



## **Executive Director's Report April 19, 2007**

Dear Commissioners,

The time between our February and April Commission meetings has flown as we completed the 2007 Cal Grant application filing period, focused on the work of the Commission's Ad Hoc Committee on Roles and Responsibilities and began negotiations on a new Operating Agreement with the Commission's auxiliary organization, EDFUND.

This past month, the Commission's operations staff has been focused on processing this year's application pool. The number of new Cal Grant Entitlement awards for graduating seniors will be known shortly as we are currently processing the final grade point average verification forms that were submitted manually, some 55,000 total forms. The operations and information technology divisions will be processing the Cal Grant Competitive and Transfer Entitlement awards as well as the renewal awards in the coming weeks. The Commission staff and our contractors continue to make progress on the implementation of Phase I of the new Grant Delivery System.

Commission staff has also worked diligently over the last several months on the Commission's new Institutional Participation Agreement (IPA), which is scheduled to be discussed at the Commission's April meeting. Commission staff conducted a series of public hearings to receive comment on the proposed draft agreement. Staff has been working internally over the last several weeks to incorporate comments and respond to issues identified in the public hearing process. The participating public and private institutions have raised concerns about the workload associated with verifying California residency and high school graduation after the fall submission of the federal application for financial aid as well as other issues identified in the Commission's initial audit of the Cal Grant program. Commission staff will present a revised IPA agreement for the Commission's April meeting.

Our communications and outreach staff has been working to finalize this year's public awareness and Cash for College campaign results. Preliminary evaluation results will be provided to the Commission as you consider the proposed program and funding plan for the 2007-08 application cycle which will be presented to you at your April 18-19-20 meeting. It is essential that the Commission staff has sufficient time to plan and produce the collateral information materials that are required to inform students and their parents of financial aid programs and their eligibility requirements. We have had great success in increasing the number of qualified applicants for all forms of financial aid. We need to keep up this public awareness, particularly among low-income students who without financial assistance would not enroll in college.

Commission staff has also been involved in assisting the Department of Finance auditors in their review of the new Cal Grant application process. This internal audit is part of the Commission's overall internal audit plan to review the Cal Grant programs. It represents the first time since the Entitlement legislation was passed that the Commission's programs have been audited. Commission staff has also provided you with updated information concerning the hiring of the new Internal Auditor chief who will have responsibility for the oversight of the Commission's programs.

The Commission's budget hearings are scheduled the week of April 16-20. The Commission's January budget is typically heard in the legislative budget subcommittees on education prior to the release of the Governor's May Revision.

The following are highlights to the 2007-08 Governor's proposed budget for the Commission:

### **State Operations**

The Governor's January budget proposes that the State operations continue to be funded by the Student Loan Operating Fund.

**Budget Change Proposals (BCP):** The following are the decisions for the Commission's Budget Change Proposals (BCP) submitted to the Department of Finance:

1. *Approved* – Phase II of the Grant Delivery System Service – Oriented Enhancements requesting \$1,167,000 and 3.0 new positions.
2. *Approved* – Program Compliance requesting \$175,000 and 2.0 new positions to strengthen review efforts.
3. *Not Approved* – The Cal-SOAP Program's General Fund baseline adjustment proposal to cover a cost of living increase in funding was returned without review due to an administrative policy of not reviewing any proposals which would increase support from the General Fund.

**One-Time Funding Reduction:** As scheduled, the Commission's budget was reduced by a total of -\$1,742,000. These reductions were funded in fiscal year 2006-07; and are being subtracted from the baseline amount in the proposed 2007-08 budget. The reductions are as follows:

- -\$1,316,000 of one-time funding received for Phase I of the Grant Delivery System Service-Oriented Enhancements.
- -\$276,000 of one-time funding received for administering the 2006-07 Student Expenses and Resources Survey (SEARS)
- -\$150,000 for expired limited-term positions for 2005-06 BPC #2 for increased administrative support for the Customer Service Branch.

**Other Adjustments:** The Commission received the following increases:

- \$590,000 for statewide employee and other operational adjustments.
- \$30,000 plus one-half position to implement a new State Facilities Nursing APLE Program.

**Programs (Local Assistance):**

Cal Grants: The Commission’s programs received a \$41.1 million baseline adjustment increase, which includes growth in new High School Entitlement awards (2%), an increase in new CCC Transfer Entitlement awards due to raising the age limit (AB 2813), and a system-wide fee increase for UC (7%) and CSU (10%).

Assumption Program of Loan Education (APLE):

- APLE Program: \$1.5 million increase to reflect additional loan assumption payments for APLE recipients. In addition, 600 awards were authorized for participants in the Governor’s Science and Math Teacher Initiative.
- National Guard APLE Program: \$200,000 authorized to support the 2006-07 awards.

To view the Commission’s portion of the 2007-08 Governor’s proposed budget, follow the link: <http://www.ebudget.ca.gov/StateAgencyBudgets/6015/7980/department.html>. Also, the Commission has been asked to consider a new interagency agreement to administer the loan forgiveness programs provided in the recent passage of Proposition 63 (the Mental Health Services Expansion). CSAC staff continue to work with the Department of Mental Health (DMH) staff in providing guidance and program expertise in implementing and administering a loan assumption program. DMH staff are currently drafting regulations and finalizing various program criteria with stakeholders. We will continue to provide you with updates on the status of this new proposed partnership.

And finally, the Commission’s staff has reviewed and revised our internal agenda production schedule. A copy of the schedule and deadline dates is provided below to assist in our communication with you and our constituencies regarding agenda mailing dates. Should you have any further suggestions about how we might improve our processes, please let me know.

**AGENDA ITEMS DUE DATES FOR REGULAR MEETINGS 2007**

Senior Staff Provides Agenda Titles to Chief Deputy	Final Agenda Confirmed by Chair	Agenda Items Due to Commission Liaison	Agenda goes to Print Date (8:00 a.m.)	10-Day Notice Posted	Agenda Mail Out Date	Commission Meeting Date
						February 22-23, 2007
						April 19-20, 2007
May 21	May 23	June 1	June 8	June 11	June 11	June 21-22, 2007
June 25	June 27	July 6	July 13	July 16	July 16	July 26-27, 2007
August 6	August 8	August 17	August 24	August 27	August 27	September 6-7, 2007
October 29	October 31	November 9	November 16	November 19	November 19	November 29-30, 2007

- Division Chiefs shall consult with Committee Chairs on Commission Agenda items in advance. Committee meetings shall be scheduled before the Commission meeting, as appropriate.
- Draft minutes of applicable Commission (and/or Committee) meetings shall be included in the agenda materials.

I look forward to seeing you on April 18, 19 and 20.

Diana Fuentes-Michel  
Executive Director

## COMPUTER SYSTEM ENHANCEMENTS TRANSITION TO A REAL TIME DATABASE

The California Student Aid Commission's (Commission) Current Grant Delivery system is a batch oriented system that does not provide real time grant award and payment information and status to institutional financial aid administrators or Commission staff. It is inflexible, difficult to change and maintain and is being held together with coding that has been added to the 1970's style system to maintain functionality. Phase I, which is in process and completion is expected in August 2007, is designed as the first step toward bring the Commission's processing system up to date and prepare the Grant Delivery System for the future.

### *Project Goals*

- Restructuring database and web applications to support real time transactions while minimizing impact on customers
  - Atomic transactions inside batch
  - Remove redundant code and data
  - Increased security (reduced access to social security number and personal data)

### *Benefits*

- Shortens transaction lag time and reduces reconciliation workload for Commission staff and for schools.
- Increases flexibility of the Grant Delivery System (GDS)
  - Allows easier changes to be made in response to changes in statute or regulation.
  - Cleans up code and data to greatly reduces the associated cost to maintain GDS.
  - Simplifies processing of transactions and increases time available to schools and students for update.
  - Simplifies testing
- Improves security
- Sets the stage for Phase II web services.

### *Current System Limitations*

- Weekly Batch process delays final availability of new Awards and GPAs.
- Weekly Batch process delays final processing of Payment and school change transactions.
- Daily batch processing of ISIRS (student records from the Free Application for Federal Student Aid – FAFSA) only uses data from one ISIR.
- Bimonthly processing of payments slows information to schools and for reporting purposes.
- Monthly renewals and data extract slows information to schools and for reporting purposes.
- Annual competitive Cal Grant and Cal Grant C awards cycles require rigid schedule.
- Letter production is tied to batch cycles and time of mailing is inflexible.
- GDS Database code is complex, redundant, and difficult to change.
- The GDS Database plan is very complex and difficult to keep current.
- Complexity makes the GDS system prone to data integrity issues and other errors.

***Phase I Provides***

- Real time transactions
- Improved performance.
- Web, Interactive Voice Response (IVR) system provides real time status.
- Batch capability provided round the clock.
- Access to uploaded data and status
- Up to date student records.
- Reduced data maintenance.
- Flexible letter production.
- Increased information security.
- Accommodate program changes.
- Web Services ready.

Phase I is expected to be completed by August 30, 2007.

***Phase II***

Phase II, which is included in the Governor's Budget, will provide the capability to integrate the GDS with participating postsecondary institutional financial aid management systems (FAMS) and high school student information systems using new web technologies that transparently provide the capability to automatically pass information between systems, keeping them synchronized.

Phase II will also provide web services that will enable schools to build web portals for their students that can directly pull data from the GDS and integrates that information with local services.

***Benefits***

- Allows students a better opportunity to determine award eligibility, status and financial aid availability and select the college of their choice.
- Provides better and more flexible services to high schools, postsecondary institutions and students.
- Reduces workload for participating institutions and high schools.
- Reduces workload for customer service on campus and at the Commission including reduced phone call volume.
- Provides better accounting, reporting and budgeting information for the State.
- Allows us to be able to continue awards using the federal ISIR (FAFSA data) specifications when federal requirements change.

***Budget***

- The Governor's January Budget includes \$1.1 million to fund Phase II of the Grant Delivery System Enhancements.



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**The California Student Aid Commission** relies heavily on public awareness activities and outreach to support its chief mission of maximizing student access to financial aid. All programs are reimbursed through the Commission's auxiliary, EdFund, the nation's second largest loan guarantee organization, and not through the General Fund. A summary:

**Yearly Public Awareness Campaign:** The Commission spends approximately \$2 million a year on a multi-faceted statewide marketing campaign in the early part of the calendar year to increase the number of students signing up for Cal Grants and other financial aid. The campaign, which features television and radio advertising, interactive web activities and outreach to all California high schools, leverages an additional \$2 million in pro-bono advertising and media coverage. The campaign helped generate more than 716,000 grant applications this year, and reached more than 25 million on the Internet, more than 30 million on teen radio stations and another 6.5 million on television. In a post-evaluation survey, 92 percent of all respondents recalled the Cal Grant program.

**California Cash for College:** The Commission oversees California Cash for College, a partnership effort of high schools, community colleges, universities, regional and local communities working to assist low-income and first-generation college bound students and families successfully complete the financial aid process. Community workshops begin in January and are offered through the March 2 Cal Grant deadline. The program, which receives \$580,000 a year in funding, served more than 20,000 students and families at workshops this year. This past spring, the program held more than 400 workshops in 44 counties throughout the state (a 40 percent increase from last year). More than half of the workshop participants are projected to be the first in their family to attend post-secondary school. Leveraged support includes \$435,000 in scholarship and program support from the College Access Foundation to workshop participants, and local participation of key business, school and civic leaders who help generate local awareness, in-kind support and media coverage.

**California Student Opportunity and Access Program (Cal-SOAP):** For the last 29 years, the Commission has coordinated Cal-SOAP, which provides services to students who are low-income or first in their families to attend college, or who live in areas with low college-going rates. The program provides academic tutoring, peer mentoring, college access advisement, test preparation workshops, college tours, parent advisement, financial aid workshops, migrant parent meetings, scholarship research assistance and other student/family support services. The \$8.6 million yearly program operates 16 regions statewide and serves more than 195,000 students. Each year, school districts, community colleges, public and private four-year universities and local community agencies provide an additional \$25 million in added support.

**Other Outreach to Students and Parents:** The Commission supplements this student outreach with direct outreach activities throughout the state. Commission staff coordinate, plan and participate in information activities that directly or indirectly provide high school and middle school students, parents, teachers and counselors with information about how to fund their students' post-secondary education. Last year, outreach staff participated in more than 180 events that reached more than 27,000 people.

## Timeline Leading to the Commission's New Operating Agreement

<b>DATE</b>	<b>EVENT</b>
April 21, 2006	The Bureau of State Audits (BSA) issued a report which found that the Operating Agreement between the California Student Aid Commission (Commission) and its auxiliary, EDFUND, needed to be revised. BSA recommended that the Commission ensure that the roles and responsibilities it delineates for itself and EDFUND do not inappropriately cede its statutory responsibilities to EDFUND.
November 21, 2006	The Commission hired The Results Group to assist the Commissioners in delineating the roles and responsibilities of the Commission, EDFUND Board and their respective staffs consistent with current statute.
January 18, 2007	Chair of the Joint Legislative Budget Committee (JLBC), Denise Moreno Ducheny, provided a memo to the Commission indicating that she was “concerned about the lack of progress in addressing these CSAC-EDFUND issues. If the Commission is unable to adopt appropriate amendments by [June 30, 2007], the Legislature may need to address the issues through statute.”
February 22, 2007	The Results Group presented preliminary findings to the Commission.
February 26, 2007	With direction from Commissioners, Commission and EDFUND staffs began collaboration on drafting new Operating Agreement language.
March 30, 2007	The Commission met to discuss the draft outline of Commission Policies to guide the Commission’s oversight of its grant and loan guaranty programs. (The Commission’s Ad Hoc Committee on Governance, in consultation with The Results Group, developed the draft policies.)
April 18, 2007	The Commission is scheduled to meet and continue its discussion of the consultant’s report and the draft Commission Policies roles and responsibilities as well as the Operating Agreement. This meeting was added to the Commission’s previously scheduled April 19-20, 2007 meeting to deal specifically with the roles and responsibilities of the Commission, EDFUND and their respective staffs.
April 20, 2007	The Commission is scheduled to continue its discussion of the consultant’s report and finalize the draft Commission Policies on roles and responsibilities as well as the Operating Agreement.
April 21, 2007	The Commission must provide BSA with a one-year follow-up report on the status of the implementation of its recommendations.
May 1, 2007	Final draft Operating Agreement is scheduled to be delivered to the Department of Finance (DOF) and JLBC for a 45-day comment period before Commission approval, as required by California Education Code Section 69522(d)(2).
June 21-22, 2007	Depending on comments from DOF and JLBC, the Commission may need to meet to consider changes to the Operating Agreement at its June meeting.
July 1, 2007	Effective Date of New Operating Agreement

**Assembly Budget Subcommittee #2 on Education Finance****April 18, 2007 Subcommittee Hearing  
Diana Fuentes-Michel, Executive Director  
California Student Aid Commission**

Good afternoon, I am Diana Fuentes-Michel, Executive Director of the California Student Aid Commission. On behalf of the California Student Aid Commission, I would like to thank Chair Brownley and the Subcommittee members for this opportunity to talk with you about the work we do at the Commission and some budget issues that deserve your consideration. The recommendations that come out of this committee will have a direct effect on our ability to continue to provide the Cal Grant and student loan aid so many California students depend on to help pay for their college education.

The Commission's mission is to make education beyond high school financially accessible to all Californians. Our priority, in the midst of this challenging fiscal environment continues to be to maintain the integrity and effectiveness of the Cal Grant and federal student loan programs we administer.

***The Cal Grant Entitlement Program***

The California Education Code (Section 66021.2) that was adopted (by unanimous vote) as part of the Ortiz-Pacheco-Poohigian-Vasconcellos Cal Grant Program (SB 1644, Chapter 403, Statutes of 2000) affirms the state's historic commitment to provide educational opportunity to students pursuing a higher education by ensuring access and choice for students with financial need and who meet academic criteria. Since the enactment of SB 1644 which established the Cal Grant Entitlement Program, the program has grown dramatically:

- The number of new Cal Grants awarded to graduating high school seniors increased by more than 30 percent from 48,417 in 2001-02 to more than 63,000 in 2005-06; and
- The Commission now serves more than 300,000 new and renewal Cal Grant recipients through the High School Entitlement Program, the California Community College Transfer Entitlement Program and the Cal Grant Competitive Program.

***Governor's 2005-06 Budget Proposals:***

Maximum Award for UC and CSU Students: We applaud the Governor's decision to continue to maintain the integrity of Cal Grant awards for students choosing California's public universities by continuing the practice of maintaining purchasing power of the maximum Cal Grant award for these students by fully covering increases in mandatory systemwide tuition and fees for Cal Grant recipients.

Maximum Award for Private College and University Students: Prior to 2000, California had a longstanding statutory policy that set and maintained the maximum Cal Grant award for students attending non-public institutions at the estimated average General Fund cost of educating a student at a public four-year institution. This cost-neutral formula was eliminated in 2000 with the enactment of SB 1644 and the maximum grant is now stipulated in the annual Budget Act.

The Governor's Budget maintains the Cal Grant maximum award for students attending non-public institutions at \$9,708.

### ***The Cal Grant Competitive Program***

As you may have heard, while the Cal Grant Entitlement awards serve qualifying high school graduates very well, the Cal Grant Competitive program does not serve its intended population nearly as well. Each year, the Commission is authorized to award 22,500 Cal Grant A and B awards to new and continuing students who do not qualify for an entitlement award. Many more students meet the academic and income qualifications for an award but are turned away through a competitive process that awards only the most needy and highest achieving students.

For the 2005-06 academic year, more than **136,000** students successfully met the financial and basic eligibility criteria for a Competitive Cal Grant award but only about one out of six of these qualified applicants received a Cal Grant:

- The Commission maintains that better information is needed to know how many of the affected students do not receive institutional aid.

### ***Three New APLE Programs***

- The Commission is in the process of finalizing regulations and guidelines for three new Assumption Program of Loans for Education (APLE) programs. Through recent legislation, The Administration and the Legislature asked the Commission to administer 1) the National Guard APLE program; 2) the State Nursing APLE program; and 3) the State Nursing APLE program for nurses who agree to work in state facilities. The Commission plans to issue awards for these new programs by the end of the 2006-07 fiscal year.

### ***The Chafee Grant Program***

The Commission and the Department of Social Services continue to work together to develop the Chafee Grant program to benefit California's numerous foster youth. The Commission developed a simplified application and released it early this year (March 2007) for student use.

Additionally, I am pleased to inform you that the Commission has signed an agreement with the Department of Social Services authorizing a multi-year agreement which will allow the Commission to process the applications and awards with much greater expedience than in the past.

### ***Most California Undergraduates Work to Help Pay for College***

In addition to the vital Cal Grant programs, the federal Pell Grant program, and institutional grant aid, most financially needy California undergraduates work at least part time to help pay for college. In fact, according to the Commission's 2003-04 Student Expense and Resource Survey:

- Nearly half of the full-time undergraduates at the University of California, three-fourths of those at other four-year institutions, and nearly nine out of ten in the California Community Colleges reported working during the academic year;
- 87 to 98 percent of all part-time students also reported working while attending college;
- Full-time students reported working 15 to 18 hours per week at on-campus or outside jobs during school at University of California and independent colleges and 20 to 26 hours per week on average at California State University and Community College campuses;

- Older, part-time students reported working 33 or more hours per week in all segments except University of California where the average was 24 hours a week; yet
- Research has confirmed that working more than 16 hours per week forces most students to reduce the number of units they take, adversely affects their academic performance, and increases the time it takes to complete their degree. Despite these negative effects, many California students do so anyway because they have few alternatives.

- ***AB 175 Price – Increases the Cal Grant B Access Grant***

The Cal Grant B Access Grant Award needs to be increased due to the increasing costs of books and supplies that make it difficult for students to finance their education beyond tuition and fees.

The Access Grant was last increased in 2001-02 from \$1,410 to \$1,551 where it has remained.

This bill would increase Access Grant in the increments of no less than 5 percent but no more than 10 percent annually until the amount is equal to 20 percent of the student's budget allowance as recommended by the triennial Student Expense and Resources Survey (SEARS).

In the intervening years, the amount will be increased by inflation using the Consumer Price Index (CPI).

- ***AB 302 De La Torre – Cal Grant B Tuition & Fees in the First Year***

Most students who receive a Cal Grant B award are in the lower income brackets and need tuition and fee assistance for all four years of attendance.

Currently, only the top 2 percent of students who demonstrate significant financial need are provided with tuition and fees in the first year of attendance.

This bill would provide tuition and fees in the first year of enrollment at an eligible institution of all students that are awarded a Cal Grant B.

### ***Outreach Programs***

SB 1644 (Chapter 403, Statutes of 2000) stipulates that "The Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act makes access and affordability a guarantee to every qualified student. It reaffirms the basic tenets of the 1960 Master Plan for Higher Education by guaranteeing a Cal Grant award to every student who is financially and academically eligible to receive one..." The California Student Aid Commission relies heavily on public awareness activities and outreach to support its chief mission of maximizing student access to financial aid. All programs are reimbursed through the Commission's auxiliary, EDFUND, the nation's second largest loan guarantee organization, and not through the General Fund. A summary:

Annual Public Awareness Campaign: The Commission invests approximately \$2 million a year on a multi-faceted statewide marketing campaign to increase the number of student applications. The campaign features television and radio advertising, interactive web activities and outreach to all California high schools, leverages an additional \$2 million in pro-bono advertising and media coverage. The campaign helped generate more than 716,000 grant applications this year, and reached more than 25 million on the Internet, more than 30 million on teen radio stations and another 6.5 million on television. In a post-evaluation survey, 92 percent of all respondents recalled the Cal Grant program.

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I am available to answer any questions that the members may have regarding the Commission's programs.

**Senate Budget Subcommittee #1 on Education**

**April 18, 2007 Subcommittee Hearing  
Diana Fuentes-Michel, Executive Director  
California Student Aid Commission**

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SB 1644 (Chapter 403, Statutes of 2000) stipulates that "The Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Act makes access and affordability a guarantee to every qualified student. It reaffirms the basic tenets of the 1960 Master Plan for Higher Education by guaranteeing a Cal Grant award to every student who is financially and academically eligible to receive one..." The California Student Aid Commission relies heavily on public awareness activities and outreach to support its chief mission of maximizing student access to financial aid. All programs are reimbursed through the Commission's auxiliary, EDFUND the nation's second largest loan guarantee organization, and not through the General Fund. A summary:

Annual Public Awareness Campaign: The Commission invests approximately \$2 million a year on a multi-faceted statewide marketing campaign to increase the number of student applications. The campaign features television and radio advertising, interactive web activities and outreach to all California high schools, leverages an additional \$2 million in pro-bono advertising and media coverage. The campaign helped generate more than 716,000 grant applications this year, and reached more than 25 million on the Internet, more than 30 million on teen radio stations and another 6.5 million on television. In a post-evaluation survey, 92 percent of all respondents recalled the Cal Grant program.

California Cash for College: The Commission oversees California Cash for College, a partnership effort of high schools, community colleges, universities, regional and local communities working to assist low-income and first-generation college bound students and families successfully complete the financial aid process. Community workshops begin in January and are offered through the March 2 Cal Grant deadline. The program, which receives \$580,000 a year in funding, served more than 20,000 students and families at workshops this year. This past spring, the program held more than 400 workshops in 44 counties throughout the state (a 40 percent increase from last year). More than half of the workshop participants are projected to be the first in their family to attend post-secondary school. Leveraged support includes \$435,000 in scholarship and program support from the College Access Foundation to workshop participants, and local participation of key business, school and civic leaders who help generate local awareness, in-kind support and media coverage.

California Student Opportunity and Access Program (Cal-SOAP): For the last 29 years, the Commission has coordinated Cal-SOAP, which provides services to students who are low-income or first in their families to attend college, or who live in areas with low college-going rates. The program provides academic tutoring, peer mentoring, college access advisement, test preparation workshops, college tours, parent advisement, financial aid workshops, migrant parent meetings, scholarship research assistance and other student/family support services. The \$8.6 million yearly program operates 16 regions statewide and serves more than 195,000 students. Each year, school districts, community colleges, public and private four-year universities and local community agencies provide an additional \$25 million in added support.

Other Outreach to Students and Parents: The Commission supplements this student outreach with direct outreach activities throughout the state. Commission staff coordinate, plan and participate in information activities that directly or indirectly provide high school and middle school students, parents, teachers and counselors with information about how to fund their students' post-secondary education. Last year, outreach staff participated in more than 180 events that reached more than 27,000 people.

I am available to answer any questions that the members may have regarding the Commission's programs.