

Exhibit 1

Action Item

Approval of the minutes of April 25, 2013

DRAFT

CALIFORNIA STUDENT AID COMMISSION STRATEGIC POLICY AND PLANNING COMMITTEE MEETING MINUTES

April 25, 2013

A meeting of the California Student Aid Commission's Strategic Policy and Planning Committee was held on Thursday, April 25, 2013 at the Commission's Boardroom, located at 11040 White Rock Road in Rancho Cordova, California.

Committee Chair Michele Siqueiros called the meeting to order at 8:38 a.m.

The following Committee Members were present:

Michele Siqueiros, Chair
Nancy Anton
Brian Conley
Hal Geiogue
Harry Le Grande
John R. McDowell, Jr., Ex Officio

Roll Call was taken and a quorum was recognized.

AGENDA ITEM 1 – APPROVAL OF THE MINUTES OF FEBRUARY 21, 2013 (Action)

MOVED (Conley), **SECONDED** and **CARRIED** unanimously, the Committee **APPROVED** the minutes of the February 21, 2013 meeting, as presented.

In Favor: Committee Members Anton, Conley, Geiogue and Siqueiros

Absent: Committee Member Le Grande

AGENDA ITEM 2 – CHAIR'S REPORT (Information)

Committee Chair Siqueiros commented on the increased funding for higher education since the passage of Proposition 30 resulting in the current slate of legislative proposals, which are up for the Committee's consideration.

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AGENDA ITEM 3 – CONSIDERATION OF STATE AND FEDERAL LEGISLATIVE AND BUDGET ISSUES AFFECTING COMMISSION PROGRAMS (Information/Action)

Mr. Ed Emerson, Chief of the Federal Policy & Programs and Communications Division, presented the 2013-14 Legislative and Budget Guiding Principles. Ms. Lori Nezhura, Legislative Director, noted that Commission staff amended the principles based on the Commission's recommendations at its last meeting.

The Committee **ACCEPTED** the revised 2013-14 Legislative and Budget Guiding Principles by General Consensus.

Chair Siqueiros commented that the three core questions surrounding the issues raised by the legislation are:

- 1) What level of Cal Grant support for students choosing to attend independent colleges should the Commission push for?
- 2) Is the current financial aid delivery structure, Cal Grant aid in particular, helping to ensure that underrepresented students, and all low income students, have the ability to go to college in California?
- 3) With regard to quality standards and the implementation of new restrictions, is the program set up to weed out institutions that are not serving students well and, thereby, restricting financial aid access to students who may want to attend?

Some discussion ensued regarding the need for the Commission to prioritize which bills to support and the approach to take, including whether to consider financial repercussions and who benefits as well as whether to stay silent on bills that are not directly related to the Commission's goals and priorities.

MOVED (Anton), **SECONDED** and **CARRIED** unanimously, the Committee **APPROVED** the staff recommendation to REMOVE Assembly Bill (AB) 475 (Brown): Pupil Counseling from the Commission's WATCH UNTIL AMENDED position because it no longer pertains to the Commission's programs.

***In Favor:** Committee Members Anton, Conley, Geiogue and Siqueiros*

***Absent:** Committee Member Le Grande*

Ms. Nezhura presented AB 1085 (Gaines/Morrell) Cal Grant Program: Maximum Award Amounts, and reported that the bill went through amendment and is now a one-year sunset bill only in effect for the upcoming 2013-14 academic year. Some discussion ensued.

Ms. Debbie Cochrane, Research Director for The Institute for College Access & Success (TICAS), announced that TICAS recently released a report in conjunction with 14 other California organizations representing student, civil rights and social justice organizations. The report includes an analysis of the Cal Grant program to see how well it is serving California students. The report's three key recommendations are:

- 1) To serve more of the state's eligible students meeting the Cal Grant eligible criteria, but who are not getting Cal Grants;
- 2) To increase the size of the Cal Grant B access award; and
- 3) To provide tuition assistance for Cal Grant B recipients in their first year.

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Ms. Nezhura presented AB 1318 (Bonilla) Student Financial Aid: Cal Grant Program. Ms. Veronica Villalobos, Vice President of External Relations, Association of Independent California Colleges & Universities (AICCU), expressed AICCU's support of AB 1318 and noted that the maximum award formula in the bill is tied to the Cal Grant award at the University of California, the California State University and the state subsidy. There was additional discussion regarding the formula, the match requirement, the institutions that would benefit and the financial impact of the bill.

Ms. Nezhura presented AB 1241 (Weber) Student Financial Aid: Cal Grant Program, which enables students to qualify for Cal Grant A and B Entitlement awards up to four years after high school graduation or its equivalent. Some discussion ensued about the selection of the top two percent of students to receive Cal Grant B, as well as why a student would select a Cal Grant A over a Cal Grant B.

Ms. Nezhura presented AB 1364 (Ting) Student Financial Aid: Cal Grant Program. There was some concern about the financial impact of the bill, which would increase the access award from \$1,400 to \$5,900. Ms. Nezhura reported the bill is set for suspense to allow the author and supporters time to consider how to minimize the potential cost of the bill.

Ms. Nezhura presented AB 1287 (Quirk-Silva), which removes the renewal eligibility requirement of Cal Grant A and B recipients to meet the income and asset tests annually. There was some discussion about the financial need requirement.

Mr. Tim Bonnel, Student Financial Aid Programs Coordinator, California Community Colleges Chancellor's Office (CCCCO), suggested that as the Commission prioritizes its bills, it should consider how segments and students are being served and who will benefit. He also reported the community college system's priority bills are Senate Bill (SB) 285 (De Leon), AB 1241 (Weber), AB 1364 (Ting) and AB 1287 (Quirk-Silva), which would benefit all segments.

Committee Chair Siqueiros highlighted three key considerations when prioritizing bills:

- 1) What are the financial repercussions; what is the cost?
- 2) Which students, and how many, benefit?
- 3) How do we support students attending full-time, since full-time enrollment is a key to success?

MOTION (Geiogue) to SUPPORT AB 1085 (Gaines/Morrell) Cal Grant Program: Maximum Award Amounts, IF AMENDED to exclude the for-profit colleges, **FAILED**.

MOVED (Conley), **SECONDED** and **CARRIED**, the Committee **APPROVED** the staff recommendation to SUPPORT AB 1241 (Weber) Student Financial Aid: Cal Grant Program, IF AMENDED to specify implementation in the 2015-16 academic year.

In Favor: Committee Members Conley, Geiogue and Siqueiros

Opposed: Committee Member Le Grande

Abstained: Committee Member Anton

Committee Member Geiogue expressed his hope that AB 1241 (Weber) would be amended down to a two-year extension.

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Ms. Nezhura presented AB 1285 (Fong) Student Financial Aid: Cal Grant Program, which would delete the two percent limit for receipt of payments for tuition or fees, or both, for new Cal Grant B recipients in their first academic year of attendance at an institution of postsecondary education, making all of the Cal Grant B recipients eligible for these payments. Committee Member Geiogoue commented that he thinks AB 1285 (Fong) belongs in a bigger package that blends the Cal Grant A and B programs together. Committee Chair Siqueiros asked for clarification on the staff recommendation. Some discussion followed.

MOVED (Conley), **SECONDED** and **CARRIED**, the Committee **APPROVED** the staff recommendation to SUPPORT AB 1285 (Fong) Student Financial Aid: Cal Grant Program, IF AMENDED to specify implementation in the 2015-16 academic year.

In Favor: Committee Members Conley, Le Grande, Siqueiros

Abstained: Committee Members Anton and Geiogoue

MOTION (Geiogoue) to SUPPORT AB 1364 (Ting) Student Financial Aid: Cal Grant Program, IF AMENDED to provide a mechanism for phasing in cost increases and [the Legislature] can work out the details of which mechanism is most acceptable, **FAILED**.

MOVED (Conley), **SECONDED** and **CARRIED**, the Committee **APPROVED** the staff recommendation to SUPPORT AB 1287 (Quirk-Silva) Student Financial Aid: Cal Grant Program, IF AMENDED to reinstate the disqualified students from the 2011-12, 2012-13 and 2013-14 academic years due to the SB 70 renewal eligibility provisions.

In Favor: Committee Members Conley, Le Grande and Siqueiros

Abstained: Committee Members Anton and Geiogoue

Committee Chair Siqueiros requested that Commission staff prepare a chart summarizing the bills.

MOTION (Siqueiros), **SECONDED** (Le Grande), to SUPPORT AB 1318 (Bonilla) Student Financial Aid: Cal Grant Program, IF AMENDED to 1) untie the schedule of increases from the University of California and California State University increases (after the initial increase); 2) close the matching exemptions; and 3) to decrease the schedule slightly, **FAILED**.

In Favor: Committee Member Siqueiros

Abstained: Committee Members Anton, Conley, Geiogoue and Le Grande

Committee Chair Siqueiros announced that the Committee would consider the other legislative bills at a subsequent Committee meeting.

AGENDA ITEM 4 - CONSIDERATION OF A RECOMMENDATION TO THE GOVERNOR TO REVISE THE FUNDING ALLOCATION IN THE FEDERAL COLLEGE ACCESS CHALLENGE GRANT APPLICATION TO AUGMENT OUTREACH ACTIVITIES, AND UPDATE ON A REQUEST TO THE UNITED STATES DEPARTMENT OF EDUCATION FOR A WAIVER FROM THE REQUIREMENT FOR MAINTENANCE OF EFFORT FOR HIGHER EDUCATION FUNDING BY STATES (Information/Action)

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Ms. Leanna Sinibaldi, Fiscal Manager, Administration & External Affairs Division, provided an update on the Federal College Access Challenge Grant including the Maintenance of Effort, the waiver requirement, the impact of the sequester and the 2013-14 Challenge Grant Application.

MOVED (Anton), **SECONDED** and **CARRIED** unanimously, the Committee **APPROVED** the staff recommendation as follows:

- Submit a recommendation to the Governor to file a request with the U.S. Department of Education for a waiver from the Maintenance of Effort requirements for Challenge Grant eligibility.
- Authorize staff to send letters to the California congressional delegation asking for support of California's waiver request.
- Submit a recommendation to the Governor to make changes to the 2013-14 Challenge Grant application as presented by staff at the April 25-26, 2013 Commission meeting.
- Submit a recommendation to the Governor that the 2013-14 Challenge Grant funding proposed for the Assumption Program of Loans for Education (APLE) be reduced to absorb the sequester funding reduction and to fund the new activities being proposed for in the 2013-14 Challenge Grant application.

In Favor: Committee Members Anton, Conley, Geiogue, Le Grande and Siqueiros

AGENDA ITEM 5 – REVIEW OF THE CAL GRANT COMPETITIVE PROGRAM TO CONSIDER WAYS TO USE ALL OF THE 22,500 AUTHORIZED AWARDS (Information/Action)

Ms. Catalina Mistler, Chief of the Program Administration & Services Division, provided an overview of the Cal Grant Competitive Award Program, including the operational and regulatory changes needed to achieve 22,500 awards taken.

Committee Chair Siqueiros indicated that, in September, Commission staff intends to present recommendations for how to achieve 22,500 actual awards in the 2014-15 academic year. She asked whether there was a possibility of getting closer to the 22,500 awards without delaying another year. Ms. Mistler clarified that the Commission would soon be processing the 2013-14 awards and any modifications to the system would require more time than what is available.

Additional discussion ensued about dividing a cohort, and how quickly the Commission can release one cohort and move on to award the next cohort; or using a three-year average and awarding on a first-come-first-served basis. There was further discussion about recycling awards, which would require the withdrawal of awards if students do not indicate their intent to use them at a particular institution, and the institutions' liability if they do not report students on their rosters on a timely basis.

MOVED (Anton), **SECONDED** and **CARRIED** unanimously, the Committee **APPROVED** the following:

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Part I - The staff's recommendation as follows:

1. To achieve full use of the statutory allocation of Competitive awards, authorize staff to expand its consultation to form an advisory committee of students, high school counselors, representatives of segments, institutions and financial aid administrators, and other interested parties to:
 - a. Identify and analyze
 - i. operational changes,
 - ii. changes to selection criteria and the selection process, and
 - iii. legislative proposals;
 - b. Report back at the September 2013 meeting with proposals for operational changes and concepts for regulations and legislation for the Committee and Commission to consider for implementing for the 2014-15 award cycle.

Part II – Direct staff, either on their own or where they feel it is necessary, to bring back to the Commission at its next meeting, fast-track ways of achieving 22,500 awards taken, even if they are interim or temporary ways so the Commission can approach this from two tracks.

In Favor: Committee Members Anton, Conley, Geiogue, Le Grande and Siqueiros

AGENDA ITEM 6 – UPDATE ON OUT-OF-STATE TRAVEL AUTHORITY (Information/ Action)

Ms. Janet McDuffie, Chief of the Administration External Affairs Division, reported that the Governor's Office must approve all out-of-state travel and the Commission is limited on the amount. If the Governor does not sign the budget by July, the State cannot reimburse for travel expenses incurred before the budget is signed and the amount is approved.

AGENDA ITEM 7 – REPORT OF THE AD HOC COMMITTEE ON MANIPULATION OF COHORT DEFAULT RATES (Information)

Committee Member Anton reported that she worked with Ms. Debbie Cochrane on understanding the issue of cohort default rate (CDR) manipulation. She outlined two proposals for the Commission's action.

MOVED (Siqueiros), **SECONDED** and **CARRIED** unanimously, the Committee **APPROVED** the proposals recommended by Committee Member Anton as follows:

1. Letter to the U.S. Department of Education - Committee Member Anton and Ms. Cochrane will draft a letter from the Commission to the Federal Department of Education on the issue of CDR manipulation. The draft letter will be presented to Commission staff and the Commission, and the Commission will decide whether the letter should be under the signature of the Commission, the Chairman, or the Chairman and Executive Director.

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2. Testimony at the U.S. Department of Education Negotiated Rulemaking Public Hearing on May 30, 2013 in San Francisco – A representative of the Commission, possibly Commissioner Conley as the Commission's Federal Liaison, can provide testimony on CDR manipulation and the increasing use of debit cards, among other important issues being considered at the public hearing.

In Favor: Committee Members Anton, Conley, Geiogue, Le Grande and Siqueiros

AGENDA ITEM 8 – REPORT ON THE AD HOC COMMITTEE ON THE REVIEW OF GOVERNANCE POLICIES (Information)

Committee Member Geiogue reported that he worked with Chief Deputy Director Keith Yamanaka to revise the Governance Policies adopted by the Commission on June 26, 2008, mainly by eliminating any references to EdFund and the loan program. He asked the Commissioners to use this latest draft as the fundamental base document from which to recommend other necessary changes, and present those recommendations at the June Commission meeting for consideration by the full Commission.

Some discussion ensued and Committee Member Geiogue suggested waiting until July 1, 2013 before striking out EdFund entirely from the policies.

AGENDA ITEM 9 – NEW BUSINESS TO BE CONSIDERED AT FUTURE COMMITTEE MEETINGS (Information/Action)

The Committee may consider the following topics at future Committee meetings:

- Update on the Community College Student Financial Aid Outreach Program (California Education Code (CEC) Section 69514.5); and
- Update on the California Student Opportunity & Access Program (Cal-SOAP) Project Grant Advisory Committee (CEC § 69562).

ADJOURNMENT

There being no further business, the meeting of the Strategic Policy & Planning Committee was adjourned at 11:21 a.m.

MICHELE SIQUEIROS
CHAIR