

**Action /Information Item**

***Personnel, Evaluation and Nominations Committee***

Consideration of the Designation of a Director to the EdFUND Board

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The accompanying documents present the nomination by Sally Furay, Chair of the EdFund Board, of former Commissioner Dean Johnston as an EdFund Board member.

***Issue***

Should the Commission designate Dean Johnston as a director on the EdFund board?

***Recommendation***

Commission staff recommends that the Commission take no action on this matter for the following reasons:

- 1) The current EdFund board has been able to function, and continues to function, with its current membership;
- 2) The Department of Finance is pursuing a sale of state student loan guarantee program assets, including EdFund;
- 3) There is no certainty that the EdFund board structure or the current membership of the EdFund board will continue after the sale;
- 4) The Commission, with responsibility for loan program policies and administration, and the Department of Finance, with final approval authority over any actions by the Commission for loan program issues and with the responsibility for executing the sale, provide additional levels of supervision over the loan program and EdFund.

Therefore, there is no need to change the status quo pending the sale.

***Discussion***

As previously described in Tab 8.b, the California Education Code designates the Commission as a state guarantee agency under the Federal Family Education Loan Program (FFEL Program), and authorizes the Commission to establish an auxiliary organization as a non-profit corporation for purposes of the administration and operations of the Commission's FFEL Program activities. Under the federal regulations governing the FFEL Program, the Commission must supervise its auxiliary organization and must retain policy responsibility for FFEL Program activities.

The Education Code also requires the Commission to exercise administrative and policy responsibilities over its auxiliary organization. Among other things, the Education Code specifies that the Commission is to nominate and appoint the members of the board of the

auxiliary organization, and must include at least one student director and one director who is an employee of the auxiliary organization.

The Commission incorporated EdFund as its auxiliary organization in 1997. The current EdFund bylaws provide that the board of EdFund consists of 13 members, including the student director and EdFund employee director. The Executive Director of the Commission and President of EdFund are *ex officio*, non-voting members of the EdFund board. The bylaws also provide that the Commission designates the members of the EdFund board.

The EdFund board currently has eight directors. They include:

Sally Furay, Chair, Attorney at Law & Consultant for Higher Education  
Ryan Alcántara, New Student Programs, California State University, Fullerton  
C. Michael Cooney, Partner, Investment Group of Santa Barbara  
Carlene Ellis, Retired, Vice President, Intel  
Molly Greek, EdFund, Assistant Vice President, Strategic Project Management & Analysis  
Conny Jamison, Retired, City Treasurer, City of San Diego  
Dr. Dale Rogers Marshall, President Emerita, Wheaton College, MA  
Frederick M. Weis, Interim President, Scripps College

The Executive Director of the Commission and the EdFund President are *ex officio*, non-voting members of the EdFund board.

As the Committee is aware, the Legislature has authorized the Department of Finance to sell state student loan guarantee program assets, i.e., “the sale of EdFund.” (Educ. Code, § 69521.3.) The Legislature gave the Department of Finance general oversight authority over the loan program activities by requiring Department of Finance approval before any Commission actions affecting the loan program become effective. (Educ. Code, § 69521.5(c)(3).)

Upon the completion of the sale, the statutory requirements that the EdFund board include a student director and an EdFund employee director will be repealed. Further, the new owner of EdFund will likely revise the EdFund bylaws and articles of incorporation consistent with the business goals of the new owner. It is not certain that the board of EdFund will be continued with its current membership or with the same structure as provided in the current bylaws.

The current board of EdFund has functioned and continues to function with its current membership. While a new member to the board would provide additional insight and expertise, there is no indication that the current board is incapable of exercising its responsibilities for the corporation, particularly since the Commission, with responsibility for loan program policies and administration, and the Department of Finance, with final approval authority over any actions by the Commission for loan program issues and the responsibility for executing the sale, provide additional levels of oversight over the loan program and EdFund.

There is, therefore, no need to change the status quo by adding new members to the EdFund board.

**Responsible Person:** Keith Yamanaka  
Chief Deputy Director

Sister Sally Furay

March 5, 2008

MEMORANDUM

To: Commissioner Yasmin Delahoussaye  
Chair, CSAC PEN Committee  
From: Sally Furay  
Re: Recommendation for Commission Appointment to EdFund Board  
Cc: Commissioner Dennis Galligani, PEN Liaison Keith Yamanaka

I wish to nominate former Commissioner Dean Johnston as a Director of the EdFund Board. Dean Johnston has a longstanding knowledge of the operations of EdFund, stemming not only from his role as Commissioner of the California Student Aid Commission, but also his past role as member and former Chair of CSAC's Loan Advisory Committee. His work on LAC for the Commission and EdFund long precedes his appointment to the Commission.

Although it is probably not wise to try to seek broad expansion of the EdFund Board at this time, when the results of the potential sale are unknown, Dean Johnston has several levels of experience which could be helpful to the Board during and after this sale process. He has extensive knowledge both in the specialized business education community nationwide and in the internal operations of an EdFund client at a postsecondary institution. This level of expertise would add a dimension not currently present on the EdFund Board, which could assist the Board in whatever direction the various possible sale scenarios go.

Former Commissioner Johnston is pleased to serve if appointed. If the PEN Committee recommends his appointment, it would be advantageous if the nomination came before the Commission at CSAC's April meeting, since the quarterly EdFund Board takes place in mid-May.

Commission staff already has Mr. Johnston's resume and other information usually sent to PEN with a nomination, so I have not included anything here. However, if the PEN Committee wants further materials, I can procure them upon request.