private institutions vary considerably in their technology and levels of support for making system changes. Developing a new system that will not result in significant costs for the institutions is also a concern.

Staff had initial discussion with the following individuals in January:

- Christopher Carter, Director, Student Financial Support, UC Office of the President
- Dean Kulju, Financial Aid Director, CSU Chancellor's Office

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- Wendy Ortega, Associate Director Student Financial Aid Services and Programs, CSU Chancellor's Office
- Rhonda Mohr, Dean of Student Services, CCC Chancellor's Office
- Bryan Dickason, Specialist, Student Services Planning and Development, CCC Chancellor's Office
- Veronica Villalobos Cruz, Vice President, External Affairs, Association of Independent California Colleges and Universities (AICCU)
- Judy Heiman, Principal Analyst, Legislative Analyst's Office
- Dr. Linda Williams, Sierra College Financial Aid Director and California Community Colleges Student Financial Aid Administrators Association (CCCSFAAA) President
- Scott Cline, Director of Financial Aid at California College of the Arts and California Association of Student Financial Aid Administrators (CASFAA) President-Elect

In addition, staff will be contacting the CCC Chancellor to provide information on the GDS project. Staff also sent a letter to the CCC Board of Governors requesting time to make a presentation on the GDS project at a future meeting. Commissioner Graves is assisting staff in contacting students to participate in the consultation process. Staff will also solicit information and ideas from high school counselors.

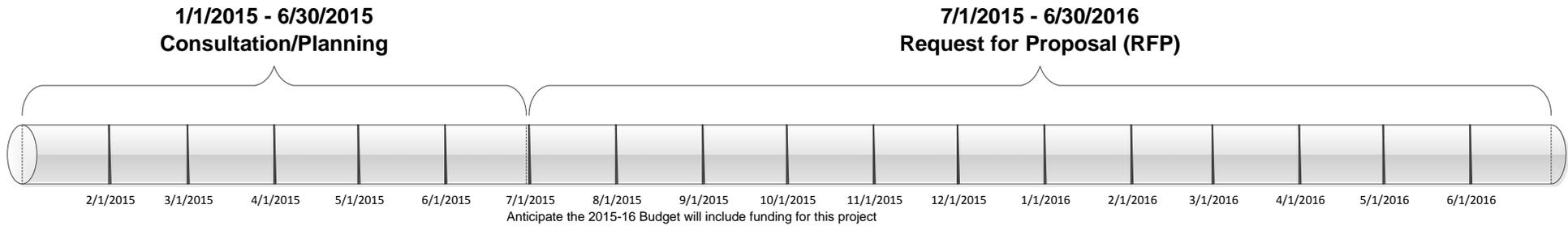
Staff will survey the institutions to obtain information to better understand how the institutions are able to interact with the current GDS system, what limitations the institutions have to deal with, and determine how best to develop a system that can meet various needs.

Initial discussions indicate that there is a consensus that the GDS system needs improvement and that stakeholders are pleased to be a part of the process for developing a new system.

Recommended Action: Assign the on-going monitoring of the GDS modernization project to the Strategic Policy and Planning Committee.

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

**Grant Delivery System Modernization Project
Planning Timeline
January 1, 2015 through June 30, 2016**



1/1/2015

6/30/2016

Consultation/Planning Process

GDS Project

- Prepare consultation and communication plans
- Consult with segmental representatives, financial aid associations and students
- Establish a work group of institutional financial aid and technology professionals for weekly consultation sessions to discuss issues with the current system and proposals to improve processing for students, institutions and CSAC
- Establish an internal work group of program and technology staff to begin development of the functional requirements for the new system
- Create the Project Management Plans that govern the processes for the project (March – June)
- Complete Stage 2 Alternative analysis (to be provided to CTA as drafts with final due by June 30, 2015)
- Begin Stage 3 Procurement - drafting the initial RFP for review and approval from the California Technology Agency (CTA) and feedback from vendors (March – June)
- Provide information as requested at Legislative hearings

Improve current system processes

- Develop and enter into a contract to replace current code repository
- Develop and implement a data archive process for current GDS data
- Mature the CSAC change and release management processes

Request for Proposal (RFP) Process

7/1/2015

- Develop and enter into contracts for the Project Manager and an Independent Verification and Validation (IV&V) consultants
- Obtain an Independent Project Oversight consultant from the California Technology Agency (CTA)
- The three consultants will work with CSAC staff and the external work group on the business requirements and RFP as part of Stage 3 Procurement

9/1/2015

- Submit a Budget Change Proposal (BCP) submitted to DOF in September 2015 for 2016-17 funding based on projected project costs

10/1/2015

- Recruit and hire new information technology staff to assist with the current GDS system during the GDS Project

7/1/2015 – 6/30/2016

- Review and edit the RFP based on feedback from vendors
- Submit the revised RFP to CTA for review and approval
- Work with CTA to release the RFP
- Review bidder proposals
- Work with CTA to select the vendor

7/1/2016 – 12/31/2016

- *Submit a Special Project Report (SPR) to CTA for review and approval if the project costs deviate or are anticipated to deviate by ten percent (higher or lower) or more, or by more than a specifically designated amount as determined by CTA*
- *Notice intent to award contract which allows for a protest period*
- *Award contract*