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### **Action/Information Item**

#### ***Governmental Relations Committee***

Approval of November 9, 2004;  
April 14, 2005; and June 13, 2005 Minutes

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

**DRAFT****CALIFORNIA STUDENT AID COMMISSION  
GOVERNMENTAL RELATIONS COMMITTEE****MINUTES OF MEETING****November 9, 2004**

A meeting of the Governmental Relations Committee was convened on Tuesday, November 9, 2004, at 3:32 p.m., at the EDFUND Boardroom, 3300 Zinfandel Drive, Rancho Cordova, California.

## Committee Members Present:

Bob Suzuki, Acting Committee Chair  
Michelle Dyke

## Commissioners Present:

David Roth, Commission Chair  
Josefina Baltodano  
Sally Furay  
Adele Levine  
Louise McClain  
James Sandoval

**AGENDA ITEM 5.1 – APPROVAL OF THE AUGUST 25, 2004 MINUTES AND SEPTEMBER 10, 2004 MINUTES**

Acting as a Committee of the Whole, on **MOTION** by Commissioner Dyke, **SECONDED** and **CARRIED**, the Committee approved the August 25, 2004 and September 10, 2004 Governmental Relations Committee minutes.

**AGENDA ITEM 5.2 – STATE LEGISLATIVE UPDATE AND LEGISLATIVE PRINCIPLES**

Steve Caldwell, State Legislative Liaison, summarized the state legislative principles for the Commission's consideration and appropriate action. The principles presented are consistent with the principles adopted by the Commission in the past and adjusted to reflect the Commission's planning objectives and goals related to business diversification.

Acting as a Committee of the Whole, on **MOTION** by Commissioner Levine, **SECONDED** and **CARRIED**, the Committee approved the Legislative Principles for 2005-06.

**AGENDA ITEM 5.3 – FEDERAL LEGISLATIVE UPDATE AND REAUTHORIZATION UPDATE**

Mark Grisby, Chief, Federal Policy and Programs Division Chief, summarized the current status of the pending Federal Reauthorization of the Higher Education Act of 1965. The extension of

the current Higher Education Act was reauthorized and signed by President Bush in October. There are no changes proposed to the legislative proposals.

Mr. Grisby introduced Michael Bolden. Mr. Bolden comes to the Commission from the Education and Employment Development Department and will assume the role of Federal Legislative Liaison.

Commissioner Suzuki shared the results of the California Performance Review Commission report that included a recommendation to make no changes to the California Student Aid Commission which was successfully restructured in 1997. He commended Commission Chair Roth, and Committee Chair Serna and Commission staff for their work that led to this success.

**AGENDA ITEM 5.4 – PRELIMINARY REPORT ON THE NOVEMBER ELECTION RESULTS AND THE IMPACT ON FINANCIAL AID**

The report on this item was deferred to the next commission meeting.

Executive Director Fuentes-Michel introduced the newly hired Chief of Communications, Outreach and Legislation, Carlos Machado. Mr. Machado was formerly the Deputy Legislative Director for the California Public Utilities Commission.

There was no public comment for the Governmental Relations Committee.

The meeting of the Governmental Relations Committee was adjourned.

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Bob Suzuki  
Acting Governmental Relations Committee Chair

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**CALIFORNIA STUDENT AID COMMISSION  
GOVERNMENTAL RELATIONS COMMITTEE**

**MINUTES OF MEETING**

**April 14, 2005**

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A meeting of the Governmental Relations Committee was convened at the EDFUND Boardroom, 3300 Zinfandel Drive, Sacramento, California, on Thursday, April 14, 2005 at 1:21 p.m..

The following Committee Members were present:

Maria Elena Serna, Chair  
James Fousekis, Vice Chair  
Michelle Dyke  
Charles Moore

The following Commissioners were present:

David Roth, Commission Chair  
Josefina Baltodano  
Sally Furay  
Adele Levine  
Louise McClain  
James Sandoval

**PUBLIC COMMENT**

Laura Kerr, California State Students Association (CSSA), representing California State University students requested support for Assembly Bill 700 (AB 700), authored by Assemblymember Jerome Horton. Ms. Kerr stated that the bill would eliminate age discrimination in the Cal Grant Program. The establishment of the Cal Grant program under Senate Bill 1644 (SB 1644) built in cost containment for entitlement awards by setting age and time limits for eligibility. There were over 117,000 qualified non-recipients last year. This bill attempts to remove the age and time limit barriers and obtain more General Fund monies for need based eligible students. Ms. Kerr was thanked by Commissioner Serna for her comments and it was mentioned that the bill would be under discussion during the meeting.

The next speaker was Merriah Fairchild, from the California Public Interest Research Group (CalPIRG), a statewide student organization partially focusing on funding for Higher Education. She requested support for Assembly Bill 1241 (AB 1241) authored by Assemblymember Barbara Matthews. This bill ensures that all students understand how to have the Grade Point Average (GPA) submitted to Commission, which is one of the requirements in determining student eligibility for a Cal Grant award. Ms. Fairchild stated that last year 70,000 financially eligible students did not receive Cal Grants because their high school did not submit a GPA. Ms. Fairchild was thanked by Commissioner Serna and explained the bill would be under discussion shortly.

**AGENDA ITEM 3.1 – APPROVAL OF FEBRUARY 23, 2005 AND MARCH 9, 2005 MINUTES**

On **MOTION** by Commissioner Fousekis, **SECONDED** and **CARRIED**, the Committee approved the February 23, 2005 Governmental Relations Committee minutes.

On **MOTION** by Commission Chairperson Roth, **SECONDED** and **CARRIED**, the Committee approved the March 9, 2005 Governmental Relations Committee minutes.

**AGENDA ITEM 3.2 – STATE BUDGET UPDATE**

Steve Caldwell, Manager, Governmental and Public Affairs Division summarized the current status of the Governor’s Budget and the Legislative hearing process. Other points of discussion included:

- Governor’s proposed reduction to the maximum Cal Grant award for students who attend independent colleges and universities: There is support to reinstitute a policy to tie grant maximums to the General Fund commitment to CSU and UC students;
- National Guard APLE, \$200,000 set aside; Legislative Analyst’s Office (LAO) stated that the program would not be funded in the current year.
- Student Loan Operating Fund (SLOF); how much is available and what is the impact of funding for our programs; and
- Upcoming hearing dates: April 6, 2005, Assembly Budget Subcommittee and May 9, 2005, Senate Budget Subcommittee.

Additionally, Executive Director Michel, provided a summary of the Commission’s response to the Legislative Analyst’s recommendations as discussed at the April 6, 2005 Assembly Budget Subcommittee meeting.

At the budget hearing, members of the Legislature, particularly Assemblymembers Goldberg and Dymally, expressed interest in understanding better the Student Loan Operating Fund (SLOF), current loan forgiveness programs, health professional development, and teacher education programs. The Commission staff agreed to provide further information to the Assemblymembers.

**AGENDA ITEM 3.3 – LEGISLATIVE UPDATE AND POSSIBLE ACTION ON PENDING BILLS THAT WOULD AFFECT THE COMMISSION OR ITS PROGRAMS**

The following Bills were discussed:

**SB 337** (Maldonado) – which would require the dismissal of a student convicted of, pleading to, or being adjudicated as a delinquent minor with respect to specified rioting provisions and requires that students convicted of the specified offenses be ineligible to receive Cal Grant awards. The Cal Grant language has been removed from this bill.

**SB 445** (Ducheny) – which would repeal provisions of law that established the prescribed function of California Postsecondary Education Commission (CPEC). This bill has been put on hold by the Legislature.

**AB 358** (Liu) – which would establish a new policy for calculating the maximum amount provided in a Cal Grant award for a student attending an independent college or university and revises current policy for providing Cal Grant B awards, this bill passed in the Assembly Higher

Education Committee. It was recommended that the Commission submit a position letter regarding the bill to state that the Commission has been supportive of the establishment and policy of the maximum award for students; however, the fiscal impact of the bill needs to be considered. The Commission will support this bill in concept and strive to keep the integrity of the program to ensure that the current Cal Grant programs are not diminished.

**AB 589** (Emmerson) – which would exclude students without legal immigration status from eligibility for an exemption from non-resident tuition. This bill would repeal the provisions in AB 540 that the Commission supported in 2001, which was to allow nonresident students to pay in-state tuition. The bill is set for hearing on April 19, 2005.

On a **MOTION** made by Commissioner Levine, **SECONDED** and **CARRIED** the Commission voted to go on record to support to maintain the current rule in effect, rather than rescind it and that the Commission should oppose this bill.

**AB 700** (Horton) – which would eliminate all age restrictions with regard to eligibility for the Cal Grant program. There was much discussion regarding the concept to increase the maximum number of Cal Grant recipients while considering the budget implications. It was agreed through general consensus, that the Commission would adopt a Support-in-Concept position and that staff would work with the author and provide intent language which supports the Commission's principles and which is mindful of the budget implications. It was agreed that a section be added to the bill that indicates the bill would not become operable unless there was money made available in the Budget Act. Also, provisional language would be included which would state the intent of the Legislature that during the annual budget development process that the Student Aid Commission be required to provide the Legislature with information concerning the number of eligible students who applied for the competitive grant program, who were financially eligible, but did not receive the Cal grant award because there were insufficient grants available. Additionally, it was suggested that language be added to state that the Legislature will consider adjusting the cap based on the information provided.

**AB 1241** (Matthews) – which would require high schools to submit grade point average information for students by creating a state mandate. Mr. Caldwell explained that Commission staff are working with the author and other stakeholders to revise and amend this bill.

**AB 1436** (Baca) – which would expand eligibility for Cal Grant Awards to include military veterans who meet specific criteria. Mr. Caldwell reported that this bill is currently under watch by staff.

### **AGENDA ITEM 3.4 – FEDERAL LEGISLATIVE UPDATE**

Commissioner Serna provided the following information regarding the federal budget. The 109<sup>th</sup> Congressional session was convened in January 2005. The President introduced his fiscal year of 2006 budget in February 2005. Congress has completed the committee assignments and has begun discussion regarding the president's budget proposal.

Michael Bolden, Federal Legislative Liaison provided further information regarding the proposed federal budget and Reauthorization of the Higher Education Act and the possible impact on guaranty agencies. The provisions which impact the guaranty agency and other stakeholders include, the requirement of a one percent insurance premium fee to be paid by the borrower or lender on all loans disbursed after July 1, 2006, the reduction of the reinsurance level from 95 percent to 92 percent for lender default claims paid by guaranty agencies and a reduction of

the amount that may be retained from collections on defaulted loans that would be reduced from 23 percent to 16 percent.

Other financial aid programs which may be eliminated include the Robert C. Byrd Scholarship Program, the LEAP and SLEAP programs.

Mr. Bolden stated that congressional debate regarding the President's budget is underway.

Commissioner Fousekis asked for clarification regarding the insurance premium fee issue and the reason for the proposal to require its payment. He mentioned that the Commission has waived this fee for several years. Mr. Bolden and Management Services Division Chief, Janet McDuffie, both addressed this question. In their response they indicated that the Office of Management and Budget has increased their position and statement regarding collection of the fees because of the reduction in the federal fund monies. It is the intent to build the federal fund up by recovering the insurance premium fees.

HR 1425 a bill referred to as the Student Aid Reward Act of 2005 was reintroduced by Congressman Thomas Petri. This bill would provide colleges and universities with financial aid incentives, rewarding them for their participation in the direct lending program, and encouraging them to switch to the Federal Family Education Loan Program. At this time, Congressional Members tend to be split on the bill. Several Commissioners expressed concern over the impact of the bill and requested further information regarding the bill and would like to know the position of the California delegation in regards to this issue. Mr. Bolden will work with the recently contracted federal representation firm of Mayer, Brown, Rowe & Maw, to provide an analysis and assessment of the issues that face California.

An update regarding the status of reauthorization of the Higher Education Act was provided. Mr. Bolden stated that the House reauthorization bill (HR 609) introduced by the Committee on Education and the Workforce (Chairman Boehner) might be heard by the House Education and the Workforce Committee later this month.

Last year, the Senate did not introduce a bill and the new Chairman – Sen. Mike Enzi (R-WY) has not outlined the Committee's priorities. If the Committee does meet to hear the bill, funding for higher education could be the prominent topic of discussion. There also has been an indication that Senate HELP Committee Chairman Enzi will want to markup the bill by July 4<sup>th</sup>.

Currently, there are two paths that the Reauthorization process could take depending on the final budget instructions via the budget resolutions that are agreed to between the House and the Senate. 1) As part of Budget Reconciliation bill to be passed this year, the budget reconciliation instructions direct the Education committees to find significant savings. The House version directs them to save \$21.4 Billion in any of four programs. The student loan and pension guarantee programs are the two largest and therefore will bear the brunt of the cuts. The Senate version has significantly smaller overall savings and so the final instruction would likely be less. But the House Committee expects they will have to produce some savings, if the budget instructions are adopted. The deadline for action would be this fall. 2) Regular reauthorization. Congress passed a one year extension last year which will expire on December 30, 2005. The Committee could extend this another year through the final appropriations process. Then in July 2006, changes in the student loan interest formula (moving from variable rate of about 3.4 percent to a fixed rate of 6.8 percent) would create a deadline for Congress to pass some form of Reauthorization. Under this process, the House would work to pass HR 609 without any net budget reductions for the student loan programs.

Mr. Bolden stated that the issue of whether to keep the current ratio of direct student loans and private, federally guaranteed student loans under the FFEL program is going to be the biggest issue in the legislation and the President's budget has created pressure to move towards more direct student loans because they score the program as costing the government less per dollar loaned.

A list of key federal legislative proposals related to reauthorization and higher education was also provided.

**AGENDA ITEM 3.5 – UPDATE ON FEDERAL REPRESENTATION**

The Commission staff received four proposals in response to the Request for Proposal (RFP) on January 7, 2005. The responses were reviewed by the Commission and EDFUND. An agreement for services with Mayer, Brown, Rowe & Maw was executed by EDFUND on March 7, 2005.

Research recently performed by the firm concluded that the Republican staff of the House Educational Workforce Committee had a favorable impression of the Commission and EDFUND. The firm suggested that one way that the Commission could help maintain the FFEL program would be to promote, with members, the benefits to student borrowers, such as additional borrower education and lower default rates to offset the budget savings arguments currently underway that move funds from the FFEL to the direct lending program.

**AGENDA ITEM 3.6 – UPDATE ON RENEGOTIATION OF THE VOLUNTARY FLEXIBLE AGREEMENT (VFA)**

Acting Chief, Federal Policy & Programs Division, Janet McDuffie reported on the VFA status. She stated that a workgroup of Commission and EDFUND staff are working towards the VFA renegotiations. Being considered are different alternatives to meet the cost neutrality issues that the United States Department of Education is concerned about. One of those issues is greater emphasis on loan rehabilitation versus loan consolidation. The workgroup will continue to consider various options to present to USED.

The meeting of the Governmental Relations Committee was adjourned.

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Maria Elena Serna  
Chair, Governmental Relations Committee

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CALIFORNIA STUDENT AID COMMISSION  
GOVERNMENTAL RELATIONS COMMITTEE

MINUTES OF MEETING

June 13, 2005

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A meeting of the Governmental Relations Committee was convened on Monday, June 13, 2005, at 1:30 p.m., by teleconference and at the California Student Aid Commission's Headquarters Boardroom, 10811 International Drive, Rancho Cordova, California.

Committee Members Present:

Maria Elena Serna, Chair  
Michelle Dyke  
Charles Moore

Commissioners Present:

David Roth, Commission Chair

**PUBLIC COMMENT**

**AGENDA ITEM 1 – STATE BUDGET UPDATE**

Steve Caldwell, Manager, Outreach and Governmental Relations, summarized the current status of the Legislature's negotiations on the state budget. The Conference Committee finished their work on Friday, June 10, 2005. The National Guard APLE program was denied. The budget is expected to go to the floor on Wednesday, June 15<sup>th</sup>. The budget includes a new program – an APLE program for nurses. Language related to the Commission's governance of EDFUND was faxed to the Commissioners.

The proposed Budget Bill language related to the Commission's governance of EDFUND was read into the record. Commissioner Roth stated his opposition to any and all language that places restrictions on the ability of an independent commission to fulfill its charge.

The following Commission response to the proposed governance language was discussed: *After careful consideration of the proposed Budget Bill language, the Commission wishes to express its interest in further consultation with a goal of improving the governance and oversight relationship with EDFUND, however, the Commission opposes the specific actions proposed in the Budget Bill language.*

On **MOTION** by Commissioner Moore, **SECONDED** and **CARRIED**, the Committee voted to direct Commission staff to develop language to submit to the Legislature related to the Commission's position on the proposed budget bill language.

## **AGENDA ITEM 2 – LEGISLATIVE UPDATE AND POSSIBLE ACTION ON PENDING BILLS THAT WOULD AFFECT THE COMMISSION OR ITS PROGRAMS**

Steve Caldwell, Manager, Outreach and Governmental Relations, summarized the status of various bills that would affect the Commission or its programs. Several proposals have been held in committees and are virtually dead for this year. However, some will become two-year bills and will be heard in the second half of the two-year session which begins in January, 2006.

- **SB 160** (Cedillo, D-Los Angeles) – The California Dream Act has been held under submission in Committee.
- **SB 445** (Ducheny, D-San Diego) – Commission on Statewide Postsecondary Education Policy and Planning has been held under submission in Committee.
- **SB 498** (Cox R-Fair Oaks) – California Troops to Teachers has been held under submission in Committee.
- **SB 577** (Figueroa D-Sunol) – State Government Operations was held at the Assembly Desk.
- **SB 796** (Figueroa D-Sunol) – Government Operations/Accountability has been held under submission in Committee.
- **AB 358** (Liu D-LaCanada) – Maximum Award for Non-Public Colleges and Universities will be heard in the Senate Education Committee on June 22, 2005. Includes a phased-in formula to increase the maximum Cal Grant award amount for students at independent colleges and universities.
- **AB 589** (Emmerson R-Redlands) – Public Postsecondary Education: Nonresident Admissions Criteria has been held under submission in Committee.
- **AB 700** (Jerome Horton D-Inglewood) – Expansion of the Cal Grant Entitlement Program has been held under submission in Committee.
- **AB 1241** (Matthews D-Tracy) – GPA Submissions for Cal Grant Programs is now a bill to study how to improve the GPA submission process, and is awaiting a hearing in the Senate Education Committee.
- **AB 1436** (Baca D-San Bernardino) – Cal Grants for Military Veterans Who Plan to Teach has been held under submission in Committee.

## **AGENDA ITEM 3 – FEDERAL LEGISLATIVE UPDATE**

Michael Bolden, Federal Policy Liaison, summarized the information provided in the Committee members' agenda. Congressional committee meetings ended before the Labor Day weekend. Congress is focusing on military base realignment and votes on judicial nominees. The Fiscal Year 2006 budget resolutions have been approved by the house and the Senate. The House approved \$12.65 billion in budget reductions. The Senate's budget included closer to \$13.5 billion in budget reductions. The President had proposed reductions to GEAR-UP, TREO, LEAP/SLEAP and SEOG. Approximately half of the reductions were included in the conference committee budget. The conference budget proposes an increase of \$50 per year for the next five years in the PELL grant award. The President has proposed \$100 per year over the next five years.

The Committee discussed **HR 1425** – Provides colleges and universities with incentives to participate in the most cost-effective lending program. There is a partisan push for schools to switch over to Direct Lending. Schools could earn up to \$1,000 to move from other programs to Direct Lending. The bill is in committee and discussions continue. The Direct Lending program may not be the most cost-effective program for the federal government to administer due to the overhead costs of the program. Staff will continue to monitor the bill and work with the Commission's federal representatives in Washington D.C.

The Commission is concerned about the incentives being offered to move schools to participate in the Direct Lending program. Consistent with the Commission's established legislative principles, Commissioner Serna proposed establishing a standing committee that would report to the Governmental Relations Committee to discuss this bill with EDFUND and Commission staff. The standing committee would be asked to submit weekly/monthly reports to the Governmental Relations Committee. The Commission would support a fair and balanced approach to Direct Lending and the Commission/EDFUND's loan program activities.

On **MOTION** by Commissioner Roth, **SECONDED** and **CARRIED**, the Committee voted to establish a standing workgroup comprised of Commission and EDFUND staff, and representatives of Mayer, Brown, Rowe & Maw LLP to develop a unified advocacy message that will be used in communications with federal policymakers and their staff, performing legislative/regulatory analysis, and providing recommendations to the Committee regarding legislative positions.

Formal announcements on the Reauthorization efforts are not expected until mid June.

#### **AGENDA ITEM 4 – UPDATE ON RENEGOTIATION ON VOLUNTARY FLEXIBLE AGREEMENT (VFA)**

Janet McDuffie, Acting Chief of the Federal Policy and Programs Division, summarized the process on the renegotiations on the Voluntary Flexible Agreement. Commission staff continues to work with EDFUND staff.

#### **AGENDA ITEM 5 – UPDATE ON FEDERAL REPRESENTATION**

The Commission's federal representation firm is working to complete the needs assessment, as outlined in the contract, for Commission review.

The meeting of the Governmental Relations Committee was adjourned.

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Maria Elena Serna  
Chair