
3.1 Information Item

California Student Aid Commission

Grant Advisory Committee (GAC) Chair's Report

Mary Lindsey, Acting GAC Chair, has provided a written report on GAC's activities and the outcomes of the Institutional Participation Agreement (IPA) Workgroup meetings.

Recommended Action: No Action Required.

Grant Advisory Committee Chair's Report
Mary T. Lindsey, Chair
February 2007

In January, 2007, it was with regret that Maria Hernandez, Chair of the Grant Advisory Committee (GAC), resigned her position on GAC due to urgent personal obligations. Accordingly, as Vice-Chair, I stepped into the position of Chair to serve the remainder of Maria's term.

In submitting the following report, I wish to acknowledge the efforts of GAC members and CSAC staff, and in particular acknowledge Catalina Mistler, Kate Jeffrey, and Mary Robinson in contributing to the actual development and writing of this report.

The Grant Advisory Committee (GAC) workgroup met via three teleconferences in December 2006, January and February 2007 to discuss issues pertaining to Reconciliation Process and to the Institutional Participation Agreement (IPA.) On February 14, 2007, GAC met via teleconference to adopt the following recommendations to be presented to the Commissioners of the California Student Aid Commission:

The following are the recommendations:

RECONCILIATION PROCESS

The current process for reconciling the Cal Grant Program Funds consists of an annual reconciliation, to be final by October 15 each year following the close of the award year. The October 15 deadline has historically not been enforced. A recent audit found that large sums of money remain outstanding well past this deadline, and this resulted in an audit finding.

In April, 2006 the Commissioners approved a staff and GAC recommendation that this October 15 annual deadline be enforced for Fall through Spring term-based institutions. A special operations memo extended this deadline to December 31 for the 2005-06 award year. Summer term was excluded from this initial Commission action and referred back to the Grant Advisory Committee (GAC) because Summer terms often end in late August or early September, and October 15 deadline would not allow enough time for Institutions to reconcile a summer term. *The Commission has also approved a requirement for a **preliminary or "near"** reconciliation within 60 days of the close of each term.*

- 1. Establish a December annual final reconciliation deadline for institutions with traditional academic years.** *Outstanding funds for the award year would be required to be returned to CSAC on or before that date. Using a December deadline instead of an October deadline precludes the need to have two deadlines, one for traditional academic years, and one for academic years that*

include a summer term for Cal Grant payments. GAC members and CSAC staff were in agreement with this recommendation

- 2. For Institutions that do not return outstanding funds by the deadline date or that return less than the appropriate amount, CSAC would generate invoices for outstanding funds, payable 30 calendar days from receipt of the invoice. If the refund to the state does not occur within the 30 days, a series of penalty letters would commence. Upon payment in full, an institution would receive an invoice indicating a zero balance.**
- 3. Consistent with current practice, students whose payments remain pending at the Institution, beyond December 31, would be permitted to enter an appeal process that permits them to receive payment of their grant.**

INSTITUTIONAL PARTICIPATION AGREEMENT (IPA)

In numerous discussions regarding the current draft of the proposed IPA, unresolved problems with expectations about the institution's role in determining Cal Grant eligibility arose. *These issues are critical to the development of a finalized IPA and are intertwined with the delivery process model.* Therefore:

GAC recommends that the existing IPA be extended pending a full review of the delivery process that evaluates the feasibility, cost-effectiveness, and efficiency of the following possibilities:

- Movement to a fully centralized process with additional resources allocated to CSAC to take on responsibility for final determination of Cal Grant eligibility;***
- Movement to a fully institution-based process with additional resources allocated to campuses to take on full responsibility for final determination of Cal Grant eligibility;***
- Modification of the current hybrid process to clarify CSAC and institutional responsibilities for determination of Cal Grant eligibility with additional resources allocated where needed.***

Considerations upon which the above recommendation is based are:

The current draft of the revised IPA satisfactorily addresses some of the issues (the reconciliation process, the determination of high school GPA), but the GAC and CSAC staff reached an impasse on others (the determination of California residency, interest bearing accounts). In addition, expectations about the high school graduation requirement, which was put off pending CSAC counsel review, *remains as a pending issue for discussion and recommendation.*

For the most part the issues related to expectations about institutional responsibility for determining that Cal Grant eligibility requirements have been met. The "proposed draft of the IPA (IPA)" is premised on a hybrid model with CSAC generally having responsibility for making initial preliminary award decisions and institutions having final

responsibility for ensuring the decisions are correct. CSAC bases the initial awards primarily on information from the FAFSA and GPA verification form. The IPA expects campuses to confirm eligibility by identifying and resolving any instances where available information on the campus conflicts with the initial eligibility determination.

In principle, this expectation is reasonable. The irreconcilable problems surface when information that might affect Cal Grant eligibility is available on the campus but is not routinely used in the awarding of other financial aid (i.e., the state specific criteria). Expecting campuses to build into their Cal Grant awarding process the review of such information introduces significant new workload at the campus level. Rather than assuming campuses can absorb the additional workload without additional resources (which they cannot), the workgroup recommended that other options be identified.

- One alternative would be for CSAC to take responsibility for confirming the accuracy of the initial eligibility determination (a fully centralized process). In doing so, CSAC might need to improve the information on which the initial award determination is made so that it would take precedence over information that might be available at the campus. CSAC currently uses this approach with the determination of the Cal Grant GPA. Since the Cal Grant GPA is verified when submitted, campuses do not have better information to review.¹ CSAC has also used this approach in adopting the follow-up self-certification process that confirms high school graduation for the 2007-08 award year.
- A second alternative would be to provide institutions with the resources needed for making the final determination of Cal Grant eligibility so that they could absorb full responsibility for determining Cal Grant eligibility (a fully decentralized process).
- A third alternative could be an assessment of the accuracy of the current process. If the “error” rate in the current process is extremely low, establishing a special Cal Grant review process to duplicate the original eligibility determination may not be cost effective.²

Problems also occur with the expectation that campuses will have final responsibility for confirming Cal Grant eligibility when the eligibility requirement is not clearly specified or is very complicated. The determination of California residency is a good example. CSAC has not articulated the definition of Cal Grant residency for Cal Grant purposes completely enough for campuses to make a definitive Cal Grant residency determination. Moreover, because of the complexities in determining California residency, identifying conflicting information on the campus would require an extensive review even if CSAC did have a clear definition.

In support of the proposal to extend the existing IPA, members of the workgroup expressed significant reservations about the feasibility of resolving the remaining IPA issues and allowing sufficient time for review by institutional counsels prior to the Commission’s consideration of the agreement. It was acknowledged by staff that neither

¹ Campuses typically 1) have no GPA information, 2) have GPA’s calculated in a way different from the Cal Grant GPA, or 3) have a Cal Grant GPA based on a self-reported high school record.

² Note that ensuring a process with a very low error rate is separate from ensuring a process that is potentially error free. Both are needed.

legal counsel or senior CSAC management had reviewed the draft IPA as yet. Pending the outcome of those reviews, it is premature for institutional participants to ask for a final review by their counsels. Concerns were also expressed regarding the short lead time that institutions will have for implementing any procedural changes that may be necessitated by the terms of the agreement.

GAC recommendations regarding specific IPA issues:

RECONCILIATION PROCESS

See Page one of this report, **Establish a December *annual final* reconciliation deadline for institutions with traditional academic years.**

COMMINGLING OPTION FOR INTEREST BEARING ACCOUNTS

The GAC recommends that the commingling option be available to campuses in all segments.

The workgroup recommended, (and GAC supported) that the requirement for holding Cal Grant funds in an interest bearing account follow the options provided by the federal government for federal student financial aid. Federal regulations permit commingling federal funds with funds from other sources if the institution's accounting records (e.g., subsidiary ledger) can track the federal funds as readily as if those funds were in a separate account. The commingling option is in recognition that it is a more efficient way for large institutions to handle funds and allows for higher yielding investment practices. The federal regulations also provide that a separate bank account can be required if institutions do not meet certain standards. The federal regulations apply equally to all five segments of higher education.

The proposed IPA extends the commingling option to public institutions but does not do so to private institutions. CSAC staff is concerned about the possible greater exposure to loss of Cal Grant funds that keeping Cal Grant funds in a commingled account might pose in the event of bankruptcy. Staff is also concerned that a commingled account might contribute to fraudulent use of Cal Grant funds, i.e., applying the funds to other institutional needs. While not convinced that a separate account would improve the State's ability to recover Cal Grant funds or avoid potential misuse, the workgroup was primarily concerned that access to the commingling option was based on segment rather than a more direct measure of risk for bankruptcy or other potential misuse of State funds. Clearly, most private and proprietary institutions are not at risk for bankruptcy or misuse of State funds but would nevertheless be treated as if they were. The workgroup was comfortable providing CSAC staff with discretion in how staff might identify at-risk institutions that would be required to establish separate bank accounts as long as the decision was not based on segment. However, staff felt they did not have the expertise or information on which to make such judgments.

CALCULATION OF INTEREST

The GAC continues to recommend that the calculation of interest on Cal Grant funds held on the campus recognize both positive and negative balances.

The workgroup recommended that the calculation of interest owed to CSAC be based on the net balance in the account (recognizing both positive and negative balances). Such an approach recognizes the loss of interest/investment revenue to the institution when institutions create a negative balance by advancing institutional funds to Cal Grant recipients rather than waiting for State funds. *It also recognizes that the State is holding funds and thus already earning interest on the funds that the institution would otherwise be advancing to recipients.* It is noted that when CSAC implements a “just-in-time” process for campuses to draw down Cal Grant funds, both positive and negative balances should decrease dramatically.

Although the language in the proposed IPA appeared to allow the use of net balances in calculating the annual interest earned on Cal Grant funds, CSAC staff interpreted the language to require interest on positive balances with no recognition of negative balances.

CAL GRANT GPA

The GAC recommends and supports the exclusion of the confirmation of the Cal Grant GPA from the list of campus responsibilities.

The workgroup recommended that the final determination of the Cal Grant GPA rest with CSAC since institutions typically do not have ready access to a GPA calculated according to the Cal Grant definition. Consistent with this recommendation, the list of eligibility requirements that institutions are to confirm does not include the Cal Grant GPA.

HIGH SCHOOL GRADUATION

The proposed IPA does not include high school graduation in the list of eligibility requirements that institutions are to confirm. Presumably, a final decision about statutory requirements regarding high school graduation self-reporting/confirmation awaits the Attorney General’s review of the current process. The GAC’s recommendation regarding high school graduation is pending until a final decision is received.

The following is for updates regarding discussions only:

The workgroup recommended that campuses not be required to collect any new information (i.e., high school transcripts) to confirm that a Cal Grant recipient has met the high school graduation requirement. Those campuses that do collect transcripts as part of their admission/enrollment process will ensure they do not contain evidence that a Cal Grant recipient has not graduated. Those who do not collect transcripts would not be expected to do so. However, if they have other self-reported information about high school graduation on the FAFSA or their enrollment records, they will ensure that those records do not conflict with CSAC’s initial determination that a student is eligible for a Cal Grant if there is no follow-up self-certification process in place. If a follow-up self-certification process, such as the one for 2007-08, is in place, the workgroup recommended CSAC clarify that the follow-up self-certifications supercede the campus FAFSA and enrollment records so that a review of the campus self-reported records will not be needed.

CALIFORNIA RESIDENCY

THE GAC WAS UNABLE TO FORMULATE A RECOMMENDATION REGARDING STATE RESIDENCY REQUIREMENTS. GAC WILL CONTINUE TO WORK WITH CSAC STAFF ON THIS ISSUE.

The workgroup could not reach agreement on expectations for campuses in determining that Cal Grant recipients meet the California residency requirement. The application of the “conflicting information” principle proved problematic. Identifying what information might be conflicting is difficult because multiple factors go into determining residency and because CSAC has not clearly articulated what those factors are for purposes of Cal Grants and how they interact. One option would be for CSAC to use the determination of residency for tuition purposes made in accordance with regulations adopted by the various public segments. Under this approach, conflicting information at the public segments is simply a difference in the institutional and initial CSAC residency determinations. However, since each public segment has a somewhat different definition, this choice could result in different residency determinations for Cal Grant eligibility at different segments. Moreover, the independent and proprietary segments do not define California residency since it is not required for their admission or enrollment processes. Thus the workgroup recommended against this approach in favor of CSAC adopting its own definition for Cal Grant purposes to be applied to students in all segments. Concern was also expressed about the need for CSAC to adopt regulations for purposes of residency determination.

In order to make the latter approach work, CSAC would need a clearer and more complete definition of California residency so that campuses would know whether any particular information they had was actually conflicting. The workgroup supported CSAC’s proposed date for measuring the one-year physical presence test. CSAC currently requires a year of residency prior to March 2, although this requirement is not well known at the campus level. Under the proposed change, the required year of residency would be prior to the start of the fall term (publics) or September 20 (privates). This change would be a step to reducing differences in the CSAC and public segment determination of residency since all the public segments base their residency determinations on the fall time frame.

However, without a more complete definition of residency, the workgroup could not agree on what would constitute conflicting information. For instance, how does a student’s (or parent’s, in the case of a minor) intent to return to another state interact with the physical presence test? An actual example is a military father of a minor student who has been stationed in California for over five years but has kept a home and paid taxes in another state because he eventually hopes to move back there. Another example is how a parent’s undocumented status affects the residency of a minor student who is a U.S. citizen and has resided in California for years.

In addition, the workgroup was concerned about the significant workload that would be entailed if campuses were responsible for reviewing all information available on campus that could potentially conflict with CSAC’s initial residency determination based on the FAFSA data. At a public institution the underlying information in each student’s

residency file would have to be carefully examined.³ In essence, the campus would need to make a residency determination for Cal Grant purposes, in accordance with CSAC's definition, that might vary from that used for institutional purposes. It is even less clear what information a private institution would be expected to review. Reconciling "red flags" for non-residency (e.g., a student who did not graduate from a California high school) surfaced as a possibility even though the red flags are not actually a factor in determining residency.

³ The final outcome of a public institution's residency determination for tuition purposes cannot be used since the Cal Grant standard is different (unless CSAC were to choose to designate the public segments' definitions as the Cal Grant standard in those segments).

3.2

Action/Information Item

California Student Aid Commission

Consideration of Approval of National Guard Assumption Program of Loans for Education (NGAPLE) Regulations

The California Student Aid Commission is required by California Education Code 69751 (a) to adopt rules and regulations for the purpose of administering the National Guard Assumption Program of Loans for Education (NGAPLE). After consultation with stakeholders, which included the Office of the Adjutant General, the National Guard, the Department of Finance, and the Grant Advisory Committee, CSAC Staff developed proposed NGAPLE regulations designed to implement the new program.

The NGAPLE is a loan assumption program established to provide an incentive for persons to enlist or reenlist in the National Guard, the State Military Reserve, or the Naval Militia, who have completed or who seek degrees at institutions of higher education in California or vocational diploma programs. CSAC will commence loan assumption payments after a participant has provided a qualifying year of military service.

CSAC Staff incorporated recommendations made at the August 8, 2006 stakeholders meeting, and from consultation with Department of Finance. The proposed regulations were shared and discussed with the Grant Advisory Committee on October 19, 2006.

On December 11, 2006, CSAC Staff delivered a notice of the proposed regulations and other required documents to the Office of Administration Law (OAL) to begin the regulatory adoption process. On December 22, 2006, OAL approved the notice of proposed regulations and published the notice in the California Regulatory Notice Register which began the 45-day public comment period. The 45-day public comment period ended on February 5, 2007.

CSAC staff received two comments. The comments and CSAC staff's response to the comments are enclosed. CSAC staff has concluded that no changes to the proposed regulations are necessary.

If the proposed regulations are adopted by the Commission and submitted to OAL, OAL has 30 working days to review the package and approve or disapprove the regulations. If they are approved, OAL submits the regulations to the Secretary of State for filing and the regulations normally become effective 30 days after filing, unless the Commission requests that the regulations take effect on an earlier date. Staff recommends that the Commission request that the regulations take effect upon filing with the

Secretary of State so that the Commission can begin administering the program and make awards prior to the end of the fiscal year.

The text of the Proposed Regulations, the Final Statement of Reasons, the Notice of Proposed Rulemaking, the Initial Statement of Reasons, public comments and staff responses to the public comments are enclosed.

Recommended Action: Adopt the proposed regulations and accompanying documents, request that the effective date of the regulations be the date of filing, and authorize staff to take the necessary steps to complete the regulatory process

Responsible Staff: Catalina Mistler, Division Chief
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**CALIFORNIA STUDENT AID COMMISSION
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**AMENDMENT TO TITLE 5, DIVISION 4, CHAPTER 1, CA CODE OF REGULATIONS
REGARDING IMPLEMENTATION OF NATIONAL GUARD ASSUMPTION PROGRAM OF
LOANS FOR EDUCATION (Education Code §§ 69750-69751.8)**

PROPOSED TEXT

Article 14.5. National Guard Assumption Program of Loans for Education

Section 30710. Definitions

- (a) *“Contingency operation” means the current Iraq or Afghanistan operations, the Gulf War; or other operations or national emergencies, as declared by the President or Congress.*
- (b) *“Half-time basis” means half-time enrollment at an institution of higher education.*
- (c) *“Institution of higher education” means a post-secondary educational institution that has a location in California.*
- (d) *“Program” means the National Guard Assumption Program of Loans for Education established in Article 12.5 (commencing with Section 69750) of Chapter 2 of Part 42 of Division 5 of Title 3 of the Education Code and as set forth in this Article.*
- (e) *“Program participant” means a person who has a loan assumption agreement signed by both the person and the Commission.*
- (f) *“Qualified vocational diploma program” means an educational program as defined in Section 94746 of the Education Code, with a location in California, having all of the following characteristics:*
- (1) The educational program consists of a job-training program or other instruction, training, or education that the institution represents will lead to, fit, or prepare students for employment in any occupation.*
 - (2) The program is offered to students who do not possess a bachelor’s or graduate degree in the field of training.*
 - (3) Students who complete all or a portion of the program are awarded a diploma, certificate, or occupational associate degree.*
- (g) *“Qualifying member” means a person, as defined in Section 66025.6 (a) of the Education Code, who:*
- (1) has residence, pursuant to Article 5 (commencing with Section 68060) of Chapter 1, part 41, Division 5, Title 3 of the Education Code, in this state for at least one year immediately preceding the date of application to the program or any loan assumption payment;*

Tab 3.2 a

- (2) *is currently an active member of, and has satisfactorily served for at least one year in the California National Guard, the State Military Reserve or the Naval Militia, and maintains satisfactory service throughout the period that his or her student loan payments are assumed through the program; and*
- (3) *has completed a baccalaureate degree, or is currently enrolled and in good standing in a program of undergraduate instruction, on at least a half-time basis, at an institution of higher education, or is enrolled in or has completed a program of instruction in a qualified vocational diploma program where enrollment qualifies a student for participation in the Federal Family Education Loan Program or any loan program approved by the Commission, or is on an academic leave of absence from such undergraduate or vocational diploma program pursuant to Section 66025.6(b).*

(h) "Satisfactory service" means satisfactory performance as defined by the statewide Office of the Adjutant General.

Note: Authority cited: Section 69751, Education Code. Reference: Sections 66025.6, 69750, 69750.5, 69750.7, 69751.2, 94746, Education Code.

Section 30711. Application to Participate in the Program

(a) Applications to participate in the program shall be submitted to the Office of the Adjutant General prior to the deadline published by the Commission for that academic year, and shall include the following information regarding the applicant:

- (1) Last name, first name and middle initial;*
- (2) Social Security number;*
- (3) Address and telephone number;*
- (4) Date of birth;*
- (5) Ethnicity;*
- (6) Gender;*
- (7) E-mail address, if available;*
- (8) a copy of the federal Student Aid Report (SAR) generated by the United States Department of Education based upon the applicant's Free Application for Federal Student Aid (FAFSA) with an Expected Family Contribution (EFC) for the academic year in which the applicant applies to the program. Verification of information provided in the FAFSA and used to calculate the EFC may be requested by the Commission as necessary. Failure to provide verification in a timely manner, if requested, may result in disqualification from consideration for the program;*
- (9) identification of membership in specific eligible military unit under the California National Guard;*
- (10) name of institution of higher education or qualified vocational diploma program in which applicant is or was enrolled within California, or from which the applicant is on academic leave of absence, and the institution's six-digit Federal school code;*
- (11) a copy of active duty orders, if any;*

(12) written verification from an institution of higher education that the applicant is enrolled on at least a half-time basis or is on academic leave of absence, or proof of completion of a baccalaureate degree, or written verification from a qualified vocational diploma program that the applicant is enrolled or on academic leave of absence, or proof that the applicant has completed the program;

(13) certification from the Office of the Adjutant General that the applicant has agreed to enlist, reenlist, or in the case of officers has committed to serve in the National Guard, the State Military Reserve, or the Naval Militia; and

(14) The name of lender(s), loan identification number(s), and current balance(s) of a loan or loans the applicant has received, or has been approved to receive, in order to meet the costs of obtaining an undergraduate degree at an institution of higher education or to complete a qualified vocational diploma program, under one or more of the following designated loan programs:

- (i) the Federal Family Education Loan Program (20 U.S.C. Sec. 1071 et seq.);
- (ii) the Federal Direct Loan Program (20 U.S.C. Sec. 1087b et seq.);
- (iii) any loan program approved by the Commission on a case by case basis but not including lines of credit, home equity loans, credit card debt, and other general consumer loans, business loans, personal loans, or mortgages.

(b) The application shall state that by signing, the applicant agrees that, if requested, the applicant will provide information or documentation to verify the accuracy of the information included in the application, and the applicant understands that failure to provide accurate and complete information as requested may result in disqualification from the program and loss of program benefits. The application shall be dated and signed by the student under penalty of perjury under the laws of the State of California.

Note: Authority cited: Section 69751, Education Code. Reference: Sections 66025.6, 69750, 69750.3, 69751.2, 69751.3, Education Code.

Section 30712. Nominations by the Office of the Adjutant General

The Office of the Adjutant General may nominate any applicant who has submitted an application to participate in the program that meets the requirements of Section 30711 by submitting all of the following information to the Commission:

- (a) the applicant's complete application, including the applicant's SAR;
- (b) the Office of the Adjutant General's certification that the applicant has agreed to enlist, reenlist, or in the case of officers, has committed to serve in the National Guard, the state Military Reserve, or the Naval Militia; and
- (c) the Office of the Adjutant General's certification of the applicant's active duty status corresponding to the scoring categories established in Section 30714(b).

Note: Authority cited: Section 69751, Education Code. Reference: Sections 66025.6(c), 69750.3, 69751.2, Education Code.

Section 30713. Award Process

The Commission shall select program participants from among the applicants who are nominated pursuant to Section 30712. If the maximum allocation of warrants authorized for that year is not exhausted after the selection process is completed, the Commission may continue to accept nominations and select program participants based on the date the nominations are received by the Commission. The Commission may continue to select participants until the maximum allocation is reached.

Note: Authority cited: Section 69751, Education Code. Reference: Section 69751.8 Education Code.

Section 30714. Applicant Priority

(a) If the Commission determines in any fiscal year that the funding for the program is insufficient to allow the Commission to enter into loan assumption agreements with all eligible applicants who are nominated, the Commission shall select applicants for participation in the program by giving priority to:

(1) Individuals who are financially needy, as indicated by a household income and asset level that is at or below the maximum established in Education Code Section 69432.7 for participants in the Cal Grant A program; and

(2) Individuals who have been called to full-time active military duty.

(b) In implementing the priority established in subsection (a), the Commission shall award points to individuals determined by the Commission to be financially needy and who have been called to active duty, based on the highest point category that the applicant qualifies under, as follows:

ACTIVE DUTY SERVICE	POINTS
An enlisted California National Guard member who has served or is currently serving on federal active duty under Title 10 or Title 32, U.S.C. for a period of not less than 11 consecutive months under a contingency operation	76
A commissioned officer or warrant officer of the California National Guard who has served or is serving on federal active duty under Title 10 or Title 32, U.S.C. for a period of not less than 11 consecutive months under a contingency operation.	70
An enlisted California National Guard member who has served or is currently serving on federal active duty under Title 10 or Title 32, U.S.C. for a period of not	66

less than 5 consecutive months under a contingency operation.	
A commissioned officer or warrant officer of the California National Guard who has served or is serving on federal active duty under Title 10 or Title 32, U.S.C. for a period of not less than 5 consecutive months under a contingency operation.	60
Any California National Guard, State Military Reserve or Naval Militia member, enlisted or officer, who has served on State Active Duty pursuant to Military and Veterans Code §143 or §146 for no less than 30 consecutive days.	56
Any current member of the California National Guard, State Military Reserve or Naval Militia who is satisfactorily attending unit drill and training assemblies.	50

(c) The Commission will select nominees with the highest point totals until the authorized funding is exhausted. In the case of a tie in the total number of points, the Commission will select nominees based on the earliest date of receipt of the nomination by the Commission.

Note: Authority cited: Section 69751, Education Code. Reference: Section 69432.7, 69751.2, Education Code.

Section 30715. Loan Assumption Agreements

(a) The Commission shall provide a loan assumption agreement to each nominated applicant selected by the Commission to be a program participant. The loan assumption agreement shall be effective when both the program participant and the Commission have signed the agreement.

(b) The loan assumption agreement shall include the following:

(1) The program participant shall agree to:

- (i) maintain satisfactory service in the California National Guard, State Military Reserve or the Naval Militia throughout the period that he or she participates in the program;*
- (ii) be enrolled in an institution of higher education, on at least a half-time basis each academic term, or in a qualified vocational diploma program, and in good standing in such institution or program, through completion of academic requirements for a baccalaureate degree or completion of the vocational diploma program. If participant has completed a baccalaureate degree or vocational diploma program or completes a baccalaureate degree or vocational diploma program during the term of the agreement, he or she is not required to maintain enrollment for the remaining qualifying year(s) of service to*

receive loan assumption benefits. Participants called to active duty who are on academic leave of absence are not required to be enrolled during the term of such leave;

(iii) provide four consecutive years of satisfactory service in the National Guard, the State Military Reserve, or the Naval Militia;

(iv) authorize the institution of higher education or qualified vocational diploma program in which the applicant is enrolled or on academic leave of absence, or where the applicant completed a baccalaureate degree or vocational diploma program, the Office of the Adjutant General, and lenders to provide information requested by the Commission for the purposes of administering the loan assumption agreement;

(v) provide information required by the Commission for the purposes of administering the loan assumption agreement; and

(vi) comply with all applicable laws and regulations applicable to the program.

(2) The Commission shall agree that:

(i) upon receipt of information required by Section 30716, including the certification of the Office of the Adjutant General that the program participant has completed one year of service or in the case of a participant who is eligible because he or she has agreed to reenlist or an officer who has committed to serve one year of additional service, as a qualifying member within the meaning of Section 66025.6 of the Education Code, the Commission shall assume, subject to the requirements of Section 69750.7 of the Education Code, up to two thousand dollars (\$2,000) of the outstanding loan liability related to undergraduate or qualifying vocational training of the participant under one or more of the designated loan programs;

(ii) upon receipt of the information required by Section 30716, including certification by the Office of the Adjutant General that the program participant has completed two consecutive years of service or in the case of a participant who is eligible because he or she has agreed to reenlist or an officer who has committed to serve two consecutive years of additional service, as a qualifying member within the meaning of Section 66025.6 of the Education Code, the Commission shall assume, subject to the terms of Section 69750.7 of the Education Code, up to an additional three thousand dollars (\$3,000) of the outstanding loan liability related to undergraduate or qualifying vocational training of the participant under one or more of the designated loan programs, for a total loan assumption of up to five thousand dollars (\$5,000); and

(iii) upon receipt of the information required by Section 30716, including certification by the Office of the Adjutant General that the program participant has completed three consecutive years of service or in the case of a participant who is eligible because he or she has agreed to reenlist or an officer who has committed to serve three consecutive years of additional service, as a qualifying member within the meaning of Section 66025.6 of the Education Code, the Commission shall assume, subject to the terms of Section 69750.7 of the Education Code, up to an additional three thousand dollars (\$3,000) of the loan outstanding liability related to undergraduate or qualifying vocational training of the participant under one or more of the designated loan programs, for a total loan assumption of up to eight thousand dollars (\$8,000).

(iv) upon receipt of the information required by Section 30716, including certification by the Office of the Adjutant General that the program participant has completed four consecutive years of service or in the case of a participant who is eligible because he or she has agreed to reenlist or an officer who has committed to serve four consecutive years of

additional service, as a qualifying member within the meaning of Section 66025.6 of the Education Code, the Commission shall assume, subject to the terms of Section 69750.7 of the Education Code, up to an additional three thousand dollars (\$3,000) of the loan outstanding liability related to undergraduate or qualifying vocational training of the participant under one or more of the designated loan programs, for a total loan assumption of up to eleven thousand dollars (\$11,000).

(c) The term of the loan assumption agreement shall be no more than ten (10) years from the date signed by the program participant and the Commission.

(d) The loan assumption agreement shall constitute a conditional warrant that may be redeemed with the Commission as specified in Section 30716.

Note: Authority cited: Section 69751, Education Code. Reference: Sections 66025.6, 69750.3, 69750.5, 69750.7, Education Code

Section 30716. Loan Payments

(a) A program participant may redeem the conditional warrant and the Commission shall make loan payments, pursuant to the loan assumption agreement and as provided in subsection (b), when the Commission has received the following information for each qualifying year of service for which payment is to be made:

- (1) from each lending institution, for each loan that qualifies for the assumption under the program and the loan assumption agreement:
 - (i) program participant's name and social security number;*
 - (ii) account number;*
 - (iii) interest rate;*
 - (iv) disbursement date;*
 - (v) payoff amount as of June 30;*
 - (vi) lending institution/servicer name;*
 - (vii) lending institution/servicer eight-digit identification code;*
 - (viii) address to which payment is to be sent;*
 - (ix) a signature of the lending institution official under penalty of perjury of the laws of the state of California certifying that this loan information is correct;*
 - (x) printed name, telephone number and email address of the lending institution official;**
- (2) certification from the Office of the Adjutant General that the program participant completed the year of satisfactory service required for a loan assumption payment to be made;*
- (3) verification from the institution of higher education or qualified vocational diploma program, of enrollment status or of academic leave of absence for the academic year corresponding with the year of military service or verification that participant has completed the vocational diploma program or a baccalaureate degree. Such*

verification is not required of participants who had completed their baccalaureate degree or vocational diploma program prior to acceptance as a participant in the program and submitted verification of completion with their application to the program pursuant to Section 30711.

(b) Loan payments made by the Commission shall be made by lump-sum payment to the lender, to be applied directly to the principal balance, if not otherwise prohibited by applicable law or by the terms of the loan agreement between the program participant and the lender. Payments shall first be made toward qualifying loans with the highest interest rates. The program participant shall continue to make payments as required under the terms of the loans to avoid defaulting on those loans, until notified by the lenders or loan servicers that the loans are paid in full.

Note: Authority cited: Section 69751, Education Code. Reference: Sections 69750.5, 69750.7 Education Code.

Section 30717. Failure to Comply with the Loan Assumption Agreement

(a) A program participant who fails to comply with the terms of the loan assumption agreement shall be withdrawn from the program. Failure to comply includes but is not limited to failing to complete one of the four consecutive years of military service, or to maintain the required enrollment in an institution of higher education or vocational diploma program, unless the participant was on academic leave of absence for active duty or completed a baccalaureate degree or the vocational diploma program. The program participant shall retain responsibility to continue to make any payments required under the terms of any outstanding loans to avoid defaulting on those loans.

(b) A program participant who is entitled to an academic leave of absence because he or she is on active duty, pursuant to Section 66025.6 of the Education Code, shall retain responsibility to continue to make any payments required under the terms of any outstanding loans to avoid defaulting on these loans.

Note: Authority cited: Section 69751, Education Code. Reference: Sections 66025.6, 69750.3, 69750.7, 69751 Education Code.

Section 30718. Development of Projections for Funding Purposes

The Commission shall use the number of active program participants at the end of each year and their application dates and number of years in the program to project the funding level required to provide loan payments under the program.

Note: Authority cited: Section 69751, Education Code. Reference: Section 69751(a), Education Code.

**CALIFORNIA STUDENT AID COMMISSION
P.O. Box 419029
Rancho Cordova, CA 95741-9029**

**AMENDMENT TO TITLE 5, CA CODE OF REGULATIONS TO ADOPT REGULATIONS
REGARDING
NATIONAL GUARD ASSUMPTION PROGRAM OF LOANS FOR EDUCATION
(NGAPLE) – (EDUCATION CODE 69750 *et seq.*)**

UPDATED INFORMATIVE DIGEST

The National Guard Assumption Program of Loans for Education (NGAPLE) is established in Education Code Sections 69750-69751.8. This program authorizes the California Student Aid Commission (CSAC) to make payments for student loans on behalf of program participants who took out those loans to finance their undergraduate education or specified vocational training. The loan payments would begin only after those program participants enlist, reenlist, or in the case of officers has committed to serve in the National Guard, the State Military Reserve, or the Naval Militia and after they complete one year of satisfactory military service. The participants are obligated to serve for four consecutive years to receive up to \$11,000 in loan payments. CSAC will select participants in the program from persons who apply and are nominated by the Office of the Adjutant General. The Legislature's stated intent for this loan assumption program is "to provide an incentive for persons to enlist or reenlist in the National Guard, the State Military Reserve, or the Naval Militia within the meaning of Section 66025.6 who seek, or who have completed, degrees at institutions of higher education within this state or who are enrolled in or have completed a program of instruction in a vocational diploma program, as defined in Section 94746, where enrollment qualifies a student for participation in the Federal Family Educational Loan program or any program approved by the Student Aid Commission for this purpose." (Educ. Code, Section 69750). CSAC is authorized by Education Code Section 69751 to adopt regulations to implement NGAPLE.

The proposed regulations implement, interpret, and make specific the NGAPLE requirements established in Education Code Sections 69750-69751.8. Specifically, the proposed regulations define terms; specify requirements for applicants to apply to participate in the program; specify requirements for the Office of the Adjutant General to nominate applicants to participate in the program; specify the process by which CSAC will select participants from nominated applicants; specify the requirements for loan assumption agreements between CSAC and participants; specify the requirements for CSAC to make loan payments on behalf of participants; specify the consequences of a participant's failure to comply with the terms of the loan assumption agreement; and specify the data CSAC will use to project funding level required to provide loan payments under the program.

There are no comparable provisions of federal law related to this proposal.

**CALIFORNIA STUDENT AID COMMISSION
P. O. Box 419029
Rancho Cordova, CA 95741-9026**

**AMENDMENT TO TITLE 5, DIVISION 4, CHAPTER 1, CA CODE OF REGULATIONS
REGARDING NATIONAL GUARD ASSUMPTION PROGRAM OF LOANS FOR
EDUCATION
(NGAPLE) – (EDUCATION CODE 69750 *et seq.*)**

FINAL STATEMENT OF REASONS

Introduction

The National Guard Assumption Program of Loans for Education (NGAPLE) is established in Education Code Sections 69750-69751.8. This program authorizes the California Student Aid Commission (CSAC) to make payments for student loans on behalf of program participants who took out those loans to finance their undergraduate education or specified vocational training. The loan payments would begin only after those program participants enlist, reenlist, or in the case of officers has committed to serve in the National Guard, the State Military Reserve, or the Naval Militia and after they complete one year of satisfactory military service. The participants are obligated to serve for four consecutive years to receive up to \$11,000 in loan payments. CSAC will select participants in the program from persons who apply and are nominated by the Office of the Adjutant General. The Legislature's stated intent for this loan assumption program is "to provide an incentive for persons to enlist or reenlist in the National Guard, the State Military Reserve, or the Naval Militia within the meaning of Section 66025.6 who seek, or who have completed, degrees at institutions of higher education within this state or who are enrolled in or have completed a program of instruction in a vocational diploma program, as defined in Section 94746, where enrollment qualifies a student for participation in the Federal Family Educational Loan program or any program approved by the Student Aid Commission for this purpose." (Educ. Code, Section 69750). CSAC is authorized by Education Code Section 69751 to adopt regulations to implement NGAPLE.

The regulations implement, interpret, and make specific the NGAPLE requirements established in Education Code sections 69750-69751.8.

Update of Information in the Initial Statement of Reasons

The specific purpose of each adoption, and the rationale for the determination that each adoption is reasonably necessary to carry out the purpose for which it is proposed, is as follows:

PROPOSED ARTICLE 14.5 – NATIONAL GUARD ASSUMPTION PROGRAM OF LOANS FOR EDUCATION

CSAC proposes the addition of a new Article to contain the regulations relating to NGAPLE.

Section 30710 – Definitions

This section defines the terms used in this Article.

Subsection (a) of Section 30710 defines “contingency operation.” Education Code Section 69751.2 (b) gives priority to applicants who have been called to full-time active military duty. The definition clarifies the meaning of active duty for this purpose consistent with Education Code Section 66025.6(a)(1).

Subsection (b) of Section 30710 defines “half-time basis” to mean half-time enrollment as determined by the California institution of higher education attended by the participant. This is necessary because Education Code Section 69750.7 requires, by reference to Education Code Section 66025.6(a)(2)(C), that a participant attending a California institution of higher education must be enrolled at least half-time to qualify for loan payments by CSAC. California institutions of higher education have different standards by which they determine whether a student is attending half-time. Rather than imposing a different definition solely for NGAPLE purposes, it is more efficient, and not inconsistent with the purposes of NGAPLE, to accept the institution of higher education’s standard for half-time enrollment.

Subsection (c) of Section 30710 defines “institution of higher education.” This definition clarifies that an institution of higher education must be post-secondary and must have a location in California. This is necessary because Education Code Section 69750 limits participation to persons who attend or attended an institution of higher education within this state.

Subsection (d) of Section 30710 defines “program” to mean NGAPLE. This simplifies the references to the program throughout the article.

Subsection (e) of Section 30710 defines “program participant” as a person who has a loan assumption agreement signed by both the participant and CSAC. This is necessary to distinguish a participant who has been selected and has an executed agreement with CSAC for loan payments, from a person who has only submitted an application to the Office of the Adjutant General, and from a person who has been nominated to participate by the Office of the Adjutant General, but has not been selected by CSAC.

Subsection (f) of Section 30710 defines “qualified vocational diploma program.” This definition is consistent with Education Code Section 69750, which limits participation to persons attending a vocational training program as defined in Education Code Section 94746.

Subsection (g) of Section 30710 defines “qualifying member.” This definition is consistent with Education Code Section 69750.7, which limits participation to a “qualifying member” as defined in Education Code Section 66025.6.

Subsection (h) of Section 30710 defines “satisfactory service” to mean performance consistent with the requirements of the Office of the Adjutant General. This definition is consistent with Education Code Sections 69750.5, 69750.7 and 66025.6, which require NGAPLE participants to perform satisfactory service as certified by the Military Department to be eligible for payments on their loans.

Section 30711 – Application to Participate in the Program

This section specifies the contents of an application to participate in NGAPLE. This is necessary to ensure that each applicant provides information necessary for CSAC to determine whether to select the applicant for participation in NGAPLE.

Subsection (a) of Section 30711 – This section specifies nominations must be received by a deadline to be established by CSAC each year. This section requires personal information for each applicant that is necessary for CSAC to identify and contact each applicant. This section also requires information for each applicant that is necessary to ensure that each applicant meets the eligibility requirements for NGAPLE participation established by Education Code Section 69750.3, to prioritize selection among applicants based on Education Code Section 69751.2, and to make the report to the Legislature required by Education Code Section 69751.3.

Subsection (b) of Section 30711 – This section requires the application to be dated and signed by the applicant under penalty of perjury under the laws of the State of California, and includes an affirmation that the applicant may be required to verify the accuracy of information reported on the application. This is necessary to obtain information with a degree of reliability to justify the expenditure of State funds for making payments on participant’s student loans.

Section 30712 – Nominations by the Office of the Adjutant General

This section specifies the process for the Office of the Adjutant General to submit applications to CSAC. This is necessary to assure that CSAC receives the information necessary to select program participants consistent with the eligibility and priority criteria in Education Code Sections 69750.3 and 69751.2.

Section 30713– Award Process

This section establishes the process by which CSAC will select participants for NGAPLE from the nominations submitted by the Office of the Adjutant General. This is consistent with Education Code Section 69751.8, which specifies that CSAC will select participants within the limits established in each annual budget year.

The section also provides that if a maximum allocation is not exhausted after the award process, CSAC may continue to accept nominations after the deadline and select program participants based on the date the nominations are received by CSAC. This section is necessary to clarify that the selection from among nominated students may continue even after the completion of the initial selection process until the maximum authorized number of participants is exhausted.

Section 30714 – Applicant Priority

Subsection (a) of Section 30714 – This specifies the priority to be followed in selecting participants from the nominees submitted by the Office of the Adjutant General as required by Education Code Section 69751.2, if the number of applicants exceeds available funding.

Subsection (b) of Section 30714 – This specifies the system that will be used to score applicants based on the type of active duty status, consistent with Education Code Section 69751.2. The scoring was developed by CSAC in consultation with the Office of the Adjutant General as required by Education Code Section 69751.

Subsection (c) of Section 30714 – This section specifies that CSAC will select nominees with the highest point totals. This is necessary to clarify how the selection criteria will be used. The section also provides that in the case of a tie, CSAC will select nominees based on the earliest date of receipt of the nomination by CSAC. This is necessary to provide clarity on how CSAC will choose from among equal scores when remaining awards are limited.

Section 30715 – Loan Assumption Agreements

This section clarifies the process and content of loan assumption agreements that will be provided to applicants upon their selection by CSAC to participate in NGAPLE.

Subsection (a) of Section 30715 – This section requires CSAC to provide a loan assumption agreement to each applicant who has been selected to participate in NGAPLE, and specifies that the loan assumption agreement is effective when it is signed by both the participant and CSAC. This section clarifies the effective date of the loan assumption agreement.

Subsection (b) of Section 30715 – This section establishes the contents of the loan assumption agreement. This section is necessary not only to clarify the content of the agreement between the participants who have been selected to participate in NGAPLE and CSAC, but also to inform those participants about their obligations and the conditions under which CSAC is authorized to make loan payments. This section is consistent with Education Code Sections 69750.3, 69750.5, 69750.7 and 66025.6.

Subsection (c) of Section 30715 – This section provides that the term of the loan assumption agreement shall be no more than 10 years from the date signed by the program participant and CSAC. This is necessary to implement the requirement in Education Code Section 69751 which requires CSAC to establish the period of time for which a warrant shall remain

valid. CSAC has determined that 10 years is an appropriate period to allow for participants to comply with the conditions for payment and obtain the benefit of the program.

Subsection (d) of Section 30715 – This section establishes that the loan assumption agreement constitutes a conditional warrant that may be redeemed under conditions specified in proposed Section 30716. This section is necessary to implement Education Code Section 69750.7 regarding conditions for payments to be made by CSAC.

Section 30716 – Loan Payments

This section specifies the process by which program participants may redeem their conditional warrants (loan assumption agreements) and CSAC may make loan payments on behalf of the program participants.

Subsection (a) of Section 30716 – This section specifies the information that a program participant must provide to CSAC before CSAC can begin making loan payments. This section is necessary to ensure compliance with requirements for payment in Education Code Sections 69750.5 and 69750.7, and to obtain information necessary for CSAC to identify each participant separately from every other participant, and to determine, process, and pay the appropriate amount of loan payment.

Subsection (b) of Section 30716 – This section specifies that loan payments are to be paid by CSAC in a lump sum, which is to be applied directly to the principal balance, that payments will first be made toward loans with the highest interest rates, and that program participants must continue to make payments as required under the terms of the loans to avoid defaulting on the loans. This section is necessary to clarify the method for loan payment by CSAC and to clarify program participants' continuing obligations on their loans.

Section 30717 – Failure to Comply with the Loan Assumption Agreement

This section specifies the consequences of a program participant's failure to comply with the requirements in the loan assumption agreement.

Subsection (a) of Section 30717 – This section specifies that a program participant who fails to meet eligibility requirements specified in proposed Section 30711(b), and mandated by Education Code Sections 69750.3 and 69750.7, including failing to complete the required four consecutive years of military service, will be withdrawn from the program and retain responsibility for any remaining loan obligations. This section is necessary to clarify the consequences of a program participant's failure to satisfy the obligations included in the loan assumption agreement.

Subsection (b) of Section 30717 – This section clarifies that a participant on a leave of absence for any academic session that a participant is unable to attend or complete because

of active duty status, pursuant to Education Code Section 66025.6, remains responsible for payment of loan obligations.

Section 30718 – Development of Projections for Funding Purposes

This section is necessary to implement the requirement in Education Code Section 69751(a) that CSAC include in its regulations provisions for the development of projections for funding purposes.

Summary of Comments and Responses

The Summary of Comments and Responses filed in Tab ____ of the Final Rulemaking File is incorporated herein as if fully set forth.

Other Statutory Requirements

CSAC has consulted with the California Military Department as required by Education Code Section 69751 (a) regarding the proposed regulations.

Local Mandates

This proposal does not impose a mandate on local agencies or school districts.

Fiscal Impact Estimates

This proposal does not impose costs on any local agency or school district for which reimbursement would be required pursuant to Part 7 (commencing with Section 17500) of Division 4 of the Government Code. This proposal does not impose other nondiscretionary costs or savings on local agencies. This proposal does not result in any cost or savings in federal funding to the state.

Costs or Savings to State Agencies

The statute is the driver of any expenditure that may be incurred to implement and to continue the program.

Existing law will have a fiscal impact to local assistance as benefits are paid to program participants. These regulations do not impose any additional fiscal obligation.

Starting in fiscal year 2006-2007, the California Student Aid Commission and the Office of Adjutant General will absorb all administrative costs to implement this program with existing resources. Existing law is mandating that the Office of Adjutant General process and approve NGAPLE applications and send nominations to the California Student Aid Commission to issue warrants to qualified participants of this program.

However, should the need for additional State Operations support or resources arise due to external or unforeseen program changes, Budget Change Proposals may be submitted to the Department of Finance demonstrating the program changes and impact to state operations. For example: If one additional position and a minimal amount of operating expense are needed in each agency, the potential fiscal impact to the Office of Adjutant General and the California Student Aid Commission, would be approximately \$100,000.00 and 80,000.00 respectively.

Effect on Housing Costs

This proposal does not affect housing costs.

Business Impact/Small Businesses

CSAC has determined that the proposed regulatory action would have no significant, statewide, adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states. The proposal would impose no cost upon business. The proposal does not affect small businesses as defined by Section 11342.610.

Assessment Regarding Effect on Jobs/Businesses

CSAC has determined that this regulatory proposal will not have any impact on the creation of jobs or new businesses or the elimination of jobs for existing businesses or the expansion of businesses in the State of California.

Cost Impact on Representative Person or Business

CSAC is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

Business Report

This regulatory proposal does not require a business report.

Alternatives

CSAC has determined that there are no alternatives that would be more effective, or equally effective and less burdensome, than the proposed regulations. No alternatives were proposed by any parties during the public comment period other than those comments included in the Summary of Comments and Responses filed in Tab ___ of the Final Rulemaking File.

**National Guard Assumption Program of Loans for Education (NGAPLE)
Comments on Proposed NGAPLE Regulations**

1. Section 30710 (g) (3)

“The attendance and program-driven definition of a qualifying studentexcludes a student who has completed an AA or AS degree in a California Community College or who has completed a vocational certificate program in a California Community College. The only “completion” eligibility is for a) a baccalaureate degree or b) a qualified vocational diploma program.”

“Please note the following minor concern (which I think is just a technical drafting error). The language..[Section 30710 (g) (3)] fails to mention the Federal Direct Loan Program as a qualifying source of loans. The Federal Direct Loan Program is mentioned in Section 30711 that ... describes the required application materials, but it also needs to be included in the regulation governing qualifications.”

2. Section 30710 (f)

“The definition of “qualified vocational diploma program” is precisely defined in these proposed regulations in Section 30710 (f) to mean those programs described in Section 94746 of the Education Code. This section of the Education Code (and this descriptive language) pertains solely to private postsecondary institutions. Also, further note that in your “Initial Statement of Reasons” you specifically note that the purpose behind this section is to limit participation to persons attending just these programs.”

“Thus, students who have completed AA or AS degrees or vocational certificate programs in the California Community Colleges are not eligible under these regulations, as proposed. I urge you to amend the regulations to ensure eligibility for such persons. This comment pertains to other sections of the regulations as well---wherever program eligibility is referenced [e.g. Section 30711 (a) (12)]. The omission should be corrected in all appropriate places.”

3. Section 30711 (a) (5)

“Why is the applicant required to report his/her ethnicity as part of the application? How will this information be used in the selection process?”

“Ethnicity should be an optional item on the application and it should be shielded so it can not be used as an element in selection”

4. Section 30711 (a) (8)

“Various problems completing online Free Application for Federal Student Aid (FAFSA) for those soldiers who will not be enrolled in school. (electronic FAFSA requires year attending and college will attend).”

**National Guard Assumption Program of Loans for Education (NGAPLE)
Responses to Comments on Proposed NGAPLE Regulations
(See attached Comments).**

1. Section 30710 (g) (3)

California Education Code Section 69750.7 (a) specifies “a qualifying member within the meaning of Section 66025.6. Commission staff pulled this definition directly from Section 66025.6 as specified by the law governing this program.

Per the comment regarding the Federal Direct Student Loan Program, Section 66025.6 did not mention this program by name in the definition of qualifying member. Staff used the definition as worded in 66025.6 for qualifying member. In Section 30711, the Federal Direct Student Loan Program was cited to clarify that it is eligible because it is an established program that the commission approves and falls under “any loan program approved by the Student Aid Commission” as stated in Section 66025.6. Staff named it in the application portion of the regulations because it will be helpful to applicants to know that this program is considered eligible for assumption benefits under NGAPLE.

2. Section 30710 (f)

California Education Code Section 69750.3 (a) (3) specifies “in a qualified vocational diploma program as defined in Section 94746.”

3. Section 30711 (a) (5)

California Education Code Section 69751.3 requires the California Student Aid Commission to report annually to Legislature the total number of participants in the program and the number of participants who receive loan assumption benefits categorized on the basis of age, ethnicity, and gender. An applicant’s ethnicity will not be used in the selection process.

4. Section 30711 (a) (8)

The Student Aid Report will be used to determine that an applicant meets priority standards of financially needy as specified in Section 69751.2. An applicant is not required to file an electronic Free Application for Federal Student Aid (FAFSA). They may complete a paper FAFSA and send it to the federal processor without naming a school or stating an educational level and it will process.

Comments on Proposed Rulemaking

Amendment to Title 5, CCR, Regarding the National Guard Assumption Program of Loans for Education (NGAPLE)

Mary Gill, Consultant
 Assembly Higher Education Committee
 January 8, 2007

COMMENT #1
PERTAINS TO:

Section 30710. Definitions

(g) Qualifying member

(3) has completed a baccalaureate degree, or is currently enrolled and in good standing in a program of undergraduate instruction, on at least a half-time basis, at an institution of higher education, or is enrolled in or has completed a program of instruction in a qualified vocational diploma program where enrollment qualifies a student for participation in the Federal Family Education Loan Program or any loan program approved by the Commission, or is on an academic leave of absence from such undergraduate or vocational diploma program pursuant to Section 66025.6(b).

The attendance and program-driven definition of a qualifying student as contained above excludes a student who has completed an AA or AS degree in a California Community College or who has completed a vocational certificate program in a California Community College. The only "completion" eligibility contained above is for a) a baccalaureate degree or b) a qualified vocational diploma program.

The definition of "qualified vocational diploma program" is precisely defined in these proposed regulations in Section 30710 (f) to mean those programs described in Section 94746 of the Education Code. This section of the Education Code (and this descriptive language) pertains solely to private postsecondary institutions. Also, further note that in your "Initial Statement of Reasons" you specifically note that the purpose behind this section is to limit participation to persons attending just these programs.

Thus, students who have completed AA or AS degrees or vocational certificate programs in the California Community Colleges are not eligible under these regulations, as proposed. I urge you to amend the regulations to ensure eligibility for such persons. This comment pertains to other sections of the regulations as well---wherever program eligibility is referenced [e.g. Section 30711 (a) (12)]. The omission should be corrected in all appropriate places.

COMMENT #2
PERTAINS TO:

Same section and subsection as provided above, but a different topic:

Please note the following minor concern (which I think is just a technical drafting error). The language above [Section 30710 (g) (3)] fails to mention the Federal Direct Loan Program as a qualifying source of loans. The Federal Direct Loan Program is mentioned in

Section 30711 that describes the required application materials, but it also needs to be included in the regulation governing qualifications.

COMMENT #3
PERTAINS TO:

Section 30711. Application to Participate in the Program
(a) (5) Ethnicity

Why is the applicant required to report his/her ethnicity as part of the application? How will this information be used in the selection process?

Ethnicity should be an optional item on the application and it should be shielded so it cannot be used as an element in selection.

.....

Thank you for your consideration of these comments.

Mary Gill
Consultant, Assembly Higher Education Committee
1020 N Street, Room 173
Sacramento, CA 95814
(916) 319-3962
mary.gill@asm.ca.gov

Dated 2/5/07 4:54 pm

Ms. Cortez-

I do have several issues that should be addressed via "public comment". Several weeks ago I did a "FAFSA test run" with one of our soldiers. This soldier is an officer, who has no plans on returning to school for another degree. In other words, this officer just wants NG APLE to pay for student loans which he previously incurred while earning his Bachelor Degree.

When this officer tried to complete the FAFSA, he ran into several difficulties. First, the web based computer program required that he list "what year in school" he would be. In order to proceed with the application, this soldier had to state he was either going to be a freshman, sophomore, junior, senior, or graduate student. In reality, this soldier was not going to be any of these categories, since he had already earned his BA and wasn't returning to graduate school.

Second, the web based FAFSA program then insisted that the soldier input the school he was going to be attending, so that his financial information could be forwarded. Once again, the soldier was unable to proceed with his application until a school was selected.

The feedback I received from the soldier following this application process was that he felt "uncomfortable" stating he was going to be attending an identified graduate school, when he really wasn't. It was this soldier's opinion that the required inaccuracies could be construed as an "integrity issue."

Since many of the California National Guard officers who will be applying for NG APLE will not be going back to school (i.e. they just want NG APLE to pay for their previously incurred student loans), I was wondering what would be the best way to address this issue.

Christine Waite
Education Services Officer
COM: (916) 854-3225
DSN: 466-3225
Fax: (916) 854-4247

www.virtualarmory.com - ARNG education benefits and much more
www.armyeducation.com - Info on Army education benefits
www.gibill.va.gov - VA education benefits
www.dantes.doded.mil - Info on TTT, DL testing and certification

www.soc.aascu.org - Info on colleges and degree programs

www.va.gov/pubaff/fedben/Fedben.pdf - BENEFITS FOR VETERANS AND DEPENDENTS

DANTES Web site called "Scholarships and Student Loans"

Two good scholarship data bases are:

(1) www.scholarships.com

(2) www.fastweb.com

**CALIFORNIA STUDENT AID COMMISSION
P.O. Box 419029
Rancho Cordova, CA 95741-9029**

NOTICE OF PROPOSED RULEMAKING

**AMENDMENT TO TITLE 5, CA CODE OF REGULATIONS TO ADOPT REGULATIONS
REGARDING
NATIONAL GUARD ASSUMPTION PROGRAM OF LOANS FOR EDUCATION
(NGAPLE) – (EDUCATION CODE 69750 *et seq.*)**

NATURE OF PROCEEDING

Notice is given that the California Student Aid Commission (CSAC) is proposing to adopt regulations regarding the National Guard Assumption Program of Loans for Education (NGAPLE), as described in the Informative Digest.

A public hearing regarding this proposal is currently not scheduled. However, any interested person or duly authorized representative may request, no later than 15 days before the close of the written comment period, that a public hearing be scheduled. Such request must be made to the contact person(s) identified below.

Following the public hearing, if one is requested, or following the written comment period, if no public hearing is requested, CSAC, upon its own motion or at the instance of any interested party, may thereafter adopt the proposals substantially as described below or may modify the proposals if the modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days before its adoption from the person(s) designated in this Notice as contact person(s) and will be mailed to those persons who submit written comments related to this proposal, or who provide oral testimony if a public hearing is held, or who have requested notification of any changes to the proposal.

Notice is also given that any interested person, or his or her authorized representative, may submit written comments relevant to the proposed regulatory action to:

California Student Aid Commission
Attention: Linda Brown
P. O. Box 419029
Rancho Cordova, CA 95741-9029

Comments may also be submitted by facsimile (FAX) at (916) 526-7977 or by e-mail to ccortez@csac.ca.gov. Comments must be received by 5:00 p.m. on February 5, 2007.

AUTHORITY AND REFERENCE

Pursuant to the authority vested by section 69751 of the Education Code, and to implement, interpret, or make specific sections 69750-69751.8 of the Education Code, CSAC is proposing to adopt Title 5 of the California Code of Regulations sections 30710-30718 to implement,

interpret, and make specific sections 69750-69751.8 of the Education Code establishing NGAPLE.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

The broad objective of this proposal is to implement, interpret and make specific the provisions of Education Code sections 69750-69751.8, which establish NGAPLE.

This program authorizes CSAC to make student loan payments on behalf of program participants who took out those loans to finance undergraduate education or specified vocational training. The loan payments would begin only after participants enlist or reenlist in the National Guard, the State Military Reserve, or the Naval Militia and after they complete one year of satisfactory military service. The students are obligated to serve for four consecutive years in the National Guard, the State Military Reserve, or the Naval Militia. CSAC will select participants in the program from applicants meeting specified criteria. The Legislature's stated intent for this loan assumption program is "to provide an incentive for persons to enlist or reenlist in the National Guard, the State Military Reserve, or the Naval Militia within the meaning of Section 66025.6 who seek, or who have completed, degrees at institutions of higher education within this state or who are enrolled in or have completed a program of instruction in a vocational diploma program, as defined in Section 94746, where enrollment qualifies a student for participation in the Federal Family Educational Loan program or any program approved by the Student Aid Commission for this purpose." (Ed. Code, Section 69750).

The proposed regulations would implement, interpret, and make specific the elements of NGAPLE. Specifically, the proposal would:

1. Define terms used in the regulations;
2. Establish and specify the requirements for applications to participate in the program;
3. Establish and specify the requirements for the nominations of applicants by the Office of the Adjutant General;
4. Establish the process by which CSAC will select program participants from among the nominated applicants;
5. Specify the requirements for loan assumption agreements between the selected program participants and CSAC;
6. Specify the requirements under which CSAC may make loan payments on behalf of the program participants;
7. Specify the consequences of a program participant's failure to complete the requirements for loan payments.

There are no comparable provisions of federal law related to this proposal.

OTHER STATUTORY REQUIREMENTS

CSAC has consulted with the California Military Department as required by Education Code Section 69751(a) regarding the proposed regulations.

LOCAL MANDATE

This proposal does not impose a mandate on local agencies or school districts.

FISCAL IMPACT ESTIMATES

This proposal does not impose costs on any local agency or school district for which reimbursement would be required pursuant to Part 7 (commencing with Section 17500) of Division 4 of the Government Code. This proposal does not impose other nondiscretionary cost or savings on local agencies. This proposal does not result in any cost or savings in federal funding to the state.

COSTS OR SAVINGS TO STATE AGENCIES

The statute is the driver of any expenditure that may be incurred to implement and to continue the program.

Existing law will have a fiscal impact to Local Assistance as benefits are paid to program participants. These regulations do not impose any additional fiscal obligation.

Starting in Fiscal Year 2006-07, the California Student Aid Commission and the Office of Adjutant General will absorb all administrative costs to implement this program with existing resources. Existing law is mandating that the Office of Adjutant General process and approve NGAPLE applications and send nominations to the California Student Aid Commission to issue warrants to qualified participants of this program.

However, should the need for additional State Operations support or resources arise due to external or unforeseen program changes, Budget Change Proposals may be submitted to the Department of Finance demonstrating the program changes and impact to State Operations. For example, if one additional position and a minimal amount of operating expense are needed in each agency, the potential fiscal impact to the Office of Adjutant General and the California Student Aid Commission would be approximately \$100,000 and \$80,000 respectively.

EFFECT ON HOUSING COSTS:

This proposal does not affect housing costs.

BUSINESS IMPACT/SMALL BUSINESSES

CSAC has made an initial determination that the proposed regulatory action would have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states. The proposal would

impose no costs upon business. The proposal does not affect small businesses as defined by section 11342.610.

ASSESSMENT REGARDING EFFECT ON JOBS/BUSINESSES

CSAC has determined that this regulatory proposal will not have any impact on the creation of jobs or new businesses or the elimination of jobs or existing businesses or the expansion of businesses in the State of California.

COST IMPACT ON REPRESENTATIVE PERSON OR BUSINESS

CSAC is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

BUSINESS REPORT

This regulatory proposal does not require a report.

ALTERNATIVES

CSAC must determine that no reasonable alternative considered by the agency, or that has otherwise been identified and brought to its attention, would be more effective in carrying out the purpose for which the adoption of this regulation is proposed, or would be as effective as and less burdensome to affected private persons than the proposed action.

CONTACT PERSONS

Inquiries concerning the proposed adoption of this regulation and written comment may be directed to:

Linda Brown
California Student Aid Commission
P. O. Box 419029
Rancho Cordova, CA 95741-9029

(916) 526-7599

or

Clarita Cortez
California Student Aid Commission
P. O. Box 419029
Rancho Cordova, CA 95741-9029

(916) 526-7953

AVAILABILITY OF TEXT OF PROPOSAL, INITIAL STATEMENT OF REASONS AND OTHER INFORMATION

Copies of the exact language of the proposed regulations and of the initial statement of reasons and all the information upon which the proposal is based may be obtained upon request from CSAC, P. O. Box 419029, Rancho Cordova, CA 95741-9029, addressed to the contact person(s) identified in this Notice. These documents may also be viewed and downloaded from the CSAC website at www.csac.ca.gov.

AVAILABILITY AND LOCATION OF THE FINAL STATEMENT OF REASONS AND RULEMAKING FILE

You may obtain a copy of the final statement of reasons once it has been prepared, by making a written request to the contact person named above.

**CALIFORNIA STUDENT AID COMMISSION
P. O. Box 419029
Rancho Cordova, CA 95741-9026**

**AMENDMENT TO TITLE 5, DIVISION 4, CHAPTER 1, CA CODE OF REGULATIONS
REGARDING NATIONAL GUARD ASSUMPTION PROGRAM OF LOANS FOR
EDUCATION
(NGAPLE) – (EDUCATION CODE 69750 *et seq.*)**

INITIAL STATEMENT OF REASONS

INTRODUCTION

The National Guard Assumption Program of Loans for Education (NGAPLE) is established in Education Code Sections 69750-69751.8. This program authorizes the California Student Aid Commission (CSAC) to make payments for student loans on behalf of program participants who took out those loans to finance their undergraduate education or specified vocational training. The loan payments would begin only after those program participants enlist, reenlist, or in the case of officers has committed to serve in the National Guard, the State Military Reserve, or the Naval Militia and after they complete one year of satisfactory military service. The participants are obligated to serve for four consecutive years to receive up to \$11,000 in loan payments. CSAC will select participants in the program from persons who apply and are nominated by the Office of the Adjutant General. The Legislature's stated intent for this loan assumption program is "to provide an incentive for persons to enlist or reenlist in the National Guard, the State Military Reserve, or the Naval Militia within the meaning of Section 66025.6 who seek, or who have completed, degrees at institutions of higher education within this state or who are enrolled in or have completed a program of instruction in a vocational diploma program, as defined in Section 94746, where enrollment qualifies a student for participation in the Federal Family Educational Loan program or any program approved by the Student Aid Commission for this purpose." (Educ. Code, Section 69750). CSAC is authorized by Education Code Section 69751 to adopt regulations to implement NGAPLE.

The proposed regulations implement, interpret, and make specific the NGAPLE requirements established in Education Code sections 69750-69751.8.

The specific purpose of each proposed adoption, and the rationale for the determination that each adoption is reasonably necessary to carry out the purpose for which it is proposed, is as follows:

PROPOSED ARTICLE 14.5 – NATIONAL GUARD ASSUMPTION PROGRAM OF LOANS FOR EDUCATION

CSAC proposes the addition of a new Article to contain the regulations relating to NGAPLE.

Section 30710 – Definitions

This section defines the terms used in this Article.

Subsection (a) of Section 30710 defines “contingency operation.” Education Code Section 69751.2 (b) gives priority to applicants who have been called to full-time active military duty. The definition clarifies the meaning of active duty for this purpose consistent with Education Code Section 66025.6(a)(1).

Subsection (b) of Section 30710 defines “half-time basis” to mean half-time enrollment as determined by the California institution of higher education attended by the participant. This is necessary because Education Code Section 69750.7 requires, by reference to Education Code Section 66025.6(a)(2)(C), that a participant attending a California institution of higher education must be enrolled at least half-time to qualify for loan payments by CSAC. California institutions of higher education have different standards by which they determine whether a student is attending half-time. Rather than imposing a different definition solely for NGAPLE purposes, it is more efficient, and not inconsistent with the purposes of NGAPLE, to accept the institution of higher education’s standard for half-time enrollment.

Subsection (c) of Section 30710 defines “institution of higher education.” This definition clarifies that an institution of higher education must be post-secondary and must have a location in California. This is necessary because Education Code Section 69750 limits participation to persons who attend or attended an institution of higher education within this state.

Subsection (d) of Section 30710 defines “program” to mean NGAPLE. This simplifies the references to the program throughout the article.

Subsection (e) of Section 30710 defines “program participant” as a person who has a loan assumption agreement signed by both the participant and CSAC. This is necessary to distinguish a participant who has been selected and has an executed agreement with CSAC for loan payments, from a person who has only submitted an application to the Office of the Adjutant General, and from a person who has been nominated to participate by the Office of the Adjutant General, but has not been selected by CSAC.

Subsection (f) of Section 30710 defines “qualified vocational diploma program.” This definition is consistent with Education Code Section 69750, which limits participation to persons attending a vocational training program as defined in Education Code Section 94746.

Subsection (g) of Section 30710 defines “qualifying member.” This definition is consistent with Education Code Section 69750.7, which limits participation to a “qualifying member” as defined in Education Code Section 66025.6.

Subsection (h) of Section 30710 defines “satisfactory service” to mean performance consistent with the requirements of the Office of the Adjutant General. This definition is consistent with Education Code Sections 69750.5, 69750.7 and 66025.6, which require NGAPLE participants to perform satisfactory service as certified by the Military Department to be eligible for payments on their loans.

Section 30711 – Application to Participate in the Program

This section specifies the contents of an application to participate in NGAPLE. This is necessary to ensure that each applicant provides information necessary for CSAC to determine whether to select the applicant for participation in NGAPLE.

Subsection (a) of Section 30711 – This section specifies nominations must be received by a deadline to be established by CSAC each year. This section requires personal information for each applicant that is necessary for CSAC to identify and contact each applicant. This section also requires information for each applicant that is necessary to ensure that each applicant meets the eligibility requirements for NGAPLE participation established by Education Code Section 69750.3, to prioritize selection among applicants based on Education Code Section 69751.2, and to make the report to the Legislature required by Education Code Section 69751.3.

Subsection (b) of Section 30711 – This section requires the application to be dated and signed by the applicant under penalty of perjury under the laws of the State of California, and includes an affirmation that the applicant may be required to verify the accuracy of information reported on the application. This is necessary to obtain information with a degree of reliability to justify the expenditure of State funds for making payments on participant’s student loans.

Section 30712 – Nominations by the Office of the Adjutant General

This section specifies the process for the Office of the Adjutant General to submit applications to CSAC. This is necessary to assure that CSAC receives the information necessary to select program participants consistent with the eligibility and priority criteria in Education Code Sections 69750.3 and 69751.2.

Section 30713– Award Process

This section establishes the process by which CSAC will select participants for NGAPLE from the nominations submitted by the Office of the Adjutant General. This is consistent with Education Code Section 69751.8, which specifies that CSAC will select participants within the limits established in each annual budget year.

The section also provides that if a maximum allocation is not exhausted after the award process, CSAC may continue to accept nominations after the deadline and select program

participants based on the date the nominations are received by CSAC. This section is necessary to clarify that the selection from among nominated students may continue even after the completion of the initial selection process until the maximum authorized number of participants is exhausted.

Section 30714 – Applicant Priority

Subsection (a) of Section 30714 – This specifies the priority to be followed in selecting participants from the nominees submitted by the Office of the Adjutant General as required by Education Code Section 69751.2, if the number of applicants exceeds available funding.

Subsection (b) of Section 30714 – This specifies the system that will be used to score applicants based on the type of active duty status, consistent with Education Code Section 69751.2. The scoring was developed by CSAC in consultation with the Office of the Adjutant General as required by Education Code Section 69751.

Subsection (c) of Section 30714 – This section specifies that CSAC will select nominees with the highest point totals. This is necessary to clarify how the selection criteria will be used. The section also provides that in the case of a tie, CSAC will select nominees based on the earliest date of receipt of the nomination by CSAC. This is necessary to provide clarity on how CSAC will choose from among equal scores when remaining awards are limited.

Section 30715 – Loan Assumption Agreements

This section clarifies the process and content of loan assumption agreements that will be provided to applicants upon their selection by CSAC to participate in NGAPLE.

Subsection (a) of Section 30715 – This section requires CSAC to provide a loan assumption agreement to each applicant who has been selected to participate in NGAPLE, and specifies that the loan assumption agreement is effective when it is signed by both the participant and CSAC. This section clarifies the effective date of the loan assumption agreement.

Subsection (b) of Section 30715 – This section establishes the contents of the loan assumption agreement. This section is necessary not only to clarify the content of the agreement between the participants who have been selected to participate in NGAPLE and CSAC, but also to inform those participants about their obligations and the conditions under which CSAC is authorized to make loan payments. This section is consistent with Education Code Sections 69750.3, 69750.5, 69750.7 and 66025.6.

Subsection (c) of Section 30715 – This section provides that the term of the loan assumption agreement shall be no more than 10 years from the date signed by the program participant and CSAC. This is necessary to implement the requirement in Education Code Section 69751 which requires CSAC to establish the period of time for which a warrant shall remain valid. CSAC has determined that 10 years is an appropriate period to allow for participants to comply with the conditions for payment and obtain the benefit of the program.

Subsection (d) of Section 30715 – This section establishes that the loan assumption agreement constitutes a conditional warrant that may be redeemed under conditions specified in proposed Section 30716. This section is necessary to implement Education Code Section 69750.7 regarding conditions for payments to be made by CSAC.

Section 30716 – Loan Payments

This section specifies the process by which program participants may redeem their conditional warrants (loan assumption agreements) and CSAC may make loan payments on behalf of the program participants.

Subsection (a) of Section 30716 – This section specifies the information that a program participant must provide to CSAC before CSAC can begin making loan payments. This section is necessary to ensure compliance with requirements for payment in Education Code Sections 69750.5 and 69750.7, and to obtain information necessary for CSAC to identify each participant separately from every other participant, and to determine, process, and pay the appropriate amount of loan payment.

Subsection (b) of Section 30716 – This section specifies that loan payments are to be paid by CSAC in a lump sum, which is to be applied directly to the principal balance, that payments will first be made toward loans with the highest interest rates, and that program participants must continue to make payments as required under the terms of the loans to avoid defaulting on the loans. This section is necessary to clarify the method for loan payment by CSAC and to clarify program participants' continuing obligations on their loans.

Section 30717 – Failure to Comply with the Loan Assumption Agreement

This section specifies the consequences of a program participant's failure to comply with the requirements in the loan assumption agreement.

Subsection (a) of Section 30717 – This section specifies that a program participant who fails to meet eligibility requirements specified in proposed Section 30711(b), and mandated by Education Code Sections 69750.3 and 69750.7, including failing to complete the required four consecutive years of military service, will be withdrawn from the program and retain responsibility for any remaining loan obligations. This section is necessary to clarify the consequences of a program participant's failure to satisfy the obligations included in the loan assumption agreement.

Subsection (b) of Section 30717 – This section clarifies that a participant on a leave of absence for any academic session that a participant is unable to attend or complete because of active duty status, pursuant to Education Code Section 66025.6, remains responsible for payment of loan obligations.

Section 30718 – Development of Projections for Funding Purposes

This section is necessary to implement the requirement in Education Code Section 69751(a) that CSAC include in its regulations provisions for the development of projections for funding purposes.

3.3

Information Item

California Student Aid Commission

Update on Status of Revised New Institutional Participation Agreement (IPA)

The purpose of this tab is to provide the Commission with an update of the revision process and copies of the most recent draft of the proposed Institutional Participation Agreement (IPA), the current IPA, and a time-line for remaining review, comment, revision, and submission of the new IPA to the full Commission for approval.

In an effort to ensure the most comprehensive input from stakeholders, advisory bodies, and California Student Aid Commission (CSAC) management and staff in the development of the new IPA, the process for revision was started more than one year prior to the document's anticipated July 1, 2007 release.

The quest for extensive contribution also required a broad course of action. A request was made to participating institutions for initial comments and suggestions on potential revisions to the IPA. The Executive Director, accompanied by key CSAC staff, conducted three site visits to discuss the draft IPA with school administrators and financial aid personnel. Input on the development of the new IPA was solicited from the Advisory and Enhancements (A&E) Workgroup at four of their regularly scheduled meetings in 2006. The Grant Advisory Committee (GAC) met on seven different occasions to receive updates on the revision and to discuss various, draft IPA provisions. IPA provisions that remain open for discussion include:

1. High school graduation verification (language not yet incorporated in the draft),
2. Summer term and final reconciliation (Article IV C. 3),
3. Grade point average (GPA) certification (not to be incorporated in the IPA),
4. California residency determination date and verification (Article IV A. 6),
5. Interest-bearing accounts (Article III D.), and
6. Line-by-line analysis and wordsmithing.

Lastly, CSAC Executive Management and staff met internally on at least 10 instances to review GAC and other stakeholder recommendations and to discuss internal concerns regarding compliance with statute and efficiently and securely administering Cal Grant Program funds.

At the time these documents were being prepared for the Commissioners, CSAC staff was preparing the draft IPA and an accompanying Grant Special Alert (GSA) for distribution to stakeholders for their assessment. This public comment period is scheduled to commence on Friday, February 16, 2007, and conclude on Wednesday, March 28. Copies of the draft IPA are to be sent to the institutions' President/Chancellor/CEO, Financial Aid Administrator (FAA), Registrar, Business Office, and Information Security Officer (ISO) with a summary outlining substantive changes from the current IPA. During this period, CSAC staff, in cooperation with CASFAA and CCCSFAAA leaders, is set to host a minimum of two stakeholder meetings and one CCCConfer web conference to discuss the community's comments and implementation issues.

Following public comment, a synthesis of the comments received along with CSAC staff response will be presented to GAC for its final recommendations. Once all revisions have been integrated or addressed, CSAC staff will present a finalized draft to the full Commission for approval at its April meeting.

Immediately after approval, CSAC staff will distribute the new IPA for institutional completion. The institutions will have until June 8 to return the signed IPA and supporting documents to CSAC. CSAC staff plans to have all IPAs processed and signed by the Commission's representative by the current IPA's June 30 expiration date. The attached documents include:

1. Draft IPA
2. Current IPA
3. Timeline for IPA

Recommended Action: For information only. No action required.

Responsible Staff: Catalina Mistler, Chief
Program Administration & Services Division

Tom Mays, Director
Public Affairs Branch

Bryan Dickason, Manager
School Support Services Branch and
Cal Grant Operations Branch

Lori Nezhura, Analyst
School Support Services Branch



**CAL GRANT PROGRAMS
RENEWAL
INSTITUTIONAL PARTICIPATION AGREEMENT**

Name of Institution: _____

Address of Institution: _____

USED School Identification Number: _____

Return to:
California Student Aid Commission
Program Administration & Services Division
ATTN: School Support Services
PO Box 419028
Rancho Cordova, CA 95741-9028

Execution of this Agreement is mandatory for participation in the California Student Aid Commission's Cal Grant Programs.

ARTICLE I

Cal Grant Program Administration - Participation

The California Student Aid Commission (“Commission”) and _____, hereafter referred to as the “Institution,” agree to the terms contained in this Institutional Participation Agreement (Agreement).

The Institution desires to participate as an agent of the Commission for the limited purpose of taking part in the Commission’s internal procedures of the administration of the Cal Grant Program. This Agreement governs the Institution’s eligibility to participate as the Commission’s limited agent in the Commission’s internal procedures of the administration of all Cal Grant Program awards.

This Agreement applies only to campus(es) indicated on this Agreement as listed in Article IX. A new Agreement is required for the addition of any added campus(es).

This Agreement terminates and the Institution’s participation in the Commission’s internal procedures of the administration of the Cal Grant Program ends on the date of any shift in control or change of ownership as defined in Article VII. If the new controlling party or new owner wishes to continue Cal Grant participation, a new Agreement must be completed and executed.

Federal or state law or regulations, as amended, shall prevail if the terms of this Agreement are not consistent with federal or state law or regulations, as amended.

ARTICLE II

Cal Grant Program Administration - General Provisions

- A. The Institution must satisfy the minimum requirements for participation in the Cal Grant Program for postsecondary institutions in California established in California Education Code (CEC) 69432.7(l) and the Title 5 of the California Code of Regulations (CCR), Section 30009. To that end, the Institution certifies that it satisfies one of the following subsections:
- B. The Institution is a non-public postsecondary institution approved by the United States Department of Education (USED) to participate in the Federal Pell Grant program and two of the three federal campus-based student aid programs. The three federal campus-based programs are the Federal Work-Study, the Federal Perkins Loan and the Federal Supplemental Educational Opportunity Grant (SEOG) programs [CEC 69432.7(l)(1)]. Specifically, participation in the campus-based programs means the postsecondary institution has been allocated funds and is spending those funds at each additional location/campus/site/branch (campus) that Cal Grant recipients attend. These program requirements are set forth in 5 CCR 30009(b).
- C. The Institution is a nonprofit postsecondary institution headquartered and operating in California that: (a) expends ten (10) percent of the institution’s operating budget, as demonstrated in an audited financial statement, for the purposes of institutionally funded student financial aid in the form of grants, (b) has demonstrated to the Commission that

it has the administrative capability to administer the funds, and (c) is accredited by the Western Association of Schools and Colleges [CEC 69432.7(l)(2) and 5 CCR 30009 (c)].

- D. The Institution is a California public postsecondary educational institution [CEC 69432.7(l)(3)].
- E. The Institution shall be deemed disqualified if it no longer possesses all of the requirements for a qualifying institution [5 CCR 30009(d)]. The Institution shall immediately notify the Commission whenever it fails to meet the minimum qualifications for participation stated in subsection A.
- F. The Institution agrees to maintain standards of administrative capability and financial stability in accordance with federal and state law and regulations as applicable.
- G. The Institution agrees to use and retain program and fiscal records (*Appendix B*) that demonstrate institutional and student eligibility, and that document the accuracy of the grant payments reported and the right of the Institution to receive or retain payments made by the Commission. The Institution shall retain these records for a period of three (3) years following the last day of the academic year for which the grant was intended.
- H. The Institution shall maintain written policies and procedures governing the administration and processing of Cal Grant funds under this Agreement.
- I. The Institution agrees to use Cal Grant funds transferred to it solely for the purposes specified, and in accordance with the provisions set forth in the respective program statutes, federal and state regulations and procedures, the California Grant Programs Manual (CGPM) including manual updates, policy bulletins, operations memos, special alerts, and this Agreement.
- J. The Institution acknowledges that no Cal Grant funds are authorized for a fiscal year until such time as that fiscal year's budget has been adopted by the Legislature and signed by the Governor. It is further understood that if such funds are not approved for a fiscal year, the State and the Commission shall be relieved of further payments and this Agreement will be canceled; if proposed funding amounts are reduced, this Agreement is limited to the approved amounts only.
- K. The Institution agrees to maintain a current designation of individuals who are responsible for coordinating and communicating with the Commission on matters related to the provisions of this Agreement.
- L. The Institution agrees to make available at the time of program compliance review, or at any time at the request of the Commission staff, any records and personnel related to the administration of the Commission's Cal Grant Program.
- M. The Institution agrees that it is subject to and must comply with all current and applicable federal and state law and regulations in its implementation of the terms of this Agreement. The Institution agrees that noncompliance with any of these provisions may result in the termination of this Agreement and the privileges that are afforded under it.

ARTICLE III

Cal Grant Program Administration - Account Maintenance – Institutional Responsibilities

- A. The Institution agrees that participation in the administration of the Cal Grant Program is an Institution-wide responsibility. The Institution agrees that student information in the possession of any office or division of the Institution constitutes information in the possession of the Institution. The Institution agrees to manage its participation in the Cal Grant Program, and to coordinate information of Cal Grant funds and Cal Grant recipients, among all offices (i.e. financial aid office, accounting/bursar’s office, registrar’s office, admissions office, etc.).
- B. The Institution agrees to maintain a current designation of individuals who are responsible for Cal Grant account maintenance through adherence to accepted accounting principles and practices. The Institution also agrees to maintain a separation of function/duties between individuals who authorize and disburse Cal Grant funds so that no one individual is responsible for both functions.
- C. The Institution agrees to maintain an accounting system which conforms to generally accepted accounting principles and practices that includes such items as, but is not limited to, cash receipts and disbursement journals, bank account reconciliation, evidence of receipt of Cal Grant funds, disbursement of Cal Grant funds to recipients, and all other accounting records necessary to account for all transactions. All Cal Grant funds must be properly recorded and allocated to the appropriate award year for which the funds were advanced and disbursed.

D. Option 1

The Institution agrees that all Cal Grant funds, including term advances transferred by the Commission pursuant to Education Code section 69432.8, constitute State funds, owned by the State, and held in trust for the State, until the funds are withdrawn to be paid as an award for an eligible Cal Grant recipient or are withdrawn as directed by the Commission.

- 1) The Institution shall hold all Cal Grant funds in a separate, designated account identified as the property of the State.
 - a) The separate account must be an interest-bearing account at a financial institution in California whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC) or secured by collateral of value reasonably equivalent to the amount of Cal Grant Program funds in the account.
 - b) Annual interest earned on Cal Grant funds in the separate account constitute State funds and must be remitted to the Commission on behalf of the State no later than October 1 following the award year for which the interest accrued (e.g. October 1, 2007, for award year 2006-07).
- 2) The Institution shall not commingle any other funds with the Cal Grant funds in the separate account.
- 3) The Institution has a fiduciary responsibility to ensure that Cal Grant funds are used only for the benefit of eligible students. Under no circumstances may the Institution

use Cal Grant funds in the separate account for any other purpose, such as paying operating expenses, collateralizing or otherwise securing a loan, or earning interest or generating revenue in a manner that risks the loss of Cal Grant funds or subjects Cal Grant funds to liens or other attachments (such as would be the case with certain overnight investment arrangements or sweeps).

D. Option 2

The Institution agrees that all Cal Grant funds, including term advances transferred by the Commission pursuant to Education Code section 69432.8, constitute State funds, owned by the State, and held in trust for the State, until the funds are withdrawn to be paid as an award for an eligible Cal Grant recipient or as otherwise directed by the Commission.

- 1) The Institution shall hold all Cal Grant funds in a designated account identified as the property of the State according to one of the following two designations:
 - i. Public Institutions may hold Cal Grant funds in a separate bank account or may commingle Cal Grant funds with funds from other sources, but must identify the Cal Grant funds through a subsidiary ledger.
 - a. Absent a separate bank account, the Public Institution must ensure that its accounting records clearly reflect that it segregates Cal Grant funds as readily as if those funds were in a separate account; and
 - b. The Public Institution must identify earnings on Cal Grant funds in the Institution's bank or investment account.
 - ii. Private non-profit and for-profit Institutions must hold Cal Grant funds in a separate account. The Institution shall not commingle any other funds with the Cal Grant funds in the separate account.
- 2) The account in which Cal Grant funds are held must be an interest-bearing account at a financial institution in California whose accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC) or secured by collateral of value reasonably equivalent to the amount of Cal Grant Program funds in the account.
- 3) Annual interest earned on Cal Grant funds constitute State funds and must be remitted to the Commission on behalf of the State no later than October 1 following the award year for which the interest accrued (e.g. October 1, 2007, for award year 2006-07).
- 4) Both Public Institutions and Private Institutions have a fiduciary responsibility to ensure that State funds are used only for the benefit of eligible students. Under no circumstances may a Public or Private Institution use State funds for any other purpose, such as paying operating expenses, collateralizing or otherwise securing a loan, or earning interest or generating revenue in a manner that risks the loss of State funds or subjects State funds to liens or other attachments (such as would be the case with certain overnight investment arrangements or sweeps).

- E. Should the Institution close, lose federal financial aid eligibility, or no longer meet the statutory definition of an eligible institution, or upon termination of this Agreement, the Institution agrees to return any undisbursed funds or pay any outstanding invoices immediately.
- F. The Institution shall not request State funds from the Commission unless the funds are payable as Cal Grant awards for specific recipients enrolled in the Institution, and only after the Institution has determined, based on all information in the possession of the Institution, that the Cal Grant awards to those recipients are properly payable.

ARTICLE IV

Cal Grant Program Administration - Disbursement - Institutional Responsibilities

The Institution understands and agrees to carry out the following responsibilities at the time Cal Grant funds are paid as a Cal Grant award to the recipient or to the recipient's account. These must include but are not limited to:

- A. Confirmation of General Eligibility: Confirm that the recipient meets all eligibility and program requirements using all existing information [institutional student information record (ISIR), student self-certification, federal verification documentation, etc.] in the possession of the Institution [CEC 69432.7(k)]. Report to the Commission any conflicting information concerning the following criteria that may affect the disbursement of Cal Grant funds:
 - 1) the recipient is a U.S. citizen or an eligible non-citizen [CEC 69433.9 (a)].
 - 2) the recipient has met U.S. Selective Service requirements [CEC 69433.9 (b)].
 - 3) the recipient has a valid Social Security number [CEC 69433.9 (a)].
 - 4) the recipient is not in default on any Title IV educational loan or owes a refund on any Title IV grant (e.g. Federal Pell or Federal SEOG) or any State grant program administered by the Commission (CEC 69507.5) (CEC 69517.5) [CEC 69433.9 (d)].
 - 5) the recipient is not incarcerated [CEC 69433.9 (c)].
 - 6) the recipient is a legal California state resident for at least one year [CEC 69433.5 (a)] as of
 - i. residence determination date established by the applicable governing boards or district governing boards of the University of California, the California State University, the California Maritime Academy, or a California Community College, for public institutions [CEC 68022, 68023] or
 - ii. September 20, for private for-profit and non-profit institutions.
 - 7) the recipient is enrolled in an eligible program or course of study [CEC 69433.5 (e)].

- 8) the recipient does not have a bachelor's or professional degree before receiving a Cal Grant (except for post baccalaureate students enrolled in teaching credential programs) [CEC 69433.5 (d) (2)].
- 9) the designated recipient's participation in an eligible post-graduate teaching credential or mandatory 5th year program is approved by the Commission [CEC 69433.6 (b)&(c)].
- 10) the attendance status for each recipient on the grant roster is at least part-time as defined in CEC 69432.7 and in accordance with the established institutional policies and requirements in the CGPM, including manual updates, policy bulletins, operations memos, special alerts, and this Agreement. [CEC 69434.(b)(6), 69435.3(a)(6), 69436.(b)(6), 69437.3(c)]
- 11) the recipient demonstrates financial need at the Institution according to federal financial need methodology [CEC 69432.9 (b)].
- 12) the recipient with a new award has family income and assets at/below the published Cal Grant ceilings [CEC 69432.7 (k)].
- 13) the recipient is complying with the Institution's satisfactory academic progress policies [CEC69433.5 (a)].
- 14) for a Community College Transfer Entitlement Award, the student was a resident of California at the time of high school graduation or its equivalent [CEC 69433.9 (e)].

B. Disbursement of Cal Grant Funds

- 1) Establish and maintain a written disbursement policy and schedule that includes the Institution's enrollment/payment periods reported to the Commission and is proportional in length and in accordance with the applicable requirements specified for each educational program.
 - i. Determine course attendance according to the recipient's attendance status at the time Cal Grant funds are paid.
 - ii. Disburse Cal Grant funds within ten (10) business days of verification of attendance status.
 - iii. Disburse no more than that which the recipient is eligible to receive per academic term.
 - iv. Report payment transactions through WebGrants or data files as early as practicable, but no later than sixty (60) days following the end of the term.
 - v. Correct any overawards by adjusting other need-based financial assistance, reallocating non-need based financial assistance, offsetting subsequent term payments, or returning the overage to the Commission.
 - vi. Make all disbursements and adjustments no later than December 31, following the end of the award year (e.g. December 31, 2007, for award year 2006-07).

- 2) Establish and maintain a written refund policy that includes the Cal Grant Program(s).
 - i. In the case of a refund (i.e. if a recipient withdraws, drops out or is expelled for a term for which a payment has been made), recalculate based upon the Institution's refund policy and determine the portion to be returned to the Commission on behalf of the State.
 - ii. Cal Grant funds may not be used for reimbursement to the federal government.
- 3) Establish and publish a policy that informs students of their options regarding receipt of Cal Grant "Access" or "Books and Supplies" funds. (i.e. If institutional policy is to apply "Access" or "Books and Supplies" to outstanding balances on the student's account, the student must have the ability to request personal receipt of the funds prior to disbursement.)

C. Reconciliation of Cal Grant Funds

- 1) Establish a written reconciliation policy that details the procedures for reconciling Cal Grant funds received and disbursed by the Institution for each award year.
- 2) Term Reconciliation
 - i. Institutions are required to reconcile payments no later than sixty (60) days after the end of the term.
 - ii. Term reconciliation does not preclude adjustments after that date.
- 3) Final Reconciliation
 - i. All Cal Grant funds must be properly recorded and allocated to the appropriate award year for which the funds were advanced and disbursed.
 - ii. Reconcile all award year Cal Grant funds received and disbursed by the Institution no later than December 31 following the award year (e.g. December 31, 2007, for the 2006-07 award year). The Institution must report adjusted payment transactions for payment transactions previously reported in error.
 - iii. The final reconciliation of Cal Grant program expenditures is to be on a student-by-student basis.
 - iv. Upon final award year reconciliation by the Institution, the Institution shall repay any Cal Grant funds in excess of the reconciled amount to the Commission. Upon final reconciliation by the Commission, the Institution shall be invoiced for excess funds. The invoice shall be due and payable to the Commission within 30 days of the invoice date. The Institution agrees to resolve any reconciliation discrepancies with the Commission.
 - v. Certify the accuracy of all payment transactions submitted to the Commission to reflect the current status of the student at the time of disbursement.

- vi. Any excess or undisbursed Cal Grant funds must be returned to the Commission upon final reconciliation or invoicing.
 - vii. An institution may not apply excess Cal Grant funds to any other student's account or to any prior or future year accounts.
 - viii. Agree to pay any institutional liability that is determined as a result of a program compliance review within the time specified in the program review report.
 - ix. Liability to the Commission for the Institution's actions or omissions under this Agreement shall not exceed the actual amount of Cal Grant funds that the Institution is not entitled to retain.
 - x. Failure by the Institution to take action on Cal Grant funds that the Institution is ineligible to retain may constitute noncompliance and may result in the termination of this Agreement thereby terminating the Institution's participation in the Cal Grant Programs.
- D. Submit annual College Cost Estimate forms to the Commission by the deadline specified.

ARTICLE V

Cal Grant Program Administration - Commission's Responsibilities

- A. Make a preliminary determination of an applicants' eligibility for Commission-administered grant programs by evaluating their financial information and program specific data as provided on the Free Application for Federal Student Aid (FAFSA), the verified Grade Point Average (GPA), and any other selection criteria.
- B. Provide the Institution with information, training and ongoing assistance with respect to the Institution's participation in the administration of the Cal Grant Program.
- C. Generate and provide electronic data files and Grant Rosters to the Institution of potentially eligible recipients that include names, unique identifiers and payment amounts.
- D. Provide the Institution with procedures for completing payment transactions.
- E. Notify the Institution of accepted and rejected payment transactions.
- F. Reconcile accepted payment transactions.
- G. Provide the State Controller's Office with the documentation needed to issue Electronic Funds Transfer (EFT) or mail warrants for payment to the Institution.
- H. Provide the Institution with regularly updated electronic data and Grant Rosters identifying reconciled payments.
- I. Invoice the Institution for funds due the Commission as a result of the final reconciliation process and notify the Institution if funds will be withheld pending the return of delinquent repayments.

- J. Notify and instruct the Institution of any Cal Grant Program changes due to statute and/or procedure through Governmental Operational Memos (GOM), Governmental Special Alerts (GSA), Governmental Policy Bulletins (GPB), and CGPM updates.
- K. Perform program review of the Institution's management of Cal Grant funds for compliance with federal and state law and regulations and this Agreement.

ARTICLE VI

Cal Grant Program Administration - Information Security

The Information Security components of this Agreement are to control access to the Commission's information processing facilities and data by the Institution, as well as require (per FTC Safeguards Rule) certain levels of Information Security and privacy compliance for Institutions that access, retrieve, store, use, modify, transfer, dispose of, destroy, or delete Commission data. For purposes used within this Agreement, Non-public Personal Information (NPI), Personally Identifying Information (PII) and financial information shall be identified as Confidential information.

Information Security – Institutional Responsibilities

The Institution will comply with all applicable federal, California and local information security, confidentiality and privacy laws and regulations, Commission policies and requirements pertaining to the proper access, creation, modification, handling, storage, transfer, transmission, dissemination, sharing or destruction of confidential information pertaining to the Commission.

The Institution will additionally abide by the following requirements as a condition of access to the Commission's data and network. The Commission reserves the right to monitor or revoke access to the Commission's network and data to the Institution or individual staff member(s).

Institution's Administrative Authorization for Access and Roles/Responsibilities

- A. The Institution will maintain a historical record that identifies to the Commission or its representative, the identification of the individual(s) who access the Commission's network or create or update GDS Web Grants transactions with the Commission's data for three (3) years following the last day of the award year.
- B. The Institution will designate a single individual as the Authorized_Official (AO), who will then designate a maximum of two other individuals as the Institution's System Administrator(s) (SA).
- C. The Institution's AO will grant authority to the Institution's SA(s) to create or disable individual user accounts for that Institution's staff to access the Commission's network and data. The AO will not have SA authority or responsibility.
- D. The AO and SA(s) will be required to submit an accurate and complete "Information Security and Confidentiality Agreement" and "System Administrator's Access Request Form" to the Commission before access to the Commission's network and data is granted. If the AO and SA(s) are different at each Institution location (campus), separate "Confidentiality Agreement" and "System Administrator's Access Request Form(s)" must

be completed and sent to the Commission. Copies of this documentation shall also remain at the Institution.

- E. Any change in the designation of the Institution's AO or SA(s) will require that a new "Information Security and Confidentiality Agreement" as well as new copies of the "System Administrator's Access Request Form" be sent to the Commission immediately. Copies of this documentation of this shall also remain at the Institution.
- F. The Institution's SA(s) will immediately disable the password and ID of any employee or agent of the Institution whose change in employment status or duties no longer requires access to the Commission's network or data. Copies of this documentation of this action shall remain at the Institution.
- G. The Institution's SA(s) will ensure that all Institution employees or agents that require WebGrants (GDS) access will sign a "Grant Delivery System (GDS) WebGrants User Access Request Form", prior to being granted access to the WebGrants System. Such access will be granted for a period of time not to exceed 1 year, and shall be renewed upon completion of annual training in areas of information security, privacy and confidentiality. Copies of this documentation shall remain at the institution.

Essential Practices in Promoting and Implementing Information Security

- H. Passwords and user identification numbers (IDs) are to be treated as Confidential information. Employees or agents of the Institution shall not share passwords and IDs. Passwords will be changed on a regular basis, as required by the Commission.
- I. Confidential Commission data or assets that are no longer required for use by the Institution, for Commission compliance reviews or unless otherwise determined by the Commission, based upon a mutually agreeable time or contract, shall be returned or destroyed in a secure manner, ensuring that no reconstruction or derivation of the data, media or materials is possible.
- J. The Institution shall establish training programs and acceptable use policies for Institution employees regarding information security, privacy and confidentiality of Commission data.
- K. The Institution will establish and enforce policies to ensure that Commission data and network access are conducted from secured systems onsite within the Institution, or via encrypted networks from offsite locations. Offsite locations shall have encrypted hard drives and storage devices and shall not provide a bridging capability from unsecured networks into Commission networks.
- L. The Institution will notify the Commission immediately of any security, integrity or confidentiality incident(s) involving Commission data or network exposure by contacting the Commission's ITS Help Desk at 888-294-0148. Such incidents may include, but are not limited to unauthorized or accidental modification, destruction, disclosure, loss, or access to automated files and databases, as well as incidents involving loss, damage or misuse of information assets. Such incidents shall be followed up with a written report of the incident, signed by the AO and the Institution's Chief Executive Officer and submitted to the Commission's Information Security Officer (ISO) within ten (10) business days.

- M. No Commission data or assets shall be transferred to a third party or its agents without express written permission by the Commission's ISO. Verification of individual data with the respective individual or their lawfully designated agent(s) is permissible.
- N. To the extent authorized by law and caused by the negligence or intentional misconduct of itself, its employees or agents, the Institution will accept liability for any direct or consequential damages to the Commission, its network or data.
- O. The Institution will ensure that information transmitted electronically or otherwise to the Commission has been examined and is complete and accurate to the best of its knowledge.
- P. No faxes or unencrypted email containing Confidential data shall be sent to the Commission.
- Q. All storage media or electronically transferred correspondence sent between the Institution and the Commission containing Confidential data must be encrypted or transferred via an encrypted communications session. Passwords, decryption devices, or decryption methods required to access the data must be sent separately via a different communications method.

Information Security – Commission’s Responsibilities

The Commission will comply with all applicable federal, California and local information security, confidentiality and privacy laws, regulations and requirements pertaining to the proper access, creation, modification, handling, storage, transfer, transmission, dissemination, sharing or destruction of confidential information pertaining to the Institution.

- A. Account changes submitted by the Institution will be reviewed, acknowledged and incorporated within three (3) business days.
- B. The Commission shall issue periodic communications to address Information Security concerns.
- C. The Commission will ensure that information transmitted electronically or otherwise to the Institution has been examined and is complete and accurate to the best of its knowledge.
- D. No faxes or unencrypted email containing Confidential data shall be sent to the Institution.
- E. All correspondence transferred electronically or on storage media between the Commission and the Institution containing Confidential data must be encrypted or transferred via an encrypted communications session. Passwords, decryption devices, or decryption methods required to access the data must be sent separately via a different communications method.
- F. The Commission will periodically audit the security-related records of the Commission and the Institution to ensure that proper levels of access to the Commission’s data and networks by proper individual(s) identified by the Institution is correct, current and complete.

ARTICLE VII

Remedies

The Institution is subject to the following remedies for failure to comply with the terms of this Agreement:

- A. The Commission may withhold processing future payment transactions for the Institution;
- B. The Commission may withhold issuing Cal Grant Funds to the Institution;
- C. The Commission may withhold term advances to the Institution for future academic years.

The Commission shall provide the Institution written notice of its intent to impose one of these remedies thirty (30) calendar days prior to such action.

The Commission may also terminate this Agreement as provided in Article VIII, section B.

ARTICLE VIII

Agreement Duration

This Agreement is effective when it is executed by the Commission's representative. This is generally later than its execution by the Institution's representative. It supersedes any prior Agreements executed between the Commission and the Institution.

- A. The Agreement automatically terminates with any of the following occurrences:
 - 1) The Institution closes or stops providing eligible educational programs;
 - 2) The Institution's federal Program Participation Agreement is terminated;
 - 3) The Institution's accrediting agency has withdrawn its approval;
 - 4) The Institution undergoes a change which results in one of the following:
 - i. a shift in control,
 - ii. change of ownership,
 - iii. or any other significant change in the control of the institution (excluding change of Chancellor, Chief Executive Officer, or President);
 - 5) The Institution or additional site no longer possesses all of the requirements for a qualifying institution;
 - 6) The Institution undergoes a change of name;
 - 7) The Institution's Chief Executive Officer requests termination of this Agreement in writing; or

8) June 30, 2010.

B. The Commission's representative may terminate this Agreement in writing for the following occurrences:

- 1) The Institution does not demonstrate that they can provide adequate administration of the Cal Grant Program(s);
- 2) The Institution does not demonstrate financial stability;
- 3) The Institution has not returned Cal Grant funds addressed in either a Cal Grant institution review or any outstanding invoices within the required time frame;
- 4) The Institution fails to comply with the terms of this Agreement.

The Commission shall provide the Institution written notice of its intent to terminate the Agreement forty-five (45) calendar days prior to such action.

ARTICLE IX

Certification

As Chancellor/Chief Executive Officer/President of this Institution, I agree that this Institution and its “campus(es)” (if any) will comply with all state and federal statutes and regulations, rules, and guidelines applicable under this Agreement.

Name and Address of Main Campus:

Office of
Postsecondary
Education
Identification (OPE
ID) Number

Name(s), Address(es), and Phone Number(s) of Additional Locations(s) included in this Agreement (attach additional pages if necessary):

OPE ID Number

Please indicate which of the following section(s) establish your Institution’s eligibility to participate in the Cal Grant Programs. Many institutions’ eligibility is established through Section 69432.7(l)(1) or (3) or 69440(a) of the CEC.

If your Institution is seeking to establish eligibility through Section 69432.7(l)(2) of the CEC, please complete the “Financial Statement and Demonstration of Administrative Capability to Participate in the Cal Grant Programs” form.

Check any box(es) applicable to your Institution:

Section 69432.7(l)(1) of the CEC states: “Qualifying institution” means the following:

“Any California private or independent postsecondary educational institution that participates in the Pell Grant program and in at least two of the following federal campus-based student aid programs: (A) Federal Work-Study, (B) Perkins Loan Program, [and] (C) Supplemental Educational Opportunity Grant Program [SEOG].” Participation in the campus-based programs means the Institution or site has applied for, been allocated funds, and is spending those funds. Participation in the Federal Pell Grant program means that students are eligible to be paid Federal Pell Grant funds for attendance at the Institution.

This Institution meets the requirements of Section 69432.7(l)(1) of the CEC.

Section 69432.7(l)(2) of the CEC states: “Qualifying institution” means the following:

“Any nonprofit institution headquartered and operating in California that certifies to the commission that ten (10) percent of the institution’s operating budget, as demonstrated in an audited financial statement, is expended for the purposes of institutionally funded student financial aid in the form of grants, that demonstrates to the commission that it has the administrative capacity to administer the funds, that is accredited by the Western Association of Schools and Colleges.

This Institution meets the requirements of Section 69432.7(l)(2) of the CEC.

Section 69432.7(l)(3) of the CEC states: “Qualifying institution” means the following:

“Any California public postsecondary educational institution.”

This Institution meets the requirements of Section 69432.7(l)(3) of the CEC.

Additional requirements:

Section 66290 of the CEC states:

“Prior to receipt of any state financial assistance or state student financial aid, a postsecondary educational institution shall provide assurance to the agency administering the funds, in the manner required by the funding agency, that each program or activity conducted by the postsecondary educational institution will be conducted in compliance with this chapter and all other applicable provisions of state law prohibiting discrimination on the basis of sex. A single assurance, not more than one page in length and signed by an appropriate responsible official of the postsecondary educational institution, may be provided for all the programs and activities conducted by a postsecondary educational institution.”

This Institution meets the requirements of Section 66290 of the CEC.

I certify that the Institution is eligible to participate in the Cal Grant Programs and will immediately notify the Commission if the Institution ceases to be eligible under Sections 69432.7(l)(1), (2) or (3), 69440(a) of the CEC, or Article VI of this Agreement.

Signature: Chancellor/Chief Executive Officer/President of Institution

Date

Type or Print Name and Title

[Redacted]

Signature: Chief, Program Administration & Services Division

Date

DRAFT

Appendix A

Definitions

Academic Year: An "academic year" is July 1 to June 30, inclusive. The starting date of a session shall determine the academic year in which it is included as defined in CEC 69432.7(a). See "Award Year."

Access: Component of Cal Grant B award that is intended to be used for student living expenses.

Administrative Capability: In order to participate in the Cal Grant programs schools must be financially responsible and have the resources to properly administer the requirements of the program.

Advances, Cal Grant Funds: Each year after the state budget is passed, or in mid-August, whichever is later, the Commission may advance money to each participating school in order for schools to begin making payments to eligible students.

Assets: Cash on hand in checking and savings accounts; trusts, stocks, bonds, other securities; real estate (excluding home), income-producing property, business equipment, and business inventory. Considered in determining Expected Family Contribution (EFC).

Attendance Status: The amount of time the student is currently attending school. For the purposes of Cal Grant payment reporting, students can be enrolled full-time, half-time, or three-quarter time.

Authorized Official (AO): A single individual that is designated by the Institution's Financial Aid Director to select up to two (2) separate individuals as System Administrator(s) for the Institution. Respective Institution campus locations may have their own AO's. The AO does not perform System Administrator functions.

Award Year: One academic year, or the equivalent, of attendance at a qualified institution as defined in 69432.7(c). See "Academic Year."

Books and Supplies: Component of the Cal Grant C award that students can use for educational related expenses.

California Code of Regulations or C.C.R.: The body of regulations promulgated to administer and regulate California laws. Commonly referred to as the "regulations."

California Education Code or C.E.C.: The legal statutes that authorize the Student Aid Commission and Cal Grant programs. Commonly referred to as the "law."

Citizen, U.S.: Cal Grant awards are available only to students who, in addition to being California residents, are U.S. Citizens or eligible non-citizens. The definition of U.S. Citizen and eligible non-citizen for the purposes of Cal Grant is the same as the requirement for federal Title IV student financial assistance.

College Cost Estimate Form: Submitted to the Commission by the Institution annually to update cost of attendance figures for use in determining new Cal Grant applicant eligibility.

Compliance Review: A review performed by Commission auditors to verify compliance with Cal Grant and Specialized Programs laws and policies. Penalties for being out of compliance can include reimbursement of funds, suspension and termination from the Cal Grant program.

Confidential: Broad classification assigned to data or systems used to transfer such data. Such a classification denotes a level of value for which disclosure can bring some level of harm or damage.

Decryption: The process or ability to remove encryption from data, thereby making the data readable or usable.

Department of Education, U.S. (USED): The section of the federal government that administers federal assistance to students enrolled in postsecondary educational programs. USED programs include: Federal Pell Grant, Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), Federal Family Education Loan (FFEL) Programs, and William D. Ford Federal Direct Loan (Direct Loan) Program.

Disbursement of Funds: Cal Grant funds are disbursed when a school credits a student's account with funds or pays a student directly.

EFT: Electronic Funds Transfer. Process by which Cal Grant funds are automatically transferred directly from the state Controller's Office to the participating Institution into the Institution's specified account.

Electronically Transferred Correspondence: Any electronic transfer or transmission of data between two or more parties. This can include, but is not limited to email, zipped files or other attachments, ftp transfers, telnet sessions, etc.

Encrypted Hard drives: Hard disk drives contained within or attached to a computer system that are encrypted and do not allow any readable access to the data contained on it without the application of a password or decryption device, typically upon boot-up. USB and similar memory storage devices appear as a disk drive to computers and should be encrypted as well.

Encrypted Networks: Computer networks (virtual or real) utilizing encryption to provide a path for data transmission without the ability to eavesdrop on the data being transmitted.

FAFSA: See Free Application for Federal Student Aid.

Federal Pell Grant: A federal grant program for needy postsecondary students who have not yet received a baccalaureate or first professional degree; administered by the U.S. Department of Education.

Federal Perkins Loan: A long term, low interest loan program for both undergraduate and graduate students at a current interest rate of 5%. The Perkins loan is one of the "campus-based" programs that can be used to qualify for Cal Grants on an institutional basis.

Federal Supplemental Educational Opportunity Grant (FSEOG): One of the campus-based programs; grants to undergraduate students of exceptional financial need who have not completed their first baccalaureate degree. Priority for FSEOG awards must be given to Federal Pell Grant recipients with the lowest EFCs. FSEOG is one of the "campus-based" programs that can be used to qualify for Cal Grants on an institutional basis.

Federal Verification: A process by which a financial aid office substantiates the data that a financial aid applicant has reported on a financial aid application. Additional information from the student, a spouse, and the parents is used to confirm previously submitted data.

Federal Work-Study Program (FWS): One of the campus-based programs; a part-time employment program which provides jobs for undergraduate and graduate students who are in need of such earnings to meet a portion of their educational expenses. Federal Work-Study is one of the “campus-based” programs that can be used to qualify for Cal Grants on an institutional basis.

Financial Need: The difference between the Institution’s cost of attendance and the family’s ability to pay (i.e., Expected Family Contribution). Ability to pay is represented by the expected family contribution for federal need-based aid and for many state and institutional programs.

Final Reconciliation: The reconciliation of all award year Cal Grant funds received and disbursed by the Institution no later than December 31 following the award year (e.g., December 31, 2007, for the 2006-2007 award year).

Free Application for Federal Student Aid (FAFSA): The federal financial aid application completed by the student and the student’s parents (if applicable) that collects household and financial information. The FAFSA is the foundation document for all federal need analysis computations and database matches performed for a student.

FSEOG: See Federal Supplemental Educational Opportunity Grant.

GPA: Grade Point Average. For Cal Grant purposes the GPA must be calculated in accordance with state regulations

Grade Point Average (GPA): An average of a student’s grades, converted to a 4.00 scale (4.00 is an A, 3.00 is a B, and 2.00 is a C). Submission of a verified GPA is required for Cal Grant A and Cal Grant B consideration.

Grant Roster: List of eligible Cal Grant recipients at a particular school.

Independent Post-secondary Institution: Private college that is not run by a government organization.

Information Security: Protection of information systems against unauthorized access to or modification of information, whether in storage, processing or transit, and against the denial of service to authorized users or the provision of service to unauthorized users, including those measures necessary to detect, document, and counter such threats.

Institutional Participation Agreement (Agreement or IPA): This is the contractual agreement between the Student Aid Commission and the schools that participate in the Cal Grant program. Schools must have a signed IPA on file with the Commission to participate in the Cal Grant program. The IPA is updated about every three years.

Institutional Student Information Record (ISIR): Institutional Student Information Record. The electronic record produced when the FAFSA is processed. An ISIR is sent to each college listed on the FAFSA and the state agency in the student’s residence state. The ISIR contains all of the SAR data, plus the student’s National Student Loan Data System (NSLDS) records.

Non-public Personal Information (NPI): Such information includes

- A. Personally identifiable financial information -
 - (i) provided by a consumer to a financial institution;
 - (ii) resulting from any transaction with the consumer or any service performed for the consumer; or
 - (iii) otherwise obtained by the financial institution.
- B. Such term does not include publicly available information.

OPE ID: Office of Postsecondary Education Identification provided by the U.S. Department of Education. A six (6) digit number followed by a two (2) digit suffix.

Overaward: The condition of disbursing financial aid in excess of the amount for which the student is eligible.

Payment: Disbursing Cal Grant funds to a student directly, or depositing Cal Grants funds directly into the student's school account.

Pell Grant: Federal financial aid program. The amount of the Pell Grant awarded to a renewal student must be subtracted from a renewal Cal Grant student's financial need.

Personally Identifying Information (PII): Any piece of information which can potentially be used to uniquely identify, contact, or locate a single person.

Proprietary Post-secondary Institution: See Independent Post-secondary Institution

Public Post-secondary Institution: The public institutions of higher education in California include the UC system, CSU system and California Community College system.

Reconciliation: Verification that Cal Grant funds are being disbursed to each student in the correct amounts and that all payments have been properly reported to the California Student Aid Commission. See "Term Reconciliation" and "Final Reconciliation."

Residency: The student has been physically present in California for more than one year prior to the residence determination date and came here with the intent to make California his/her home as opposed to coming to this state to go to school. The residence of the parent with whom an unmarried minor child maintains his or her place of abode is the residence of the unmarried minor child. The residence of an unmarried minor who has a parent living cannot be changed by his or her own act, by the appointment of a legal guardian, or by relinquishment of a parent's right of control. Every person who is married or 18 years of age establishes his/her own residence [CEC 68061, 68062(f), 68062(g)]

SEOG: Supplemental Educational Opportunity Grant (FSEOG)

Security, Integrity or Confidentiality Incidents: Any event that reflects an unauthorized access, loss, disclosure, destruction, modification or misuse to a computer system, network or data. Each incident must be reported immediately to the Commission, with a followup written report of the incident signed by the AO and the Institution's Chief Executive Officer submitted within 10 business days to the Commission's Information Security Officer.

Selection: The Commission's review of applicant eligibility and awarding of Cal Grants.

State Controller’s Office (SCO): State agency that authorized and issues payment and advances of Cal Grant funds to participating schools.

Storage Media: Any device capable of holding information. This can include paper records, CDROM/DVD type devices, USB/memory-type devices or disk drives.

System Administrator (SA): Individual tasked to perform System Administrator-related tasks on the GDS WebGrants system on behalf of the Institution (ie, account create/delete). There are a maximum of two (2) SA's assigned per Institution, however, individual campus locations may have their own respective SA's, provided they perform such tasks as specified above for the individuals attending the Institution at that campus location.

TCP: Teaching Credential Program. As used in relation to the Cal Grant program a post-baccalaureate program of study that leads to a California teaching credential. Cal Grant benefits for students in a teaching credential program are referred to as TCP benefits.

Term: Refers to a school’s academic term or Cal Grant payment period in the case of a non-term based institution.

Term Reconciliation: The reconciliation of all term Cal Grant funds received and disbursed by the Institution no later than sixty (60) days after the end of each term.

Title IV Programs: Those federal student aid programs authorized under Title IV of the Higher Education Act of 1965, as amended. Includes: the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant, Federal Work Study, Federal Perkins Loan, Federal Stafford Loan, Federal PLUS Loan, Direct Loan, Direct PLUS Loan, the Leveraging Educational Assistance Partnership (LEAP), and the Special Leveraging Educational Assistance Partnership (SLEAP).

USED: United States Department of Education (Also, DOE, USDE, ED)

Unencrypted: Data that has not been encrypted to prevent potential unauthorized use or disclosure.

WebGrants: The Student Aid Commission’s Internet based access to the Cal Grant Delivery System database. Schools can review their Cal Grant rosters and report payments and student demographic changes to the Commission.

Appendix B

Program and fiscal records include, but are not limited to:

1. Student eligibility:
 - A. Documentation of California residency
 - B. Financial aid applications and forms
 - C. Need analysis and packaging information for each recipient to support renewal unmet need reported to Commission and to support final award package
 - D. Award letters and Institutional Student Information Record (ISIR)
 - E. Full academic transcripts and Add/Drop Screens (SAP and enrollment verification)
 - F. Enrollment agreements (if applicable)
 - G. Declaration of academic major/program
 - H. Cost of Attendance (Student Expense Budgets)
 - I. Documentation of Professional Judgment (if applicable)
2. Institution Eligibility
 - A. The current authority to operate from the California Bureau for Private Postsecondary and Vocational Education, if applicable
 - B. Written policies and procedures
 - C. All application school catalogs and term academic calendars
 - D. The most recent Independent Auditors Report (Financial Statements and OMB Circular A-133 Compliance) and the Institution's audit response
 - E. The latest Fiscal Operation Report and Application to Participate (FISAP), Part VI, Section A (Program Summary for Award Year)
3. Fiscal Administration
 - A. Detailed Cal Grant fund ledger(s) that show the deposit of Commission advances and disbursement of grant awards for the award year. Ledgers must contain a beginning and ending balance.
 - B. Bank statements identifying the deposit of Cal Grant advances for the award year. If Cal Grant deposits combined with other deposits, keep deposit slips detailing each item deposited.
 - C. Chart of accounts and financial aid account related codes
 - D. Individual student account ledgers
 - E. Proof of receipt of Access and Book/Supply funds by student, such as:
 - Front and back copies of negotiated checks
 - School bank statement used for tracking each students' payment(s), or
 - Written authorization from the student to credit payment to other school charges
 - F. Accounting procedures necessary to explain the application or distribution of Cal Grant funds
 - G. Refund payments made to the Commission
4. WebGrants Information Security and Confidentiality Agreement and user forms
5. Your current organizational chart
6. Any other records that the school feels are pertinent to explaining the Institution's administration of the grant program

**CALIFORNIA STUDENT AID COMMISSION
CAL GRANT PROGRAMS**

**Institutional Participation Agreement
For Renewing Postsecondary Institutions**

Name of Institution: _____

Address of Institution: _____

USED School Identification Number: _____

Return to:
California Student Aid Commission
Grant Services Division
ATTN: Institutional Participation Section
PO Box 419028
Rancho Cordova, CA 95741-9028

Execution of this Agreement is mandatory for participation in the California Student Aid Commission's Cal Grant Programs.

INTRODUCTION

- A. The minimum requirements for participation in the Cal Grant Programs for postsecondary institutions in California are established in California Education Code (CEC) 69432.7(l) and the California Code of Regulations (CCR) Title 5, Section 30009.
- (1) For non-public postsecondary institutions to participate in the Cal Grant Programs, an institution must be approved by the United States Department of Education (USED) to participate in the Federal Pell Grant program and two of the three federal campus-based student aid programs. The campus-based programs include Federal Work-Study, Federal Perkins Loan and the Federal Supplemental Educational Opportunity Grant (SEOG) programs [CEC 69432.7(l)(1)]. Specifically, participation in the campus-based programs means the postsecondary institution has been allocated funds and is spending those funds at each campus/site/branch ("campus") that Cal Grant recipients attend. These program requirements are set forth in CCR 30009(b).
 - (2) For non-public postsecondary institutions, California law allows an exception to the requirement of participation in the federal student aid programs. Cal Grant awards may be utilized at any nonprofit institution headquartered and operating in California that: (a) certifies to the Commission that ten (10) percent of the institution's operating budget, as demonstrated in an audited financial statement, is expended for the purposes of institutionally funded student financial aid in the form of grants, (b) demonstrates to the Commission that it has the administrative capability to administer the funds, and (c) is accredited by the Western Association of Schools and Colleges [CEC 69432.7(l)(2) and CCR 30009 (c)].
 - (3) A California public postsecondary educational institution or program may participate in the Cal Grant Programs [CEC 69432.7(l)(3)].
- B. Commencing with the 2001-02 academic year and each academic year thereafter, Cal Grant T awards shall be used only for tuition and student fees for a maximum of one academic year of full-time attendance in a program of professional preparation that has been approved by the California Commission on Teacher Credentialing [CEC 69440(a)].
- C. An otherwise qualifying institution shall be deemed disqualified if it no longer possesses all of the requirements for a qualifying institution [CCR 30009(d)].
- D. If a shift in control or change of ownership of an institution occurs, the Agreement expires and the institution's Cal Grant participation ends on the date of the shift in control or change of ownership. If the new controlling party or new owner wishes to continue Cal Grant participation, a new Agreement must be completed.
- E. This Agreement covers only campus(es) indicated on this Agreement. A new Agreement is required for any additional campus.
- F. As used in this Agreement, "academic year" and "award year" mean July 1 to June 30 as defined in CEC 69432.7.

ARTICLE I

Participation

The Commission and _____ hereafter referred to as the "Institution" agree to the terms contained in this Agreement.

This Agreement governs the Institution's eligibility to participate in and ability to receive funds for all of the Cal Grant Programs administered by the Commission.

ARTICLE II

General Provisions

- A. The Institution agrees to use Cal Grant funds provided to it solely for the purposes specified, and in accordance with the provisions set forth in the respective program statutes, federal and state regulations and procedures, the California Grant Programs Manual including manual updates, policy bulletins, operations memos, and special alerts.
- B. The Institution acknowledges that no Cal Grant funds have been authorized for a fiscal year until such time as that fiscal year's budget has been adopted by the Legislature and signed by the Governor. It is further understood that if such funds are not approved for a fiscal year, the State and the Commission shall be relieved of further payments and this Agreement will be canceled; if proposed funding amounts are reduced, this Agreement will be limited to the approved amounts only.
- C. The Institution agrees to maintain standards of administrative capability and financial stability in accordance with state and federal law and regulations as applicable. The Institution shall maintain documentation that allows the Commission to determine its adherence to fiscal responsibility and standards.
- D. The Institution agrees to establish written policies and procedures that provide security and confidentiality of all recipients' personal identification information, payments, financial history and other related confidential information and documents as required under state and federal law and regulations.
- E. When the Institution participates through the Commission's electronic system, the Institution agrees to comply with the Information Security and Confidentiality Agreement.
- F. The Institution agrees to maintain a current designation of individuals who are responsible for coordinating and communicating with the Commission on matters related to the provisions of this Agreement.
- G. The Institution shall maintain written policies and procedures governing the administration and processing of Cal Grant funds under this Agreement.
- H. The Institution agrees to retain comprehensive and accurate program and fiscal records that demonstrate institutional and student eligibility that fully documents the accuracy of the grant payments reported and the right of the Institution to receive or retain payments made by the Commission for a period of three (3) years following the last day of the period for which the grant was intended.

- I. The Institution agrees to make available at the time of program compliance review, or at the request of the Commission, any records and personnel related to the administration of the Commission's Cal Grant Programs.
- J. The Institution agrees that it is subject to and must comply with all current and applicable state and federal law and regulations in its enforcement of the terms of this Agreement. The Institution agrees that noncompliance with any of these provisions may result in the termination of this Agreement and the privileges that are afforded under it. The Commission shall provide the Institution written notice of its intent to terminate the Agreement ten (10) days prior to such action.

ARTICLE III

Cal Grant Account Maintenance – Institutional Responsibilities

- A. The Institution agrees to maintain all Commission Cal Grant funds in a designated account identified as the property of the State either by a ledger account or a bank account.
 - 1) The Institution may deposit funds from various sources including Cal Grant funds into one bank account, but must identify the Cal Grant funds by using subsidiary ledgers. All activity (deposits and expenditures) of Cal Grant funds must be supported by appropriate accounting records in accordance with generally accepted accounting principles and practices.
 - 2) The Institution may establish a separate bank account designated for Cal Grant funds.
 - 3) Interest earned on Cal Grant funds in these accounts must be returned to the Commission on behalf of the State.
- B. Should the Institution close, lose federal financial aid eligibility, or no longer meet the statutory definition of an eligible institution, or upon termination of this Agreement, the Institution agrees to return any undisbursed funds or pay any outstanding invoices within ten (10) days.
- C. The Institution agrees to maintain a current designation of individuals who are responsible for Cal Grant account maintenance and adherence to accepted accounting practices and principles. The Institution also agrees to maintain a separate designation of individuals who authorize and disburse Cal Grant funds so that no one individual is responsible for both functions.

ARTICLE IV

Cal Grant Disbursement - Institutional Responsibilities

The Institution understands and agrees to carry out the following responsibilities at the time Cal Grant funds are transferred to the recipient or to the recipient's account. These must include but are not limited to:

Tab 3.3.b Current IPA

- A. **Verification of Eligibility:** Verify the recipient meets all eligibility and program requirements and resolve any conflicting information before disbursing Cal Grant funds.
- B. **Confirmation of Eligibility:** Confirm and document that students listed on a Commission roster or other award notification meet basic eligibility requirements including California residency, financial need and appropriate program eligibility.
- C. **Disbursement of Cal Grant Funds:**
- 1) Establish a written disbursement policy consistent with the Commission's policies and guidelines.
 - 2) Establish a written disbursement schedule consistent with the start dates of the Institution's enrollment periods and in accordance with the applicable requirements specified for each educational program.
 - 3) Determine course attendance according to the recipient's attendance status at the time Cal Grant funds are paid. Disburse "Access" and "Books and Supplies" payments within ten (10) days of verification of enrollment status.
 - 4) Disburse no more than that which the recipient is eligible to receive per academic term. The Institution must use its institutional refund policy to determine the portion to be returned to the Commission on behalf of the State. Cal Grant funds may not be used for reimbursement to the federal government.
 - 5) Regularly submit payment transactions through WebGrants, data files, or the Grant Roster.
 - 6) Make all disbursements no later than September 30 following the end of the award year (e.g., September 30, 2003, for award year 2002-03).
 - 7) Establish and publish a policy that informs students of their options regarding receipt of Cal Grant funds and their subsequent ability to rescind their existing instructions at any time.
- D. **Accounting/Reconciliation:**
- 1) Maintain an accounting system which conforms to generally accepted accounting principles and practices that includes such items as, but is not limited to, cash receipts and disbursement journals, bank account reconciliation, evidence of receipt of funds by recipients or credit of funds to recipients, and all other accounting records necessary to account for all transactions.
 - 2) Reconcile all Cal Grant funds received and disbursed by the Institution no later than October 15 following the award year (e.g., October 15, 2003, for the 2002-03 award year). The Institution must report adjusted payment transactions for payment transactions previously reported in error that result in a payment exceeding the recipient's eligibility.

Upon final reconciliation by the Institution, the Institution shall repay any Cal Grant funds in excess of the reconciled amount to the Commission. Upon final reconciliation by the Commission, the Institution shall be invoiced for excess funds.

Tab 3.3.b Current IPA

- The invoice shall be due and payable to the Commission within 30 days of receipt of the invoice. The Institution agrees to resolve any reconciliation discrepancies with the Commission.
- 3) Submit annual College Cost Estimates to the Commission by the deadline specified.
 - 4) Certify the accuracy of all payment transactions submitted to the Commission. Certification of electronic submissions (WebGrants and data files) must be provided through the Information Security and Confidentiality Agreement. Signatures from the financial aid and accounting offices demonstrate certification for paper Grant Rosters.
 - 5) Agree to reconcile Cal Grant program expenditures for each award year on a student-by-student basis. The Institution certifies that it has paid each student an amount that reconciles to the Commission's records for both Cal Grant funds expended and student attendance. An institution may not apply excess Cal Grant funds to any other student's account or to any prior year accounts.
 - 6) Recalculate, if a recipient withdraws, drops out or is expelled for a term for which a payment has been made, based upon the Institution's repayment policy, whether an overpayment has been made to the recipient and whether the recipient owes a repayment to the Commission.
 - 7) Agree to pay any institutional liability that is determined as a result of a program compliance or an audit review within thirty (30) days of the determination or in the time specified in the program review report.
 - 8) Liability to the Commission for the Institution's actions or omissions under this Agreement shall not exceed the actual amount of Cal Grant funds that the Institution is not entitled to retain.
 - 9) Failure by the Institution to take action on Cal Grant funds that the Institution is ineligible to retain may constitute noncompliance and may result in the termination of this Agreement thereby terminating the Institution's participation in the Cal Grant Programs.
- E. The Institution agrees to maintain a current designation of individuals who are responsible for Cal Grant disbursement and adherence to accepted accounting practices and principles. The Institution also agrees to maintain a separate designation of individuals who authorize and disburse Cal Grant funds so that no one individual is responsible for both functions.

ARTICLE V

Cal Grant Program Guidelines - Commission's Responsibilities

- A. Determine new applicants' initial eligibility for Commission-administered grant programs by evaluating their financial information and program specific data as provided on the Free Application for Federal Student Aid (FAFSA), the verified Grade Point Average, and any other selection process.

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Current IPA

- B. Provide the Institution with guidelines, information, and ongoing assistance with respect to the Institution's administration of the Cal Grant Programs.
- C. Identify recipients who are in default on any educational loans as indicated by the FAFSA information.
- D. Generate and provide electronic data files and Grant Rosters that include names, Social Security Numbers and payment amounts of eligible recipients to the Institution.
- E. Provide the Institution with instructions for completing payment transactions.
- F. Notify the Institution of accepted and rejected payment transactions.
- G. Reconcile accepted payment transactions.
- H. Provide the State Controller's Office with the documentation needed to issue Electronic Funds Transfer (EFT) or mail warrants for payment to the Institution.
- I. Provide the Institution with regularly updated electronic data and Grant Rosters identifying reconciled payments.
- J. Invoice the Institution for funds due the Commission as a result of the final reconciliation process and notify the Institution if funds will be withheld pending the return of delinquent repayments.
- K. Retain records relative to Commission grants and grant payments for a period of three (3) years following the last day of the award year.
- L. Review and audit the Institution's management of Cal Grant funds for compliance with state and federal law and regulations and Commission policies.

ARTICLE VI

Agreement Duration

This Agreement is effective when it is executed by the Commission's representative. This is generally later than its execution by the Institution's representatives. It supersedes any prior Agreements executed between the Commission and the Institution, and automatically terminates upon the occurrence of any of the conditions below:

- A. The Institution undergoes a change which results in change of ownership or control; or
- B. The Institution closes or ceases operation; or
- C. The Institution or site no longer possesses all of the requirements for a qualifying institution; or
- D. The Commission's representative requests termination of this Agreement in writing; or
- E. The Institution's Chief Executive Officer requests termination of this Agreement in writing; or
- F. June 30, 2007.

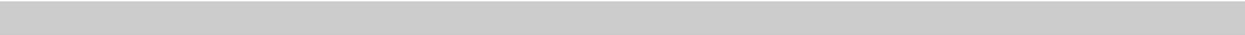
ARTICLE VII

Certification

As Chief Executive Officer of this Institution, I agree that this Institution and its “campus(es)” (if any) will comply with all state and federal statutes and regulations, rules, and guidelines applicable under this Agreement.

Name and Address of Main Campus: USED School
Identification Number

Name(s), Address(es), and Phone Number(s) of Branch USED School
Identification Number
Campus(es) included in this Agreement:



Please indicate which of the following section(s) establish your Institution’s eligibility to participate in the Cal Grant Programs. Many institutions’ eligibility is established through Section 69432.7(l)(1) or (3) or 69440(a) of the CEC. If your Institution is seeking to establish eligibility through Section 69432.7(l)(2) of the CEC, please complete the attached “Financial Statement and Demonstration of Administrative Capability to Participate in the Cal Grant Programs” form.

Section 69432.7(l)(1) of the CEC states: “Qualifying institution” means the following:

“Any California private or independent postsecondary educational institution that participates in the Pell Grant program and in at least two of the following federal campus-based student aid programs: (A) Federal Work-Study, (B) Perkins Loan Program, [and] (C) Supplemental Educational Opportunity Grant Program [SEOG].” Participation in the campus-based programs means the Institution or site has applied for, been allocated funds, and is spending those funds. Participation in the Federal Pell Grant program means that students are eligible to be paid Federal Pell Grant funds for attendance at the Institution.

...

Initial if applicable:

_____ I hereby certify that this Institution meets the requirements of Section 69432.7(l)(1) of the CEC.

Section 69432.7(l)(3) of the CEC states:

“Any California public postsecondary educational institution.”

Initial if applicable:

_____ I hereby certify that this Institution meets the requirements of Section 69432.7(l)(3) of the CEC.

Section 69440(a) of the CEC states:

“Commencing with the 2001-02 academic year, and each academic year thereafter, Cal Grant T awards shall be used only for tuition and student fees for a maximum of one academic year of full-time attendance in a program of professional preparation that has been approved by the California Commission on Teacher Credentialing.”

Initial if applicable:

_____ I hereby certify that this Institution meets the requirements of Section 69440(a) of the CEC.

_____ I will immediately notify the Commission if the Institution ceases to be eligible under Sections 69432.7(l)(1) or (3), 69440(a) of the CEC, or Article VI of this Agreement.

Additional requirements:

Section 66290 of the CEC states:

“Prior to receipt of any state financial assistance or state student financial aid, a postsecondary educational institution shall provide assurance to the agency administering the funds, in the manner required by the funding agency, that each program or activity conducted by the postsecondary educational institution will be conducted in compliance with this chapter and all other applicable provisions of state law prohibiting discrimination on the basis of sex. A single assurance, not more than one page in length and signed by an appropriate responsible official of the postsecondary educational institution, may be provided for all the programs and activities conducted by a postsecondary educational institution.”

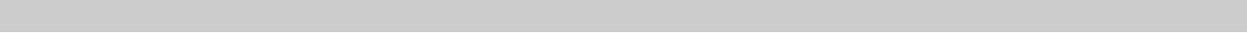
**Tab 3.3.b
Current IPA**

_____ I hereby certify that this Institution meets the requirements of Section 66290 of the CEC.



I certify that the Institution is eligible to participate in the Cal Grant Programs and will provide the following documentation with this Agreement:

1. A copy of the Institution's final authorization notice of funding for allocation of the Federal Pell Grant and federal campus-based student aid programs (SEOG, Work-Study, Perkins Loan) for the current award year. If more than one campus is funded through the same allocation, documentation (i.e. accounting ledger entries, payroll statements, etc.) that verifies each campus (es)' participation in Pell Grant and two of three federal campus-based program awards is required.
2. A copy of the Institution's existing disbursement and refund policies.



Signature of Institution's Chief Executive Officer

Date

Type or Print Name and Title

Signature of Commission Representative

Date

Max Espinoza, Chief
Program Administration & Services Division

Timeline for the Institutional Participation Agreement (IPA), 2007

February	March	April	May	June	July
14 GAC Meeting – <i>Present Draft IPA</i>	X Stakeholder Meeting (North) TBA	19-20 Commission Meeting - <i>Recommend IPA for Approval*</i>	Continued IPA Renewal	08 IPA Renewals Due from the Schools	1 New IPA is Implemented**
16 GPC Meeting – <i>Present Draft IPA</i>	XX Stakeholder Meeting (South) TBA	25 IPA Renewals Go Out to Schools		30 CSAC Processing of IPAs Complete	
16 Public Comment Period Begins – <i>Send Draft IPA to Cal Grant Participating CEOs/Presidents, Financial Aid Administrators (FAA), Information Security Officers (ISO), Registrars, and Business Office Personnel</i>	XX CCCConfer Stakeholder Meeting TBA				
	28 Public Comment Period Ends				
	XX or early April GAC Meeting – <i>Review Public Comment</i>				
22-23 Commission Meeting - <i>Present Draft IPA as an Information Item</i>					

*Given approval from the full Commission, the timeline proceeds.

**Phase in for xxx is to be x months.