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## Information Item

### *California Student Aid Commission*

#### Executive Director's Report

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Enclosed for review is a written report from the Executive Director of the California Student Aid Commission, which includes:

- EdFund Report
- Grant Advisory Committee (GAC) Report

***Recommended Action:*** For information only. No action required.

***Responsible Person(s):*** Diana Fuentes-Michel  
Executive Director



## Executive Director's Report April 2009

Dear Commissioners,

Over the last six weeks, the Commission has been a beehive of activity as the March 2 deadline was reached. Prior to the deadline, the Commission saw a surge in the number of students seeking help in filing their Free Applications for Federal Student Aid (FAFSA). The Commission received over 11 percent increase in the number of completed FAFSAs. While the vast majority of student grade point averages were received by electronic transfer of data from our State's high schools and colleges (close to 3 million records), over 72,000 paper GPAs were individually key-entered into the Commission's grant delivery system. Presently, the Commission staff is processing thousands of appeals and corrections so as to ensure that student records are updated as quickly as possible to ensure that students and schools receive information on the status of their Cal Grant and other specialized program applications.

*WebGrants for Students*—This year, the Commission is also transitioning our grant delivery system to provide eligibility and payment data in a real-time environment. The real-time Grant Delivery Enhancement Project has been in development over the last four years. The implementation of this system has challenged our staff as the proposed sale of EdFund required the transition of our data system from our auxiliary organization's technology platform to the State's data center. In addition, General Fund budget reductions resulted in employee layoffs and furloughs, which resulted in delays in our project's completion time, from September 2008 to April 2009.

The WebGrants real time database payments and school changes were migrated to production in March. This change allows institutions to make real time online school changes, payment transactions, and leave of absences, instead of waiting for weekly batch transactions. These system changes allow students and schools to immediately obtain their current Cal Grant status. The remaining deliverable for this project is the completion of a new GPA web services component that will allow schools to transparently integrate their own financial aid management systems with the Commission to determine or update the student's GPA status. This service is presently in user acceptance testing and is anticipated to be available for students and schools in late April. This new service will be the first of many web services that the Commission will introduce in the new few years.

*Business Improvement Process*—Beginning in August 2006, Commission staff implemented a business improvement process with the goal of documenting and continually updating all Cal Grant operational procedures. No comprehensive documentation of Cal Grant procedures existed previously. A project team was formed and team members from several divisions received training on a business improvement process. The team completed the documentation of all non-IT procedures for the administration of the Cal Grant Program by the end of 2007. This documentation is continually updated as new procedures are added or existing procedures are revised.

*Cal Grant Eligibility Audit*--In August 2007, the Commission completed the first internal audit of the overall operational and administrative aspects of the awarding of Cal Grants under the current Cal Grant law, which was enacted in September 2000. The Commission had contracted with the Department of Finance in October 2006 to perform the internal audit. The Department of Finance concluded in its Final Report that overall, the Commission's processing of new Cal Grant applications is in accordance with the law and that the Commission's operations and processes generally ensure that proper award determinations are made for new applicants. The internal audit report included six findings identifying risks that ineligible students may receive a Cal Grant award, and recommended changes to reduce those risks and enhance the Commission's compliance with the law. The Commission staff concurred in the findings and has now implemented changes consistent with the Department of Finance's recommendations.

*Federal and State Legislation Impacting the Commission, Students and the Institutions It Serves*—High school seniors, community college transfer students and returning college students throughout the state are in the midst of finalizing their college admissions plans for the upcoming academic year. Statewide, financial aid staffs are busy working with students and their families---as they determine whether their choice of college or university is financially accessible in this tough economy. The availability of private scholarship aid and private or alternative loans have been issues of concern for students and institutions. Campus financial aid offices are also being impacted by the reductions in State operations support and the uncertainty around the impact of proposed changes to the delivery of federal student loans and the Cal Grant program.

Recent federal action to increase the Pell Grant award was welcomed. Beginning July 1, 2009, the maximum Pell Grant award for students who are fully eligible will increase from \$4,731 to \$5,350. New funding will also allow institutions to serve more eligible students by increasing available funding at the campus level.

President Obama's proposed fiscal year 2010 federal budget seeks to make the Pell Grant Program, a federal entitlement program and place in federal law an annual inflationary adjustment formula which will provide for automatic increases in the Pell Grant award level to maintain its value in the future. Federal funding for the entitlement and cost-of-living adjustments are included in the President's federal 2010 federal budget and are contingent on savings that are projected from the President's proposal to transition the existing Federal Family Education Loan Program (FFELP) to the William D. Ford Federal Direct Loan Program (DL).

During your April meeting, you will be asked to act on the recommendation of the Governance and Monitoring Committee, that the Commission adopt a support position on President Obama's proposal. At the time of this report, the House and Senate have acted on their versions of the federal budget and will return from their Easter recess, to consider action in the reconciliation process.

The upcoming Commission meeting will also provide an opportunity for you to listen and discuss with representatives of the public, private and independent colleges and universities, the financial aid professional associations (CASFAA and CCCSFAA), the California Postsecondary Education Commission and other interested parties, the Governor's proposal to decentralize the Cal Grant Program.

The items noted below were initially included in the Governor's proposed 2009-10 Budget. However, they were not included in the 2009-10 Budget Act approved in February 2009. On April 1, 2009, the Governor submitted a Finance letter to the Legislature to consider these proposals as a revision to the 2009-10 Budget. These proposals require legislative action to be implemented.

- ❖ \$87.5 million General Fund decrease in the Cal Grant Program to reflect cost savings measures proposed to keep costs flat from year to year:
  - freezing income eligibility limits (\$7 million);
  - reducing the maximum award for new students attending non-public institutions from \$9,708 to \$8,322 (\$11 million);
  - partially decoupling awards to public institutions from fee increases (\$16.6 million, which reflects approximately one-third of the undergraduate fee increases assumed for UC and CSU in 2009-10); and
  - eliminating the Cal Grant Competitive Program (\$52.9 million).
- ❖ \$2 million General Fund decreases for anticipated savings from a proposal to consolidate the functions of California Postsecondary Education Commission (CPEC) and the Commission through a reorganization proposal and to decentralize the administration of financial aid, including Cal Grants, to the higher education segments.

The higher education members of the California Education Round Table have expressed their support of the Governor's decentralization proposal. Their February letter of support was sent to the Legislature's leadership. The letter indicated that the Commission had not taken steps to respond to needed changes in technology or service levels. Here is a look back at the Commission's efforts to improve financial aid access in recent years.

### 2005

*WebGrants for Students*—The Commission implemented WebGrants for Students, a tool that empowers students with critical information to ensure the successful processing of their grant application and award status. Numerous enhancements have been made to the student's home portal page to allow them to make their demographic, school and program changes themselves.

*External Review of Letters to Students*—As part of the Commission's initiatives to work with the financial aid community to improve and refine the way the Commission does business, the Commission appointed an external review team of segmental and stakeholder representatives to review and make refinements to all system-generated Cal Grant letters.

*Interactive Response System (IVR)*—The Commission implemented an interactive response system in the Commission's call center so students get the information they need to

complete the Cal Grant application process, and obtain information about their award. The IVR system is in place and can be used by students 24 hours a day to receive Cal Grant and Chafee Grant information.

*Cal Grant GPA Verification Form Online*—The Commission revised and simplified the Cal Grant GPA Verification Form and made it available online in two versions.

*GPA Verification Reminder Postcards*—In an effort to assist students in completing the Cal Grant application process, the Commission sent reminder postcards to students under age 21 who completed and submitted the FAFSA, but had not yet submitted their GPA prior to the March 2<sup>nd</sup> Cal Grant deadline, reminding them that “it takes two” to complete the process.

*New School Support Services Branch*—As part of a Commission reorganization, a new School Support Services Branch was created to better assist schools in administering Commission programs.

*Cal Grant Forums Held Across the State*—Commission staff held nine “Cal Grant Forums” statewide, designed to gather input from the financial aid community and other interested parties regarding how the Commission is administering the Cal Grant program. Commission staff worked on addressing the issues raised at the forums and implemented several of the changes suggested.

*Cal Grant Outreach Summits*—The Commission and its auxiliary EdFund, held outreach summits bringing together representatives from Commission/EdFund sponsored programs, including outreach grantees, California Cash for College, Cal-SOAP projects and academic preparation programs to share information and strategies and develop new partnerships. Two summits, one in Northern California and one in Southern California, were held, focusing on tackling the GPA verification challenges facing students and schools in accessing the Cal Grant Programs.

*Cal Grant Manual Completed*—In an effort to provide schools with clearer policy and operational guidance in administering the Commission’s programs, all chapters of the Cal Grant manual became available online.

*Cal Grant Workshops*—The Commission successfully offered its annual Cal Grant Workshops providing the financial aid community with important and up-to-date grant program and technology information.

*New Staff Recruitment Effort from Financial Aid Community*—The Commission conducted open exams for civil service positions, allowing members of the financial aid community to compete and consider future employment with the Commission. Several new staff personnel with specific school based financial aid experience were hired to work at the Commission.

*School Training Initiatives*—Commission staff consulted stakeholders in restructuring the Commission’s training program to be more responsive to school needs and to keep up with the changing state and federal financial aid environment.

*Increased Stakeholder/Advisory Committee Meetings Held*—The Commission held more meetings of stakeholder and advisory groups, including, but not limited to, meetings of the Grant Advisory Committee, the Grant Programs Advisory & Enhancements Committee, and several meetings of the Chafee Stakeholders group.

2006

*Public Awareness Campaign Launched*—The 2007-08 Cal Grant Public Awareness Campaign included initial activities that provided year-round messaging, earlier outreach and a focus on the Cal Grant C for students pursuing a technical career. The new look and feel of the Campaign was determined by feedback from the community, stakeholder groups, and focus group sessions with students and parents.

*Regional Training*—The Commission greatly expanded group and individual school training on the Cal Grant programs and the use of the WebGrants application tracking website. The sessions allowed the schools to receive hands-on, campus-based training that provided them with the tools to best serve their Cal Grant participating students.

*Workshops*—The Commission completed the Fall Cal Grant workshops held at 12 sites around California in Fall 2006.

*Institutional Participation Agreement (IPA)*—The IPA underwent its first comprehensive revision since the early 1990s.

2007 & 2008

*Business Improvement Process*—The Commission documented the various Cal Grant Program processes and details of each process. The documents also include desk manuals and calendars indentifying the award cycles and processes.

*Electronic Forms*—Created new electronic forms WebGrants for Students (WGS) that allows students to update information on-line after which the information will auto-update on WebGrants (WG).

*Home Portal created for WGS*—Any student, parent or guardian can go to go the new WGS Home Portal page. On this page, there are many links, which provide resources, information and tools to assist families with the college financial aid process. Additionally, students can still create a WGS account, which allows them to manage their Cal Grant and/or Chafee account(s) online. With an account, students can view updates, make school changes, make address changes and post leave of absence requests, download forms that have not yet been automated, 24/7.

*EZ Route System Implemented*—When students call the Commission and all the phone ports are being used, instead of receiving a busy signal, they are routed to the EZ Route System. This system provides the students with important seasonal information and directs them to obtain information on WGS.

*New Phone System Implemented*—A new digital Centrex based phone system and Qwest Automated Call Distribution (ACD) system has been implemented for improved reliability and performance.

*Interactive Voice Response System (IVR)*—The Commission has modified the network design of the IVR to improve security and fault tolerance. The IVR has been integrated with the Commission’s new phone and ACD systems.

*CSAC Centralized High School Graduation Confirmation System Implemented*—As a result of feedback received from the Commissioners and the Grant Advisory Committee (GAC), and other stakeholders, schools and students now have access to verify high school verification online.

*WebGrants Enhancements*—The Commission implemented a secure file transfer capability within WebGrants to allow transfer of data between schools and CSAC.

*Payment Enhancement*—The payment process was updated from twice a month to weekly, which allows schools to receive Cal Grant payments more frequently and also access updated reconciliation reports. This change allows students to be paid in a more timely manner.

*YouTube*—The Commission implemented its first YouTube video on GPA Upload Training.

*Implemented Cost-Saving Contact Methods*—Postcards and e-mails are now being sent to students to provide them with updates on their award status.

*Real-Time Database*—The Real-time Database was completed and schools are now able to make changes on the rosters and see immediate updates.

The Commission staff has been meeting with members of the legislative budget subcommittees in regards to these proposals. Commission staff will update you as the budget discussions progress. It is anticipated that the Legislature will postpone final decisions on the budget until the outcome of the May 19 Special Election, which includes a slate of proposed revenue and budget reform initiatives.

Additionally, Governmental Affairs staff is tracking a small group of program-related bills and a larger number of college affordability, government-reduction, and tax bills in the Legislature. Staff will be requesting a meeting of the Governance and Monitoring committee to adopt positions on some of the measures.

*Status of Employee Furlough*—Executive Order S-16-08 required the implementation of two furlough days a month from February 2009 through June 2010 for all State employees. In compliance with the Department of Personnel Administration (DPA), CSAC was closed on February 6, 2009, February 20, 2009 and March 6, 2009. In March 2009, DPA revised the Furlough Program. Employees can now choose their furlough days, with manager approval. Employees can also save furlough hours and take them at any time, subject to supervisor approval. All furlough hours must be used within two years of the end of the Furlough Program. Furlough hours cannot be cashed out.

Most rank-and-file CSAC employees are represented by SEIU 1000 bargaining units 1 and 4. SEIU negotiated a contract that indicates, effective February 2009 through June 30, 2010, all employees in Bargaining Units 1 and 4 will be furloughed one day per month for 17 months. For most employees one day is equivalent to eight hours per month. This "self-directed" furlough

program will reduce take-home pay by 4.62%. This program will be in lieu of the Governor's two-day per month furlough program, established by executive order beginning February 1, 2009 and extending through June 30, 2010. Since these employees' take-home pay will have already been reduced for four furlough days in February and March, DPA and SEIU will work together to equitably spread out the remaining furlough pay reductions over the remaining months of the contract. This contract was ratified by SEIU members and must now be approved by the Legislature and Governor. It is not known if managers' furloughs and pay will be adjusted similarly.

Enclosed is the chart of the actions taken by the Commission at its recent meetings and the status of completion as well as the Grant Advisory Committee Chair's Report. EdFund President Sam Kipp will provide an oral report on EdFund's activities.

I look forward to seeing you on April 16<sup>th</sup> at the Sacramento County Offices of Education. My best wishes to you and your families as you celebrate the Easter and Passover seasons.

Diana Fuentes-Michel  
Executive Director  
California Student Aid Commission

	ACTIONS TAKEN BY THE COMMISSION	STATUS UPDATE
1	<p><b>Impact of Veterans Education Benefits on Cal Grant Awards</b></p> <p>On February 26, 2009, the Commission voted to:</p> <ol style="list-style-type: none"> <li>1) Maintain the status quo for 2009-10 and, thereby, not adopt GAC's recommendation to change the treatment of veterans educational benefits by eliminating them from the calculation of financial need to determine eligibility for a Cal Grant award for 2009-10 as such a change is inconsistent with the California Education Code and federal law does not make this change until the 2010-2011 academic year, and implementing this change for Cal Grant eligibility in 2009-10 would deviate from the consistency required by existing California law between the treatment of veterans benefits for federal financial aid purposes and for Cal Grant eligibility purposes;</li> <li>2) Direct Commission staff to examine, from a policy perspective, what the impact would be if the Commission moved forward with making the legal changes to align the California Education Code with the Federal statute for 2010-11; and</li> <li>3) Refer these matters to the appropriate committee (Program, Planning and Budget Committee) to evaluate the veterans educational benefit changes being implemented at the federal level and recommend to the Commission what, if any, statutory changes the Commission wishes to seek with respect to veterans educational benefits and the Cal Grant Programs.</li> </ol>	<p>Regarding Veterans Educational Benefits in 2009-10, Commission staff is currently testing an "enhancement" for a new report on WebGrants that will identify students who reported on their FAFSA that they are receiving VA Educational Benefits. This report will be available for schools to view.</p> <p>Students who reported that they are receiving VA Educational Benefits will be sent a letter informing them to contact their school regarding the receipt of those funds. A copy of the letter to the students will be shared with the system offices, per their request during a previous GAC meeting. The Commission will send a communication to the schools informing them of the above-mentioned process and to inform them that the treatment of Veteran Educational Benefits will remain the same.</p> <p>Staff secured a spot bill, SB 611 (Correa) should the Commission choose to pursue statutory change in the 2009-10 Legislative Session.</p>
2	<p><b>Appointments to Advisory Committees</b></p> <p>On February 26, 2009, the Commission made the following appointments:</p> <p><u>Grant Advisory Committee</u></p> <ul style="list-style-type: none"> <li>• Chris Schulz, University of California Campus Representative, for the term February 26, 2009 through February 26, 2011.</li> <li>• Barbara Bonardi, Association of Independent California Colleges &amp; Universities Student Representative, for the remainder of Ricardo Tejada's unfinished term, ending March 16, 2009 and a full two-year term from March 17, 2009 through March 16, 2011.</li> <li>• Sally Pace, K-12 Schools Representative, for re-appointment for the term February 26, 2009 through February 26, 2011.</li> </ul> <p><u>Loan Advisory Council</u></p> <ul style="list-style-type: none"> <li>• Christine Galdston, Private (For-Profit) Postsecondary Education Institution</li> </ul>	<p><u>Grant Advisory Committee</u></p> <p>All of the new members have completed their paperwork and all participated in the March 12 GAC Meeting. The next GAC meeting is scheduled for early May 2009.</p> <p><u>Loan Advisory Council</u></p> <p>Commission staff is awaiting the appointment paperwork and will then poll for participation at the next meeting.</p>

	<b>ACTIONS TAKEN BY THE COMMISSION</b>	<b>STATUS UPDATE</b>
	<p>Representative, for the term February 26, 2009 through February 26, 2011.</p> <ul style="list-style-type: none"> <li>Michael K. Kim, Participating Lending Community Representative, for the remainder of Kurt Schneiber's unfinished term, ending September 9, 2009.</li> </ul> <p><u>Grant Advisory Committee and Loan Advisory Council</u></p> <ul style="list-style-type: none"> <li>Jammie Jelks, California State University Student Representative, to both the Grant Advisory Committee and the Loan Advisory Council for the term February 26, 2009 through February 26, 2011.</li> </ul>	
<b>3</b>	<p><b>Implementation of Rulemaking to Repeal Title 5, California Education Code of Regulations, Section 30904</b></p> <p>On February 26, 2009, the Commission authorized staff to take the necessary steps to repeal Title 5, California Code of Regulations, Section 30904.</p>	<p>The implementation process has begun. Information has been requested from EdFund staff.</p>
<b>4</b>	<p><b>Commission's Annual Report to the Legislature on EdFund</b></p> <p>On February 26, 2009, the Commission approved the draft Annual Report to the Legislature on EdFund for Federal Fiscal Year October 1, 2007 – September 30, 2008, providing staff authorization to make necessary technical edits.</p>	<p>The Annual Report to the Legislature on EdFund was revised as requested. The reports were finalized and distributed to all Members of the Legislature on April 1, 2009.</p>
<b>5</b>	<p><b>June 30, 2008 Operating Fund and Federal Fund Audited Financial Statements</b></p> <p>At its February 26, 2009 meeting, the Commission voted to accept the Operating Fund and Federal Fund audited financial statements for the year ended June 30, 2008.</p>	<p>No further action.</p>
<b>6</b>	<p><b>Commission Meeting Minutes</b></p> <p>On February 26, 2009, the Commission approved minutes of the November 20-21, 2008 and December 10, 2008 meetings.</p>	<p>The Commission meeting minutes have been signed by the Commission's Secretary, Yasmin Delahoussaye.</p>

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**No Written EdFund Report**

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**Grant Advisory Committee (GAC) Meeting  
March 12, 2009**

**Committee Chair's Report  
Susan Gutierrez, GAC Chair**

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The Grant Advisory Committee (GAC) met by teleconference on Thursday, March 12, 2009. The actions taken by GAC consisted of the following:

- A workgroup meeting was held to consider Cal Grant C Award Scoring and Selection Criteria. Mary Lindsey, Vice Chair of GAC, chaired the workgroup. A stakeholder's forum on the same topic was held on March 5, 2009 to gather input from the public and segments. Various proposals discussed during the workgroup included:
  - Elimination of the Occupational/Educational Recommendations question on the Cal Grant C Supplement form in order to simplify the application process for the applicant. Eliminating the recommendation question would allow applicants to provide the supplemental information needed to compete for Cal Grant C without having to rely on a third party and would enable the supplement to become an electronic form instead of paper.
  - Introduction of a financial need component into the selection criteria.
  - Redistribution of the points allocated to the selection criteria if the Occupational/Educational Recommendations question were eliminated.
- GAC passed a motion to recommend eliminating the Occupational/Educational Recommendations question from the Cal Grant C Supplement form for the 2009-10 award cycle. The motion included a recommendation to eliminate the points associated with the question, instead of redistributing the points among the remaining criteria or adding a new component of financial need to the criteria. It was recognized that the introduction of a financial need component had considerable support among GAC members, but that more data should be obtained and studied before recommending such a significant change to the existing criteria.