
9.a **Information Item**

California Student Aid Commission

Grant Advisory Committee (GAC) Chair's Report

Ms. Mary Lindsey, GAC Chair, will provide a written report on GAC's activities and the outcomes of the Institutional Participation Agreement (IPA) April 5, 2007 Workgroup and GAC meeting.

Recommended Action: No Action Required.

9.b

Action Item

California Student Aid Commission

Consideration of Institutional Participation Agreement (IPA)

The California Student Aid Commission staff is recommending that the Commission approve a revised draft of the Institutional Participation Agreement (IPA), which serves as the legal agreement between institutions and the Commission regarding administration of the Cal Grant Program.

Staff has spent the last year soliciting input from stakeholders on revising the agreement, which had not been updated since the implementation of Senate Bill 1644 in the 2001-2002 school year. Feedback was received at 11 meetings before the Grant Advisory Committee and Advisory and Enhancement Committee; a 40-day public comment period, featuring a Northern California public meeting, a Southern California public meeting and a statewide web conference; three fall listening sessions facilitated by the Commission's executive director; and an initial routing to all institutions in the early stages to collect input.

Based on this extensive feedback, the final draft is markedly changed from its predecessor, and helps strengthen a number of operational processes that were needed to comply with law, while still trying to be sensitive to how such changes might affect institutional resources and, ultimately, grant delivery to students. In our most recent public comment period, staff considered more than 150 comments from 50 different individuals representing not only financial aid, but those representing fiscal, legal, executive and information technology offices as well.

Staff was impressed with the wealth of information received from the institutions, and sought agreement on as many points as possible to meet the needs of stakeholders. Staff made more than 40 changes to the document, based on this extensive feedback.

In summary, the Grants Advisory Committee and a majority of stakeholders continued to have disagreements on six key issues. These issues cover decentralization; interest bearing accounts; separate accounts; residency; confirmation of high school graduation; and IPA extensions/grace periods. More detailed information and recommendations on addressing these issues can be found in the corresponding issue papers, developed by staff for the Commission meeting.

Recommended Action: Approve proposed IPA.

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

Tom Mays, Director
Public Affairs Branch

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

Tae Kang, Associate Analyst
Cal Grant Operations Branch

Lori Nezhura, Analyst
School Support Services Unit



**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 VIII. 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:
 - 1) The Institution is a California 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).
 - 2) The Institution is a nonprofit postsecondary institution headquartered and operating in California that: (a) expends at least 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)].

- 3) The Institution is a California public postsecondary educational institution [CEC 69432.7(l)(3)].
- B. 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.
- C. The Institution agrees to maintain standards of administrative capability and financial stability in accordance with federal and state law and regulations as applicable.
- D. 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 or until outstanding audits are resolved.
- E. The Institution shall maintain written policies and procedures governing the administration and processing of Cal Grant funds under this Agreement.
- F. 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.
- G. 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.
- H. 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.
- I. 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.
- J. 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 with a presence 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).
 - i. **Phased Implementation – If there is a change in the account holding the Cal Grant funds, the account must be in place and the EFT application returned to the Commission by December 1, 2007.**

- 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).
- 4) **Phased Implementation – If switching from a non interest-bearing account to an interest-bearing account for the 2007-08 academic year, interest calculation for return to CSAC will begin when Cal Grant funds enter the interest-bearing account. If no changes occur in the continuing use of an interest-bearing account, interest calculation for return to CSAC will begin with the Fall Advance for 2007-08.**

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 with a presence 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) **Phased Implementation – If there is a change in the account holding the Cal Grant funds, the account must be in place and the EFT application returned to the Commission by December 1, 2007.**

- 4) 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).
- 5) **Phased Implementation – If switching from a non interest-bearing account to an interest-bearing account for the 2007-08 academic year, interest calculation for return to CSAC will begin when Cal Grant funds enter the interest-bearing account. If no changes occur in the continuing use of an interest-bearing account, interest calculation for return to CSAC will begin with the Fall Advance for 2007-08.**
- 6) 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

- A. Confirmation of Eligibility: Confirm that the recipient meets eligibility and program requirements specified in this agreement at the time Cal Grant funds are paid to the recipient or the recipient's account using all existing information [including but not limited to institutional student information record (ISIR), student self-certification, federal verification documentation] in the possession of the Institution [CEC 69432.7(k)]. Resolve and report to the Commission prior to disbursement any conflicting information 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. (for public institutions) the residence determination date established by the applicable governing boards or district governing boards of the public institutions [CEC 68022, 68023], or
 - ii. (for private institutions) September 20 of the award year (i.e., September 20, 2007, for the 2007-08 award year).
 - iii. Public institutions shall continue to use the procedures or rules and regulations instituted by their respective governing boards for determining California residency, including resolving conflicting information in the possession of the institutions [CEC 68044].
 - iv. Private institutions may adopt the regulations in 5 CCR §§ 54020-54024 or they may develop and document their own policy which are not inconsistent with CCR § 54020-54024, including the resolving of conflicting information in the possession of the institution.
 - v. Indicators of conflicting information include but are not limited to: indicia on the ISIR that the student, or the student's parent if the student is a minor, is not a resident; declaring nonresidence for income tax purposes; showing a state other than California as the home address on federal income tax forms; attending an out-of-state institution as a resident of that other state; graduating from an out-of state high school the year of or year prior to receiving a Cal Grant; licensing from another state for professional practice; possessing motor vehicle license plates or operator's license from a state other than California; maintaining permanent military address or home of record in another state while in the armed forces; or being the petitioner for a divorce in another state. No one indicator is controlling.
- 6) the recipient is enrolled in an eligible program or course of study [CEC 69433.5 (e)].
- 7) 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)].
- 8) 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)].
- 9) the enrollment 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)]

- 10) the recipient demonstrates financial need at the Institution according to federal financial need methodology [CEC 69432.9 (b)].
- 11) the recipient with a new award has family income and assets at/below the published Cal Grant ceilings [CEC 69432.7 (k)].
- 12) the recipient is complying with the Institution's satisfactory academic progress policies [CEC69433.5 (a)].
- 13) the California Community College Transfer Entitlement recipient randomly selected for verification pursuant to CEC 69436 (d)(3)(B) meets eligibility criteria.
- 14) Each participating Cal Grant institution will collect and retain a statement from each newly awarded Entitlement Cal Grant participant to be paid at that institution that the participant has graduated high school [CEC 69434 (b)(8), 69435.3 (a)(8), 69436 (b)(9)]. Only post-graduation certifications are acceptable. Institutions may also collect transcripts, diplomas or other authoritative documentation of high school graduation in lieu of a student self-certification. Any self-certifications or graduation documents must be retained per the document retention requirements of the IPA.

In lieu of collection of a student self-certification or authoritative documentation of high school graduation, institutions that require high school graduation for admission to the institution may affirm, upon certification of payment eligibility, that the institution has received and retained authoritative documentation of the student's graduation from high school.

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 in accordance with the applicable requirements specified for each educational program.
 - i. Disburse Books and Supplies and Access payments within ten (10) business days of determination of enrollment status.
 - ii. Disburse no more than that which the recipient is eligible to receive per academic term.
 - iii. 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.
 - iv. Correct any overawards by adjusting other financial assistance, excluding tuition waivers, offsetting subsequent term payments within the same award year, or, if necessary, returning the overage to the Commission.
 - v. 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 which adheres to Return to title IV criteria and 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 may, at any time prior to invoicing, repay any Cal Grant funds in excess of the reconciled amount to the Commission.
 - v. Upon final reconciliation by the Commission, if the Institution has any outstanding balances, the Institution shall be invoiced for those 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.

- vi. Certify the accuracy of all payment transactions submitted to the Commission to reflect the current status of the student at the time of disbursement.
 - vii. Any excess or undisbursed Cal Grant funds must be returned to the Commission upon final reconciliation or invoicing.
 - viii. An institution may not apply excess Cal Grant funds to any other student's account or to any prior or future year accounts.
 - ix. 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.
 - x. 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.
 - xi. Failure by the Institution to take action on Cal Grant funds that the Institution is ineligible to retain, after all appeals are exhausted or settled, 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. Maintain the Grant Delivery System.
- B. Maintain WebGrants.
- C. Maintain WebGrants for Students.
- D. 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.
- E. Make a preliminary determination that Community College Transfer Entitlement Award recipients are residents of California at the time of high school graduation or its equivalent through use of a student self-certification under penalty of perjury [CEC 69436 (d)(3)(A)].
- F. Provide the Institution with information, training and ongoing assistance with respect to the Institution's participation in the administration of the Cal Grant Program.
- G. Develop forms, publications, and training curriculum for use in administering the Cal Grant Program.

- H. Generate and provide electronic data files and Grant Rosters to the Institution of potentially eligible recipients that include names, unique identifiers and payment amounts.
- I. Provide the Institution with procedures for completing payment transactions.
- J. Notify the Institution of accepted and rejected payment transactions.
- K. Reconcile accepted payment transactions.
- L. Provide the State Controller's Office with the documentation needed to issue Electronic Funds Transfer (EFT) or mail warrants for payment to the Institution.
- M. Provide the Institution with regularly updated electronic data and Grant Rosters identifying reconciled payments.
- N. 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.
- O. 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.
- P. 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 personal 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 is granted access to 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 one (1) year, and shall be renewed upon completion of annual Commission-supplied 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 to include 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,
 - 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 after the Institution's awareness of the incident.
- 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 require that passwords are changed on a regular basis.
- C. The Commission shall issue periodic communications to address Information Security concerns.
- D. 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.
- E. No faxes or unencrypted email containing Confidential data shall be sent to the Institution.
- F. 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.
- G. 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

Corrective Measures

- A. The Institution is subject to the following corrective measures for failure to comply with the terms of this Agreement:
 - 1) The Commission may withhold processing future payment transactions for the Institution;
 - 2) The Commission may withhold issuing Cal Grant Funds to the Institution;
 - 3) The Commission may withhold term advances to the Institution for future academic years.
- B. The Commission shall provide the Institution written notice of its intent to impose one of these corrective measures thirty (30) calendar days prior to such action.
- C. The Institution shall be permitted to submit, and the Commission shall consider, a response to such notice, including any legal and factual reasons why such corrective measure should not be imposed. Such response shall be submitted within fifteen (15) days of receipt of Commission's written notice of its intent to impose such measure.

- D. 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 fiscal year's budget adopted by the Legislature and signed by the Governor fails to approve Cal Grant funding;
- 8) The Institution's Chief Executive Officer requests termination of this Agreement in writing; or
- 9) 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.
- C. The Commission shall provide the Institution written notice of its intent to terminate the Agreement forty-five (45) calendar days prior to such action.
- D. The Institution shall be permitted to submit, and the Commission shall consider, a response to such notice, including any legal and factual reasons why such termination should not occur. Such response shall be submitted within fifteen (15) days of receipt of Commission's written notice of termination.

Effective Date

Except as otherwise expressly stated in this IPA, the provisions of the IPA in existence on June 30, 2007, and any actions adopted by the California Student Aid Commission at its meetings before July 1, 2007, shall continue to apply with respect to awards processed during the 2007-08 award year, and compliance with the provisions of this IPA shall be required beginning January 1, 2008, with respect to the processing of awards for the 2008-09 award year and succeeding award years.

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 [at least] 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



Signature: Chief, Program Administration & Services Division

Date

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."

Residence: 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 or her home as opposed to coming to this state for the sole purpose of attending a California postsecondary institution [CEC 68017, 5CCR s 54022(c)]. Every person who is married or 18 years of age, or older, and under no disability to do so, may establish residence [CEC 68061]. In determining residence, the following rules apply:

- (a) There can only be one residence.
- (b) A residence is the place where one remains when not called elsewhere for labor or other special or temporary purpose, and to which he or she returns in seasons of repose.
- (c) A residence cannot be lost until another is gained.
- (d) The residence can be changed only by the union of act and intent.
- (e) A man or woman may establish his or her residence. A woman's residence shall not be derivative from that of her husband.
- (f) 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. When the minor lives with neither parent his or her residence is that of the parent with whom he or she maintained his or her last place of abode, provided the minor may establish his or her residence when both parents are deceased and a legal guardian has not been appointed.

(g) 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.

(h) An alien, including an unmarried minor alien, may establish his or her residence, unless precluded by the Immigration and Nationality Act (8 U.S.C. 1101, et seq.) from establishing domicile in the United States.

(i) The residence of an unmarried minor alien shall be derived from his or her parents pursuant to the provisions of subdivisions (f) and (g) [CEC 68062].

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

2007 Institutional Participation Agreement
Consideration of a Decentralized Cal Grant Program

Issue

Should the Commission delay adoption of a new IPA to consider whether the Cal Grant program be decentralized?

Background

SB 1644, (Chapter 403, Statutes of 2000) reaffirmed existing law that established the California Student Aid Commission as the primary state agency for the administration of state-authorized student financial aid programs available to students attending all segments of postsecondary education.

The Legislature was clear on the intent of SB 1644 when they added Section 66021.2 to the California Education Code, which states the following:

Consistent with the state's historic commitment to provide educational opportunity by ensuring both student access to and selection of an institution of higher education for students with financial need, the long-term policy of the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program established pursuant to Chapter 1.7 (commencing with Section 67430) of P-art 42 shall be as follows....

Thus, the law establishes the Cal Grant program as one in which the student chooses the institution at which he or she will use the Cal Grant funds, rather than the institution choosing the students on whom to spend Cal Grant funds. This is a centralized program.

Recommendations by the Commission's Grant Advisory Committee

The Grant Advisory Committee (GAC) has proposed that Commissioners delay a decision on a new IPA in favor of considering moving to a decentralized the Cal Grant Program. GAC recommends as a second option that the Commission place the responsibility for administering the Cal Grant Program on institutions, and fund the institutions' cost of administration. As a third option GAC recommends that the Commission would take complete responsibility for the accuracy of the initial eligibility determination. Finally, GAC has recommended that an assessment of the accuracy of the current process may alleviate the need to change it if the assessment establishes the error rate of the current process to be low.

Staff Discussion

As indicated above, current law does not authorize a decentralized program. It does not authorize institutional control of state funds appropriated by the Legislature for Cal Grant program purposes. Therefore, there is no basis for the Commission to delay consideration of a new IPA to discuss decentralization. The Commission may choose to refer consideration of a proposal to decentralize to an appropriate Commission committee, but a policy discussion of

2007 Institutional Participation Agreement
Consideration of a Decentralized Cal Grant Program

decentralization has no relevance to the operation of the existing Cal Grant Program and does not remove the need to define the operational responsibilities of the Commission and institutions through a new IPA.

It should be noted that legislation supporting decentralization has previously been proposed, and failed. Assemblywoman Hannah Beth Jackson proposed AB 1323 in 2003 to require a plan to be developed by December 31, 2004, for the implementation of a decentralized, campus-based approach for the Cal Grant Programs. The bill further stipulated the intent to implement a decentralized Program by December 31, 2006. The bill did not make it out of the Assembly and was held under submission.

There is no indication that any legislation will be introduced in the current 2007-2008 Legislative session that would entertain a decentralized model.

In fact, the Legislative Analyst's Office (LAO) has recommended just the opposite for a number of years. The LAO has recommended in the annual analysis of the Governor's Budget that the Legislature consider expanding Cal Grant programs by consolidating institutional aid programs into the Cal Grant Program. The LAO's most recent rationale dealt with the Cal Grant Competitive program and was characterized as follows:

Although the state guarantees financial aid for all recent high school graduates who meet financial and academic requirements, it limits the number of awards (22,500) for older students. In 2005-06, about 136,000 students competed for these awards—thus, the program served fewer than one in six eligible applicants. The competitive Cal Grant programs could be expanded without new costs by consolidating them with existing undergraduate institutional financial aid programs. The University of California, California State University, and California Community Colleges together spend more than \$700 million on such programs. Each of these programs operates under different rules. Thus, students with similar financial need are treated differently based on the campus they attend. Consolidating these grants under a single program would result in consistent policies that treat similar students alike. Statewide consolidation also would improve accountability because institutional aid policies are currently developed outside of the Legislature's direct purview.

GAC's second option of authorizing the institutions to administer the entire Cal Grant Program and to pay institutions for the costs of administration is not authorized by the law. Current law does not authorize the Commission to pay schools for the costs of administration. The Legislature is the only governmental entity that has the power to authorize payment of State funds, and accomplishes this through an appropriation included in the Budget Act or in a legislative bill.

Again, the Commission may want to refer consideration of proposing legislation that would allow the Commission to pay institutions for administrative costs

2007 Institutional Participation Agreement
Consideration of a Decentralized Cal Grant Program

related to the Cal Grant Program, but the issue does not remove the need to define the operational responsibilities of the Commission and institutions through a new IPA.

The discussion of whether the Commission or institutions should bear workload responsibilities can be accomplished during consideration of the open issues, on an issue-by-issue basis, as discussed in the accompanying issue papers.

Staff is sensitive to workload issues placed on institutions. Staff attended work group meetings led by the California Postsecondary Education Commission (CPEC) in 2003 to discuss potential alternative delivery concepts. CPEC issued its report in February 2003 entitled *Commission Recommendations Concerning Alternate Delivery Options for the State's Cal Grant Program* as requested in the Budget Act of 2002. Commission staff used information gathered in the workgroup meetings to implement changes to the program that would help streamline the process for students and for schools.

Commission staff continues to work with EDFUND and our partners in higher education to streamline and improve Cal Grant processing, including adding real-time database and reporting capabilities, re-inventing the Commission's award and denial letter process, streamlining the GPA collection process and improving Grant Delivery System (GDS) access for schools and students. Phase I of the real time GDS project is currently funded and in progress. Phase II of the project is included in the Governor's Budget and will be considered by the Legislature this spring. Administration and Legislative commitment to fund technological improvements to the Commission's processing system is an indication of continued support for the current centralized process.

As described in the Tab 9 cover, the Commission staff included stakeholder participation in the new IPA development process, including numerous meetings with the Commission's Grant Advisory Committee (GAC), as well as two town-hall type discussions held in northern and southern California and an Internet-based discussion. Commission staff gathered and summarized numerous and varied comments and incorporated suggestions that would be favorable to schools and to students as long as they allow compliance with current law.

Finally, an assessment may be informative, but would not be sufficient to excuse the Commission from developing a process through the IPA that ensures, to the best extent possible, that information and procedures are in place to ensure student access, to ensure student eligibility, and to ensure State funds are appropriately spent.

Staff Recommendation

Commission staff recommends that the Commission proceed to discuss and adopt the new IPA and not to delay adoption to consider whether the Cal Grant Program should be decentralized.

2007 Institutional Participation Agreement
Interest-bearing Accounts

Issues

Shall the Commission's September 7, 2006, action requiring Cal Grant institutions to hold Cal Grant funds in interest-bearing accounts be incorporated into the Institutional Participation Agreement (IPA)?

Shall the IPA include a provision allowing institutions to off-set, or net-out, interest lost from interest owed to the Commission when the institution temporarily used institutional funds to pay Cal Grant awards until Cal Grant funds were received from the Commission,?

Background

Cal Grant funds advanced to institutions are property of the State of California. Thus any interest revenue earned from state funds must be returned to the California Student Aid Commission (Commission).

The Cal Grant Disbursement and Reconciliation Review, an internal audit filed on December 30, 2005, found that the Commission did not have an appropriate system in place to ensure the accurate collection, reporting and tracking of interest earned on Cal Grant funds held by institutions. In the past, a low percentage of institutions have remitted interest to the state, raising concerns regarding the manner in which institutions view interest revenue. The current IPA contributes to these concerns by providing a flexible option that allows a Cal Grant institution to choose between an interest-bearing account or a non-interest-bearing account. Based on the audit recommendations, the Commission voted at its September 7, 2006, meeting to require Cal Grant institutions to hold Cal Grant funds in interest-bearing accounts.

The new IPA incorporates the Commission's action by requiring Cal Grant institutions to open interest-bearing accounts and remit any earned interest revenue to the Commission on behalf of the state. In addition, the new IPA does not authorize institutions to offset, or net-out, interest lost from interest they may owe the Commission when temporarily using their own funds to pay Cal Grant awards.

December 30, 2005

The Commission's internal auditor found that the Commission did not have procedures in place to ensure that institutions remit interest payments. The internal auditor recommended: "as part of the IPA, require institutions to maintain Cal Grant funds in an interest-bearing account." Subsequently, the audit findings with recommendations were presented to the Commissioners during the June 23, 2006, Commission meeting. Commission staff proposed long-term goals to establish written procedures and incorporate enhancements into the real time Grant Delivery System (GDS) database project to accommodate the auditor's recommendations.

August 24, 2006 – Grant Programs Committee Teleconference Meeting

The Grant Advisory Committee (GAC) recommended that the Commission not require institutions to hold Cal Grant funds in an interest-bearing account without a full review and accounting of net interest, that is, interest in administrative cost currently being

2007 Institutional Participation Agreement
Interest-bearing Accounts

borne by institutions in support of the Cal Grant program. GAC did not oppose the internal audit recommendation, but instead, requested a written report of all costs associated with, and the net cost for institutions, that would result from a change in policy. Max Espinoza, then Chief of the Program Administration and Services Division, did not support GAC's recommendation, noting that the research had been completed. Evan Sutton, Associate Accounting Officer for UC Davis projected that their school could lose approximately \$67,000 in potential interest earnings due to advancing university funds to students while waiting for Cal Grant advances.

September 7, 2006 – Commission Meeting

GAC recommended that institutions be allowed to choose whether or not to hold the funds in an interest-bearing account. Institutions with interest-bearing accounts would be required to track and remit interest earned back to the state. GAC further recommended that the calculation of interest should be net interest which would offset any institution-related costs for maintaining the Cal Grant program.

Moreover, the Commission voted to require interest-bearing accounts:

On MOTION by Commissioner Perez, SECONDED and CARRIED, the Commission approved the [Grants and Programs] Committee's recommendation to require institutions to maintain Cal Grant funds in an interest-bearing account and modify the Grant Delivery System (GDS) to track interest remitted with the development of procedures to ensure compliance.

The Commissioners also recommended staff conduct further research on the calculation of interest.

Recommendation by the Commission's Grant Advisory Committee

Calculation of Interest: The GAC continues to recommend that the calculation of interest on Cal Grant funds by institutions recognize both positive and negative balances.

GAC recommends that the calculation of interest owed to the Commission 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 the Commission implements a "just-in-time" process for campuses to draw down Cal Grant funds, both positive and negative balances should decrease dramatically.

Language in the Current IPA

Cal Grant Account Maintenance – Institutional Responsibilities

2007 Institutional Participation Agreement
Interest-bearing Accounts

- 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.

Language in the Proposed IPA

Cal Grant Account Maintenance – Institutional Responsibilities

- 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 with a presence 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).
 - c) **Phased Implementation – If there is a change in the account holding the Cal Grant funds, the account must be in place and the EFT application returned to the Commission by December 1, 2007.**

2007 Institutional Participation Agreement
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- 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).
 - 4) **Phased Implementation – If switching from a non interest-bearing account to an interest-bearing account for the 2007-08 academic year, interest calculation for return to CSAC will begin when Cal Grant funds enter the interest-bearing account. If no changes occur in the continuing use of an interest-bearing account, interest calculation for return to CSAC will begin with the Fall Advance for 2007-08.**
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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.

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- 2) The account in which Cal Grant funds are held must be an interest-bearing account at a financial institution with a presence 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) **Phased Implementation – If there is a change in the account holding the Cal Grant funds, the account must be in place and the EFT application returned to the Commission by December 1, 2007.**
- 4) 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).
- 5) **Phased Implementation – If switching from a non interest-bearing account to an interest-bearing account for the 2007-08 academic year, interest calculation for return to CSAC will begin when Cal Grant funds enter the interest-bearing account. If no changes occur in the continuing use of an interest-bearing account, interest calculation for return to CSAC will begin with the Fall Advance for 2007-08.**
- 6) 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).

Staff Discussion

The current IPA does not require separate interest-bearing accounts, but allows institutions to make a choice. Institutions that choose to use interest-bearing accounts must remit interest to the Commission. During the fiscal year 2005-2006, only \$188,644 of reported interest was collected from only 10 percent of Cal Grant participating institutions.

The following illustration demonstrates the amount of potential interest that could be earned if all Cal Grant participating institutions were required to hold Cal Grant funds in interest-bearing accounts:

Term Advance	Amount
2005 Spring	\$230,118,580
2005 Fall	\$293,571,920

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Total Advance	\$523,690,500
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If the \$523,690,500 resided in an interest-bearing account for one day earning just two percent, it would potentially earn \$28,695 per day. Some institutions allow the Cal Grant funds to sit idle in their accounts for up to 14 days before the funds are disbursed to the student's account. For illustration purposes: \$28,695 * 14 days = \$401,730 interest. The possible interest that may have been gained, but not remitted to the Commission prompted the internal audit finding and subsequent recommendation.

Commission staff continues to support the internal audit recommendation. The State Administrative Manual section 8099 prescribes actions by state agencies in regard to state funds:

The State is vitally concerned in maximizing its interest earnings. Every dollar earned from investments reduces the need for taxes or other income by an equal amount. Interest earnings can be maximized by the earliest practical deposit of receipts and the latest reasonable disbursement of money. Adherence on a day-to-day basis by all agencies to sound cashing, depositing, and other cash flow management practices is an important factor in permitting the State to realize the most interest from the dollars that flow through its system. The State earns approximately \$27 on each million dollars per calendar day for each 1 percent of interest earning rate.

Thus, Commission staff recommend that the proposed IPA incorporate the Commission's action during the September 7, 2006 meeting to require institutions to maintain interest-bearing accounts and remit interest payments to the state.

Interest Calculation

GAC has recommended that the Commission recognize both positive and negative balances when calculating interest. Institutions may experience negative balances when using their institutional funds to pay Cal Grants while waiting for the Cal Grant disbursements.

However, the Commission does not have the statutory authority to give state money to institutions to reimburse them for interest lost when they spend institutional funds in place of state funds. Further, reimbursing institutions for lost interest requires an appropriation of state funds, whether the reimbursement is provided through a direct payment by the Commission to institutions or by "netting," or setting-off, interest lost by institutions against interest due the Commission. Only the Legislature has authority to appropriate state money for these purposes, and it has not done so.

Members of GAC and other financial aid officials have suggested that institutions would incur additional bank expenses for opening an interest-bearing account and recommended that the Commission compensate for the extra fees. Once again, the Commission does not have the statutory authority to give state funds to institutions to

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reimburse them for bank account fees. The bank account fees would be at the expense of the institutions as a cost of participating in the Cal Grant program.

Commission staff, therefore, recommends that the IPA not include a provision for reimbursing institutions for lost interest or bank account fees.

Although the Commission is unable to recognize negative balances as they relate to interest-bearing accounts, Commission staff realizes that it can be a burden for some institutions. Staff believes, however, that some possible changes can help minimize the negative balances incurred. The term advances, in particular the fall advances are sent to institutions before the term begins or the fees are due. This would allow schools to have the Cal Grant funds so that students can have their fees paid, or have the disbursement checks, before the fee deadline. For example, during the 2006-2007 academic year, there were two fall advances: August 10, 2006 and the delayed advance on October 13, 2006.

Segment	Cal Grant Advanced	Fee deadline	Classes begin	Sits in account
UC Example: UC San Diego	August, 10 th 2006 August, 10 th 2006	Mid-September September, 18 th 2006	1 week later September 20 th , 2006	7-20 days
CSU Example: CSULB	August 10 th , 2006 August 10 th , 2006	Mid-August August 16 th , 2006	1-2 weeks later August 28 th , 2006	2-7 days
CCC	August 10 th , 2006	Flexible	Mid-August	7-21 days

The term advances are sent to the institutions days, and often weeks, before the fee registration deadline and should give institutions ample time to disburse the Cal Grant awards without having to use institutional funds. University of California, Davis (UC Davis) indicated during several meetings that they incurred negative balances and lost interest revenue due to advancing institutional funds. However, the situation resulted from their choice to be placed on a delayed fall advance. The delayed fall advance occurred on October 12, 2006, which is well past the fee registration deadline for UC Davis. In order to pay their students on time, they advanced their institutional funds in late August, while waiting for the state funds in October. If UC Davis was on the regular fall advance schedule in August, they would not have been in that predicament.

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Currently, there are seven institutions that are on the delayed fall advance, so it is possible they may be the institutions affected by the negative balances and lost interest revenue. The institutions on the delayed advance requested the later date to avoid holding onto state funds for a long period and tracking interest. The Commission can accommodate these institutions and others by implementing a September advance which would shorten the timeframe for holding onto state funds and the wait time for state funds to be advanced.

In addition as mentioned in GAC's recommendation, the implementation of the real time GDS database which will include "just-in-time" draw downs will significantly reduce the negative balance issue.

Staff Recommendations

Commission staff recommends that the proposed IPA incorporate the Commission's action at the September 7, 2006, meeting to require institutions to maintain interest-bearing accounts and remit interest payments to the state.

Commission staff recommends that the IPA not include a provision for reimbursing institutions for lost interest or bank account fees.

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Issue

Shall the Institutional Participation Agreement (IPA) require Cal Grant institutions to hold funds in trust for the State in separate accounts with no commingling of Cal Grant funds with funds from any other sources?

Background

This issue arises out of two concerns identified by Commission staff. The first concern relates to the Commission’s compliance with the Budget Act appropriation of State money for Cal Grant awards, particularly with respect to the Commission’s discretionary authority granted by the Education Code to advance money to participating institutions. The second concern relates to bankruptcy considerations.

Appropriation Authority and Advances

Article XVI, section 7 of the California Constitution states that "[m]oney may be drawn from the Treasury only through an appropriation made by law and upon a Controller's duly drawn warrant." An appropriation is a legislative act setting aside a certain sum of money for a specified object in such manner that the State’s executive officers are authorized to use that money, and no more, for that specified purpose. (White v. Davis (2002) 108 Cal.App.4th 197, 211.)

The Legislature appropriates State funds for Cal Grant awards through the annual Budget Act. The Budget Acts appropriate the funds to the Commission for Cal Grant awards as “Local Assistance,” which means expenditures made for the support of local government or other local administered activities.

In the 2006 Budget Act, for example, the appropriation for Cal Grant awards was expressly spelled out as follows:

- 7980-101-0001--For local assistance,
Student Aid Commission..... 846,838,000
- Schedule:
- (1) 15-Financial Aid**
- Grants Program..... 881,991,000**
- (2) Reimbursements..... -22,570,000
- (3) Amount payable from
the Federal Trust
Fund (Item 7980-101-
0890)..... -12,583,000
- Provisions:
- 1. Funds appropriated in Schedule (1)
are for the purposes of all of the
following:

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- (a) **Awards in the Cal Grant Program under Chapter 1.7 (commencing with Section 69430) and Article 3 (commencing with Section 69530) of Chapter 2 of Part 42 of the Education Code.**
- (b) Grants under Section 4709 of the Labor Code.
- (c) California Student Opportunity and Access Program contract agreements under Article 4 (commencing with Section 69560) of Chapter 2 of Part 42 of the Education Code.
- (d) The purchase of loan assumptions under Article 5 (commencing with Section 69612) of Chapter 2 of Part 42 of the Education Code. The Student Aid Commission shall issue 8,000 new warrants.
- (e) The purchase of loan assumptions under Article 5.5 (commencing with Section 69618) of Chapter 2 of Part 42 of the Education Code.
- (f) New and renewal Cal Grant awards.
- (g) The California Student Aid Commission shall report by April 1, 2007, on the State Nursing Assumption Program of Loans for Education, pursuant to the reporting requirements of Section 69616.8 of the Education Code.
- (h) No more than 100 warrants shall be authorized for the National Guard Assumption Program of Loans for Education under

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Article 12.5
(commencing with Section 69750) of Chapter 2 of Part 42 of the Education Code. It is the intent of the Legislature to provide no more than \$200,000 in 2007-08 for the additional warrants.

(Chapter 47, Statutes of 2006 [emphasis added].)

The Legislature appropriated the funds to the Commission specifically to pay for those items listed in Provision 1 (a)-(h). Provision 1(a) is the relevant item. It states that the purpose of the appropriation of funds is to pay awards of Cal Grants under the current Cal Grant program and remaining awards under the Cal Grant program in existence before Chapter 403 of the Statutes of 2000 (Senate Bill 1644) was enacted to establish the current Cal Grant program.

Thus, the Commission is authorized to use Cal Grant funds only to pay awards to eligible students.

Education Code section 69432.8 allows the Commission to choose to advance Cal Grant funds to institutions to ensure that the funds are available at the time students who are awarded Cal Grants enroll in the institutions. It specifically provides:

The commission may determine that an advance payment is essential to ensure that funds provided pursuant to this chapter to assist students to enroll in postsecondary education are available at the time students enroll. Upon making that determination, the commission may, on the basis of institutional academic calendars, advance, per term to authorized postsecondary educational institutions, the funds for eligible students who have indicated they will attend those institutions, less an amount based on historical claim enrollment attrition information. Each institution shall disburse the funds in accordance with the provisions set forth in the institutional agreement between the commission and the institution.

(Educ. Code, § 69432.8 [emphasis added])

This section only authorizes the Commission to advance funds to an institution for the purpose of ensuring that the funds are available at the time Cal Grant students enroll in the institution. This section does not constitute an appropriation authorizing the institutions to use the money advanced to them. In other words, the Commission's advance of Cal Grant funds to institutions does not constitute authority to the institutions to use the funds immediately or for any purpose. Rather, the Budget Act's stated purpose of the appropriation of state funds to pay Cal Grant funds still applies: the funds may only be used to pay Cal Grant awards. The Commission is not authorized to allow

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advanced funds to be spent on anything other than a properly payable Cal Grant award. The Cal Grant funds advanced to institutions remain State funds until Cal Grant awards may be properly paid for eligible students enrolled in the institutions.

The Commission, therefore, must ensure that it does not transfer ownership of Cal Grant funds to the institutions when it advances funds to institutions.

To protect the State's continuing ownership of the Cal Grant funds, the IPA proposes that institutions are to hold Cal Grant funds in trust on behalf of the State. Until an institution determines that a Cal Grant award is properly payable on behalf of each eligible student enrolled in the institution, the institution must continue hold the Cal Grant funds in trust for the State.

Bankruptcy law further reinforces the requirement that the IPA require institutions to hold Cal Grant funds in trust, and requires the Commission to add further requirements on institutions holding Cal Grant funds.

General Bankruptcy Concepts

Bankruptcy law treats property differently depending on how it is held by a debtor. Generally speaking, a bankruptcy court has jurisdiction over the bankruptcy estate of a debtor, which consists of property actually owned by the debtor, i.e., property in which the debtor has an "equitable interest". However, property that is held by the debtor, but which the debtor does not own, that is, does not have an equitable interest, is not part of the bankruptcy estate.

It is a well settled bankruptcy law principle that debtors do not own an equitable interest in property they hold in trust for another, and that, therefore, funds held in trust are not property of the bankruptcy estate. (Begier v. Internal Revenue Service, 496 U.S. 53, 110 S. Ct. 2258, 110 L. Ed. 2d 46 (1990).)

This is a crucial distinction for purposes of bankruptcy procedure. Property held in trust by the debtor is not subject to the same treatment in bankruptcy as property owned by the debtor. The "real" or legal owner of the property held by the debtor may be able to recover the full amount of the property, unlike creditors, who in many instances will not be able to recover the full amount of their debt because there is not enough money in the bankruptcy estate. Instead, creditors oftentimes receive only a portion, if any, of the amounts owed them.

Therefore, the real owner of property must take preventive steps to require the debtor to hold the property in trust to protect the real owner's rights, because creditors of the debtor will aggressively seek to include the property in the bankruptcy estate to increase the amount they can recover.

Generally, whether a trust has been established is a question to be resolved under State law. (B.I. Financial Services Group, Inc. v. Breninc, Inc., 854 F.2d 351, 354 (9th Cir. 1988).) Under California law, an express trust is created by acts or words of the trustor which indicate (1) an intention to create a trust and (2) the subject, purpose, and

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beneficiary of the trust. Payment of money may create either a debt or a trust, depending on the parties' intent. The parties' intent must be ascertained from their words and conduct in light of the circumstances surrounding the transaction. (Id.)

When the payment of money is intended to create a trust, the real owner, for example, the Commission, retains the ownership of the money, while the payee, for example, a participating Cal Grant institution, may not use the money for its own purposes. The payee generally may not mingle the real owner's money with its own. In contrast, where the payment of money is intended to create a debtor-creditor relationship, even though the payee may be obligated to repay an equal amount, the money becomes the payee's property and the payee may mingle it with other funds and use it for its own purposes. Lack of control by the real owner over treatment of its money is an indication of the establishment of a debtor-creditor, not trust, relationship. (Id.)

The Commission must ensure that it does not create a debtor-creditor relationship when it advances Cal Grant funds to institutions, because, as noted above, the Commission has no authority to transfer ownership of the Cal Grant funds from the state to the institutions until Cal Grant awards to eligible students enrolled at the institutions are properly payable. The Commission must require that Cal Grant funds are held in trust.

Even if property is held in trust on behalf of the real owner, a bankruptcy court will preliminarily consider the trust property to be part of the bankruptcy estate – and available for use to pay the creditors – until the real owner obtains an order from the bankruptcy court. To get this order, the real owner has the burden of proving to the court that the trust property was, in fact, held in trust. (5 Collier on Bankruptcy, at para. 541.11 (15th Ed. Rev. 2006).) The real owner must prove its title and identify the trust property.

Where the trust property has been commingled with that of the debtor, the real owner faces additional burdens. First, the real owner is bound by the normal rule for construing trust proceeds commingled in a bank account, known as the "lowest intermediate balance test." This test was established by the Supreme Court in Schuyler v. Littlefield, 232 U.S. 707, 58 L. Ed. 806, 34 S. Ct. 466 (1914), and Cunningham v. Brown, 265 U.S. 1, 68 L. Ed. 873, 44 S. Ct. 424 (1924). A court will follow the trust property and require restitution from an account where the amount on deposit has at all times since the commingling of the funds equaled or exceeded the amount of the trust property. Where, however, after the commingling, all the money is withdrawn, the trust property is treated as lost, even though later deposits are made into the account. Should the amount on deposit be reduced below the amount of the trust property but not depleted, the real owner is entitled to the lowest intermediate balance in the account. This is based on the fiction that the trustee would withdraw non-trust funds first, retaining as much as possible of the trust fund in the account. (Connecticut General Life Insurance Company v. Universal Insurance Company 838 F.2d 612, 619 (1st Cir. 1988).)

Where the amount on deposit in the commingled account has been completely withdrawn or reduced below the amount of the trust property, the real owner may attempt to trace payments out of the commingled account to some other specific property which may have value. The real owner cannot rely solely on showing that trust

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property went into the general estate and increased the amount and value of the general estate. Where the trust property can be traced to a specific asset or property, the real owner must trace the trust property to that asset to be able to recover the value of that asset or property. However, where the trust property has been expended, but no substitute property has been obtained, such as when the trust property has been used to pay an electric bill to a utility or to pay the salary of an employee, the real owner will not be able to recover the value of the payment.

Thus, the real owner of Cal Grant funds – the State, as represented by the Commission - must take steps to ensure that its property will be protected against a potential bankruptcy before it transfers that property to a Cal Grant participating institution. This will insure that the Cal Grant funds clearly continue to retain their status as state funds until the funds are paid as Cal Grant awards to eligible Cal Grant recipients, and that the state funds are protected to the greatest extent possible, from being used to pay creditors of the institution.

First, the Commission must ensure that it does not relinquish its ownership through the transfer of Cal Grant funds to the participating institution. This is done by formalizing in a legally recognizable way that the Commission intends that the transfer create a trust. If the Commission cannot prove that the property was held in trust, the property will be included in the bankruptcy estate and be available to pay creditors. The Commission may be able to be considered a creditor, but is likely to lose a substantial portion of the value of the property, if it recovers anything.

Second, the Commission must, in the exercise of its responsibility for state funds, minimize the steps, and costs, in bankruptcy court necessary to establish its ownership and confirm that its property is not property of the bankruptcy estate. It should seek to avoid the imposition of the lowest intermediate balance test applicable to commingling of trust property – in this case, Cal Grant funds – with other, non-trust property – participating institution funds. The Commission should also seek to avoid the additional burden imposed by a commingled account of tracing improper Cal Grant fund expenditures to specific other assets or property.

Recommendation by the Commission's Grant Advisory Committee

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

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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. Commission 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 Commission 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.

Language in the Current IPA

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.

Language in the Proposed IPA

- 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.

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- 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 with a presence 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).
 - i. **Phased Implementation – If there is a change in the account holding the Cal Grant funds, the account must be in place and the EFT application returned to the Commission by December 1, 2007.**
 - 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).
 - 4) **Phased Implementation – If switching from a non interest-bearing account to an interest-bearing account for the 2007-08 academic year, interest calculation for return to CSAC will begin when Cal Grant funds enter the interest-bearing account. If no changes occur in the continuing use of an interest-bearing account, interest calculation for return to CSAC will begin with the Fall Advance for 2007-08.**
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- 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.

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- 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 with a presence 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) **Phased Implementation – If there is a change in the account holding the Cal Grant funds, the account must be in place and the EFT application returned to the Commission by December 1, 2007.**
- 4) 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).
- 5) **Phased Implementation – If switching from a non interest-bearing account to an interest-bearing account for the 2007-08 academic year, interest calculation for return to CSAC will begin when Cal Grant funds enter the interest-bearing account. If no changes occur in the continuing use of an interest-bearing account, interest calculation for return to CSAC will begin with the Fall Advance for 2007-08.**
- 6) 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

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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).

Staff Discussion**Option 1**

Option 1 in the proposed IPA states that any Cal Grant funds, including advances, transferred by the Commission 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. The proposed IPA also states that participating institutions must hold Cal Grant funds in a separate, designated account identified as the property of the state. Further, the proposed IPA prohibits the use of Cal Grant funds for any purpose other than for the benefit of eligible students.

This language creates an express trust, and establishes the Commission's control over the funds, both of which are intended to constitute clear indications of the Commission's intent to maintain the Commission's ownership of the funds.

In addition to the requirement of a separate account for Cal Grant funds, Option 1 also expressly prohibits participating institutions from commingling any other funds with Cal Grant funds.

These provisions satisfy the two steps, described above, that are necessary to avoid the practical problems facing real owners who allow their trust property to be commingled with other property. In the absence of the prohibition against commingling, the Commission would be required to trace through the participating institution's financial records to establish that Cal Grant funds were used to obtain other property, in order to establish that the other property is excluded from the bankruptcy estate, so that the Commission could recover that value on behalf of the State. If the Cal Grant funds were used, but are not traceable to a specific asset, the Commission could not recover those funds.

Option 2

The proposed IPA also includes a second option that allows public institutions – the University of California, California State University, and California Community Colleges – to choose between holding Cal Grant funds in a separate account or in a commingled account. If they choose a commingled account, they are required to have accounting records that clearly reflect that they segregate Cal Grant funds as readily as if those funds were in a separate account. Private institutions would still be required to have separate accounts with no commingling.

Option 2 recognizes the legal and practical distinctions between public and private institutions. Bankruptcy law allows municipalities – which would include the University of California, California State University, and California Community Colleges – to file

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petitions in bankruptcy. Municipalities are covered by different bankruptcy rules and procedures than private companies. While many procedures are similar or identical, municipal bankruptcies under Chapter 9 of the Bankruptcy Code allow much greater involvement and control by the municipality filing the bankruptcy petition than the private-company bankruptcy Chapters 7 and 11 allow to private company debtors. This distinction is founded on the sovereignty of states, as recognized by the 10th and 11th Amendments to the United States Constitution.

This different bankruptcy treatment is related to a second distinction between public and private institutions. From a practical and policy perspective, the state can actively protect its financial interests if a public institution were to file a Chapter 9 bankruptcy petition. For example, the bankruptcy process normally prevents a creditor from offsetting amounts owed by a debtor from the creditor's payments to the debtor. However, because Chapter 9 requires a bankruptcy court to defer to the authority of the state over sovereign state functions, the Legislature and Administration may be able to account for any deficiency in Cal Grant funds that may occur as a result of a bankruptcy filing through the Budget Act or other laws. The Administration can also choose to become involved in the discussions with the public institution for resolving that public institution's bankruptcy case.

There is no comparable process by which the State can affect a private institution that has filed a bankruptcy petition under Chapter 7 or 11. A private institution's bankruptcy filing under these Chapters does not allow for the deference to State interests that the Bankruptcy Code affords under Chapter 9. For example, it is problematic whether the Legislature and Governor could recover Cal Grant amounts through legislation affecting the private institution. Further, in private institution bankruptcy cases, creditors seek to increase the size of the bankruptcy estate, and thus are more likely actively to oppose any state attempt to recover funds outside the bankruptcy court's jurisdiction.

Option 2 was more of a viable option to the public schools since it allowed Cal Grant funds to be commingled as long as it had good accounting practices. In addition, option 2 is more in line with the federal model. GAC members were not satisfied since this option was not extended to the private segment and suggested that this option be made available to the private institutions as well. Commission staff's stance has always been that private institutions' potential for bankruptcy would make it impossible to recover disbursed Cal Grant funds.

Commission staff recommends that private institutions be required to open separate interest bearing accounts. A recent case of bankruptcy illustrates this point. The Court Reporting Institute declared for bankruptcy in the fall of 2006, but not before the fall advance of \$78,367 was sent to the school. The Commission was not aware of the bankruptcy until February 2007 when court paperwork was sent along with the 2005 invoice from the school's lawyer. It is highly unlikely that the Commission will recover the Cal Grant funds from the bankruptcy. Since 1995, the Commission has experienced approximately nine other documented private school closures – some involving bankruptcy filings - where the Commission was unable to recover Gal Grant funds. The losses to the State from the nine school closures total to \$109,420. GAC has recommended that the Commission identify private institutions that display financial

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Separate Accounts

instability and may have “red flags” for school closures. With over three hundred private and vocational institutions that participate in the Cal Grant program, it is nearly impossible to regulate and monitor the institutions financial well being. Requiring the private schools to open separate interest bearing accounts will drastically diminish the bankruptcy liability that is currently assumed by the Commission.

Thus, Option 2 would require private institutions to maintain separate accounts, with no commingling of Cal Grant funds with other funds of the institutions, but allow flexibility to public institutions.

Staff Recommendation

Staff recommends Option 2, based on the reality of the State’s ability to protect state funds with respect to public institutions. The requirements of separate accounts held in trust and the prohibition against commingling are necessary to protect State funds held by private institutions.

2007 Institutional Participation Agreement
California Residency

Issue

The California residency issue is twofold: date and method of determination.

What date shall the Institutional Participation Agreement (IPA) establish as the date on which a Cal Grant applicant's California residency is determined?

What method must be used to determine whether a Cal Grant applicant is a California resident?

Background

The current Institutional Participation Agreement (IPA) includes a general requirement that institutions verify eligibility (Article IV, B). California residency is one of those eligibility requirements. The IPA does not, however, provide the date on which residency is determined or specify how residency is determined.

Date on Which California Residency is Determined

California Education Code section 69433.5 establishes how the Commission determines residency for Cal Grant purposes. It provides in relevant part:

- (a) Only a resident of California, as determined by the commission pursuant to Part 41 (commencing with Section 68000), is eligible for an initial Cal Grant award....

Part 41 (commencing with section 68000) of the Education Code prescribes uniform student residency requirements for public institutions of higher education. These requirements are applied to establish whether the student must pay the amount of tuition for California residents or out-of-state residents. Among the relevant sections in Part 41, the Education Code specifies the following:

Education Code section 68017 provides:

A resident is a student who has residence pursuant to Article 5 (commencing with Section 68060) of this chapter in the state for more than one year immediately preceding the residence determination date.

Education Code section 68023 provides:

"Resident determination date" is a date or day established by the governing boards or district governing boards, as appropriate, for each semester, quarter, or term to determine a student's residence.

The reference to the governing boards means, among others, the Regents of the University of California, the Trustees of the California State University, and the Board of Governors of the California Community Colleges. (Educ. Code, § 68012.)

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California Residency

Thus, the dates on which California residency is determined for purposes of Cal Grant eligibility for students in public institutions, are the same dates of residency used by those institutions for purposes of deciding whether the students qualify for in-state or out-of-state tuition.

The law is silent with respect to private institutions.

The 1999 Institutional Participation Agreement (IPA) used September 20 of the award year as the residence determination date (Article III, A, 4). The rationale behind the choice of this date is not precisely known by current California Student Aid Commission (CSAC) staff, but it is presumed that the selection was meant to be consistent with the start dates of institutions with traditional academic calendars.

The residence determination date was not expressly addressed in the current IPA, which became effective in 2003. However, CSAC staff administratively used March 2 as the residency determination date. Again rationale for the change is not specifically known by current staff, but it is supposed that the change was meant to ensure residency had already been attained by the application cycle deadline and, hence, awarding. CSAC did not formally notify schools of the residency date change, though the March 2 date was incorporated into training curriculum and the Cal Grant Program Manual (CGPM) updated in 2003.

At the Grant Advisory Committee (GAC) Workgroup of January 5, 2007, in discussion over the draft IPA, Article IV, Section A Confirmation of General Eligibility, CSAC staff proposed returning the residency determination date to September 20 for private institutions and allow the public institutions to use the dates chosen by their governing boards for purposes of ascertaining a student's residency for in-state tuition payment.

September 20 was proposed for private institutions as it was already a familiar date and because it fell within the dates used by public institutions.

Method of Determination of Residency

As noted above, Education Code section 68017 provides:

A resident is a student who has residence pursuant to Article 5 (commencing with Section 68060) of this chapter in the state for more than one year immediately preceding the residence determination date.

Education Code sections 68060-68062 in Article 5 specifically address the determination of student residence:

Education Code section 68060 provides:

Every person has, in law, a residence.

Education Code section 68061 provides:

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California Residency

Every person who is married or 18 years of age, or older, and under no legal disability to do so, may establish residence.

Education Code section 68062 provides:

In determining the place of residence the following rules are to be observed:

- (a) There can only be one residence.
- (b) A residence is the place where one remains when not called elsewhere for labor or other special or temporary purpose, and to which he or she returns in seasons of repose.
- (c) A residence cannot be lost until another is gained.
- (d) The residence can be changed only by the union of act and intent.
- (e) A man or woman may establish his or her residence. A woman's residence shall not be derivative from that of her husband.
- (f) 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. When the minor lives with neither parent his or her residence is that of the parent with whom he or she maintained his or her last place of abode, provided the minor may establish his or her residence when both parents are deceased and a legal guardian has not been appointed.
- (g) 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.
- (h) An alien, including an unmarried minor alien, may establish his or her residence, unless precluded by the Immigration and Nationality Act (8 U.S.C. 1101, et seq.) from establishing domicile in the United States.
- (i) The residence of an unmarried minor alien shall be derived from his or her parents pursuant to the provisions of subdivisions (f) and (g).

Public institutions apply these laws to determine whether students qualify for in-state or out-of-state tuition. Education Code section 69433.5 allows for the governing boards of the public institutions to establish their own methodology for determining California residence. To staff's knowledge, UC has adopted procedures for determining residency. CSU has adopted regulations in Title 5, California Code of Regulations, sections 41903, 41904, 41905, and 41907, and the California Community Colleges have adopted regulations in Title 5, California Code of Regulations, sections 54010 through 54024, setting out requirements for residency determinations.

For example, the UC has adopted "Standing Order 110.2" for matters relating to California residency. The Order references Education Code Sections 68000, 68010-68012, 68014-68018, 68022-68023, and 68040-68044 with a few stated exclusions and additions.

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California Residency

CSU applies the following standard:

In order to establish a residence, it is necessary that there be a union of act and intent. The act necessary to establish legal residence is physical presence within the State of California. Relevant indicia of intent to make California one's residence include, but are not limited to: voting in elections in California and not in any other state; satisfying resident State personal income tax obligations; establishing an abode in the state where one's belongings are kept; licensing from the State for professional practice; maintaining active resident memberships in California professional or social organizations; maintaining California vehicle plates and operator's license; maintaining active savings and checking accounts in California banks; maintaining permanent military address or home of record in California if in the armed forces; engagement in litigation for which residence is required; showing California as home address on federal income tax forms; and the absence of these indicia outside California during any period for which a residence in California is asserted. No single factor is controlling or decisive.

(5 California Code of Regulations (CCR) § 41905).

For the CCC, the process is similar:

5 CCR § 54010 (b) provides:

The student shall be required to present evidence of physical presence in California, intent to make California the home for other than a temporary purpose and, if the student was classified as a nonresident in the preceding term, financial independence.

5 CCR § 54024 provides:

(a) Intent to make California the home for other than a temporary purpose may be manifested in many ways. No one factor is controlling.

(b) A student who is 19 years of age or over, and who has maintained a home in California continuously for the last two years shall be presumed to have the intent to make California the home for other than a temporary purpose unless the student has evidenced a contrary intent by having engaged in any of the activities listed in subdivision (f).

(c) A student who is under 19 years of age shall be presumed to have the intent to make California the home for other than a temporary purpose if both the student and his or her parent have maintained a home in California continuously for the last two years unless the student

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California Residency

has evidenced a contrary intent by having engaged in any of the activities listed in subdivision (f).

(d) A student who does not meet the requirements of subdivision (b) or subdivision (c) shall be required to provide evidence of intent to make California the home for other than a temporary purpose as specified in subdivision (e).

(e) Objective manifestations of intent to establish California residence include but are not limited to:

- (1) Ownership of residential property or continuous occupancy of rented or leased property in California.
- (2) Registering to vote and voting in California.
- (3) Licensing from California for professional practice.
- (4) Active membership in service or social clubs.
- (5) Presence of spouse, children or other close relatives in the state.
- (6) Showing California as home address on federal income tax form.
- (7) Payment of California state income tax as a resident.
- (8) Possessing California motor vehicle license plates.
- (9) Possessing a California driver's license.
- (10) Maintaining permanent military address or home of record in California while in armed forces.
- (11) Establishing and maintaining active California bank accounts.
- (12) Being the petitioner for a divorce in California.

(f) Conduct inconsistent with a claim of California residence includes but is not limited to:

- (1) Maintaining voter registration and voting in another state.
- (2) Being the petitioner for a divorce in another state.
- (3) Attending an out-of-state institution as a resident of that other state.
- (4) Declaring nonresidence for state income tax purposes.

Recommendations by the Commission's Grant Advisory Committee

The Grant Advisory Committee (GAC) members representing public institutions supported the use of the residency determination dates for public institutions, albeit slightly different from one public segment to another, already in place. GAC members from the private segments preferred a single date for all institutions but deferred to the Grant Advisory Committee Chair's Report to the Commission at the February 22, 2007 meeting:

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The [GAC] 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.

An auxiliary concern raised was the portability of a Cal Grant between schools from different segments given the slightly differing dates. CSAC staff considers this to be an issue that can be resolved administratively.

Again, in the February 2007 Chair's Report to the Commission GAC stated:

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.

GAC and other financial aid personnel were also 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."¹

In its most recent meeting on April 5, 2007, GAC further refined its position to recommend the IPA include a single CSAC definition of residency for all Cal Grant recipients, but allow public institutions to continue resolving conflicting information as defined by current practice, while CSAC provide an indicator for private institutions to consider as conflicting information.

GAC has discussed their desire for CSAC to tighten initial edits relating to California residency, so students who are not residents would most likely not be awarded a Cal

¹ "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)." February 2007 Chair's Report to the Commission

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Grant (February 14, 2007, GAC Teleconference). CSAC staff is exploring changes to the Grant Delivery System which would tighten initial edits to the FAFSA.

Language in the Current IPA

The IPA addresses residency within the context of institutional responsibilities to verify and confirm eligibility.:

- 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.

Language in the Proposed IPA

“Resolve and report to the Commission prior to disbursement any conflicting information (pursuant to *FSA Handbook* Vol. 1, p. 13 and *The Blue Book*, Chapter 10, pp. 142-143) that may affect the disbursement of Cal Grant funds:

- 6). the recipient is a legal California state resident for at least one year [CEC 69433.5(a)] as of
 - i. (for public institutions) the residence determination date established by the applicable governing boards or district governing boards of the public institutions [CEC 68022, 68023], or
 - ii. (for private institutions) September 20 of the award year (i.e., September 20, 2007, for the 2007-08 award year).
 - iii. Public institutions shall continue to use the procedures or rules and regulations instituted by their respective governing boards for determining California residency, including resolving conflicting information in the possession of the institutions [CEC 68044].
 - iv. Private institutions may adopt the regulations in 5 CCR §§ 54020-54024 or they may develop and document their own policy which are not inconsistent with CCR § 54020-54024, including the resolving of conflicting information in the possession of the institution.
 - v. Indicators of conflicting information include but are not limited to: indicia on the ISIR that the student, or the student’s parent if the

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student is a minor, is not a resident; declaring nonresidence for income tax purposes; showing a state other than California as the home address on federal income tax forms; attending an out-of-state institution as a resident of that other state; graduating from an out-of state high school the year of or year prior to receiving a Cal Grant; licensing from another state for professional practice; possessing motor vehicle license plates or operator's license from a state other than California; maintaining permanent military address or home of record in another state while in the armed forces; or being the petitioner for a divorce in another state. No one indicator is controlling.

Staff Discussion

Date on Which California Residency is Determined

California law dictates the use of the California residency determination dates already in place at the UC, CSU, and the California Community Colleges for the purposes of determining residency for Cal Grant eligibility. CSAC staff, therefore, recommends that the IPA recognize the residency determination dates used by the public segments.

For private institutions, the use of September 20 of the award year as the residency determination date provides a date closely in line with the public segments and more consistent with the philosophy of residency for one year prior to the start of the term for which the Cal Grant is being used. CSAC staff recommends that the IPA establish September 20 of the Cal Grant award year as the single date of determination of residency for private institutions.

Method of Determination of Residency

CSAC staff and GAC agree that a standard definition be put in place for determining California residency across all segments. Staff believes Education Code § 68060-68062 already provides that definition and plans to list the code, verbatim, in Appendix A. Definitions.

The difference between the segments and CSAC staff arises in the actual method of determining residency. Again CSAC staff finds it incumbent, based on statute, to allow public institutions to continue to use the rules and regulations instituted by their respective governing boards for determining California residency.

To keep the standards as comparable as possible, and to provide uniform guidance for private institutions, CSAC staff recommends that the IPA allow private institutions to adopt the standards established in the California Community College regulations in 5 CCR §§ 54020-54024 for determining residency, or develop and document their own policy which is not inconsistent with 5 CCR §§ 54020-54024.

GAC's recommendation that the IPA include a single standard for defining conflicting information is impractical. Public institutions should continue to be governed by the

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institutional standards they use to determine residency, including the process by which they resolve conflicting information. This will ensure consistency between the public institutions' determinations of in-state tuition based on California residency, and Cal Grant awards requiring California residency.

Second, for private schools, the factual circumstances in which student information received by an institution might conflict with an initial determination of California residency are too numerous to list completely. Any specific listing of facts that constitute conflicting information would be incomplete. Thus, the IPA would limit the instances in which institutions would be required to resolve conflicting information on residency only to those listed in the IPA, and the Commission would be excusing institutions from having to resolve conflicting information in all circumstances except those expressly listed. Since some of these unlisted circumstances could, if properly resolved, result in determinations that students were not California residents, and thus, do not qualify for Cal Grant awards, the Commission would be increasing the likelihood of unauthorized Cal Grant awards and the unauthorized expenditure of State funds.

The resolution of conflicting information is an exercise in judgment that depends on the information in the possession of the institution, is fact-specific to an individual student, and is required to be done on a student-by-student basis. It is simply not possible, or appropriate, to attempt to define every circumstance in which an institution is required to resolve conflicting information.

Federal government requirements relating to resolving conflicting information on federal financial aid eligibility recognize this concern. Cal Grant institutions are already subject to federal requirements to resolve conflicting information about eligibility factors for federal financial aid described in the *FSA Handbook* and *The Blue Book: Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions for Federally Funded Student Financial Aid Programs*. The *FSA Handbook* provides detailed information on the administration of the Title IV federal student aid programs, as well as on institutional eligibility to participate in these programs. *The Blue Book* provides guidance to institutions on general Title IV federal student financial aid program management, fiscal recordkeeping, accounting, and reporting functions. Relevant provisions relating to conflicting information from the *FSA Handbook* Vol. 1, p. 13, and *The Blue Book*, Chapter 10, pp. 142-143 are attached as Attachment 1. Each describes the requirement for resolving conflicting information in general terms, and describes circumstances that illustrate, but do not limit, the requirement to resolve conflicting information.

CSAC staff has concluded that the Commission will minimize the possibility of allowing unauthorized Cal Grant awards to be paid to students who are not California residents, by requiring a private institution first, to develop procedures for determining California residency, either based on the regulations adopted by the California Community Colleges or on the institution's own determination of the factors the law requires to establish residency, not inconsistent with the Community College regulations, and, second, to use its judgment to determine whether information it receives about its student conflicts with the method the institution uses to determine the student's residency. Consistent with the federal approach, CSAC staff has also concluded that it

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is appropriate to provide examples of circumstances in which conflicting information could require resolution, but not to limit the requirement to resolve conflicting information to specific examples. The staff has included a reference to the *FSA Handbook* and *The Blue Book* in the IPA.

Staff Recommendations

CSAC staff recommends that the IPA authorize public institutions to use the residency determination dates approved by their governing boards, and private institutions to use September 20 of the award year as the residency determination date.

CSAC staff recommends that the IPA authorize public institutions to continue to use the rules and regulations instituted by their respective governing boards for determining California residency; and private institutions to adopt the standards established in the California Community College regulations in 5 CCR §§ 54020-54024 for determining residency, or develop and document their own policy which is not inconsistent with 5 CCR §§ 54020-54024.

Further, CSAC staff recommends that the proposed IPA provide examples of circumstances (“indicators”) in which conflicting information could require resolution, but not to limit the requirement to resolve conflicting information to specific examples.

Therefore, CSAC staff recommends that the Commission adopt the proposed IPA language.

2007 Institutional Participation Agreement
High School Graduation Confirmation

Issue

How should the Institutional Participation Agreement (IPA) address the requirement that Cal Grant Entitlement recipients be high school graduates?

Background

High school graduation was not a requirement for eligibility in the Cal Grant program previous to September 2000. Therefore, the Commission's administrative processes, including the Grant Delivery System (GDS) did not include a high school graduation component. GDS is the system of complementing programs that allow the awarding, notification and delivery of Cal Grant funds to schools for Cal Grant participants.

The Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant program was signed into law September 11, 2000, (Chapter 403, Statutes of 2000 (SB 1644)), creating the current Cal Grant Entitlement program. The new law imposed a number of new eligibility requirements, including the requirement that recipients of Cal Grant Entitlement awards be high school graduates. The new law also created Cal Grant Competitive awards. It is significant that the Legislature included high school graduation as a requirement for Entitlement participants, but not for the Cal Grant Competitive program authorized by the new law.

The new law became effective immediately upon signing in September 2000 and applied to the Cal Grant award cycle beginning January 1, 2001. The completely new Entitlement program required the Commission write and submit a Feasibility Study Report and shepherd it through its approval in about 2-1/2 months. To implement the requirements of the new Entitlement law, significant and critical changes to the Commission's entire administrative process for awarding Cal Grants were necessary, including extensive computer programming changes to the GDS. Regular milestones over an 18-month period were established and accomplished with very little margin for adjustments. A more realistic timeframe would have allowed Commission staff time for more complete and thorough testing of processes before having to implement "live" each critical step of the new Entitlement program.

Numerous complex compromises were made on an expedited basis to change and enhance the Commission's award process to meet the January 2001 deadline. For the new high school graduation requirement, the award process incorporated information the students provided on the Commission form for verifying grade point averages (GPA). Students now apply for a Cal Grant by completing and submitting a Cal Grant GPA Verification form they submit to the Commission and a Free Application for Federal Student Aid (FAFSA) they submit to the federal government by the March 2 Cal Grant application deadline. The paper GPA Verification form requests students to report the date they graduated from high school or the date they plan to graduate from high school. The file layout for the electronically submitted GPA data also includes a graduation date. For the great majority of Cal Grant Entitlement applicants, graduation information is provided to the Commission before they actually graduate from high school because

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they submit the form in March. The FAFSA contains the question: “Will you have a high school diploma or GED before you begin the 2006-07 school year?” However, this information is not used by the Commission to determine eligibility for an Entitlement award because it does not provide a graduation date, and it is also submitted in March before the student’s actual graduation date.

Limiting this discussion to the high school graduation eligibility requirement, the new award process issued preliminary awards to all students who designated a graduation date on the GPA Verification form, even if the date constituted an “expected” graduation date. Before paying a Cal Grant award, the award process relied on institutions to obtain information that students had, in fact, graduated.

The IPA in existence at the time the new law took effect was not revised until 2003, when the current IPA became effective. The current IPA does not specifically address high school graduation, but does reflect the reliance on institutions to obtain the information of actual graduation in Article V:

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

- 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.

Grant Operations Memo (GOM) 2003-05

In June 2003, upon recommendation of the Grant Advisory Committee (GAC), Commission staff issued a Grant Operations Memo (GOM 2003-05), entitled *Clarification of Specific Articles in New Institutional Participation Agreement (IPA)* that states the following, in part:

“Some members of the financial aid community have expressed concerns about the new IPA and have requested clarification. The Grant Advisory Committee (GAC) discussed the following items at its May 29, 2003 meeting:

- **Verification of Eligibility:** Article IV(A) (“Verify the recipient meets all eligibility and program requirements and resolve any conflicting information before disbursing Cal Grant funds.”)
 - *As with any federal, state, or any institutional program, funds should not be disbursed unless the student is eligible. As in the past, this requires an institution that has documentation on file that is contrary to the information the Commission used to offer an*

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award to resolve and report conflicts to the Commission. At a minimum, the institution must maintain a current award year FAFSA record on file for each Cal Grant recipient.

- *An institution is not required to recalculate GPAs, document student files with high school graduation dates, or recalculate data that the Commission has already calculated to affirm a student's grant eligibility absent conflicting information in the institution's possession."*

The GOM 2003-05 has been interpreted to relieve institutions of the affirmative responsibility to collect information that students have, in fact, graduated from high school before paying a Cal Grant award. Instead, the GOM has been interpreted to allow institutions to rely on the Commission's acceptance of the expected high school graduation date as an actual graduation date, and to be obligated to collect information about high school graduation only if the institutions came into possession of information that was inconsistent with, or in conflict with, a student's status as a high school graduate.

Effect of the CAHSEE

Beginning in 2005, continuing discussions on the effects of the California High School Exit Examination (CAHSEE) on Cal Grant eligibility and work on the 2007 IPA brought into focus the requirement that only high school graduates should receive Cal Grant Entitlement benefits.

The definition of what is required to complete high school graduation at California public high schools is described in the California Education Code (CEC) in sections 51220-51228. These include course requirements and the requirement to pass an exit examination.

The CAHSEE exam was eventually implemented for the 2005-2006 academic year and has now survived challenges in court. Passage of the CAHSEE for public high school students is pertinent because as a result of the Commission's discussion of the GAC's recommendations, Commission staff was directed to research and review methods to implement certification of CAHSEE passage for Cal Grant Entitlement eligibility purposes and present these to the Commission for their consideration and possible action.

During the staff analysis of these methods, consideration was given to the fact that verification of CAHSEE passage would only constitute partial verification of the Cal Grant Entitlement eligibility requirements for high school graduation.

Upon analysis, Commission staff determined that the award process does not comply with current Cal Grant law because the process does not, for most Cal Grant applicants, include information that recipients have, in fact, graduated from high school. The information the Commission gathers on most Cal Grant applicants identifies "expected" high school graduation dates because the March 2 deadline occurs before high school graduation dates. Further, to the extent that GOM 2003-05 is perceived as excusing institutions from confirming that a Cal Grant recipient has, actually graduated neither the

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Commission nor the institutions have information that recipients have graduated, unless an institution happens to come into possession of information that conflicts with the “expected” graduation information.

For the 2007-2008 Cal Grant award year, the Commission passed an action to ensure that the award process included actual graduation information. The Commission adopted the following motion at the September 7, 2006, Commission meeting:

On **MOTION** by Commissioner Friedlander, **SECONDED** and **CARRIED**, the Commission approved the Committee’s recommendation for the 2007-08 award year, that when the Commission sends its Cal Grant award letters, it shall include a self-certification form that the student must fill out at high school graduation and under penalty of perjury, certifying that he or she is a high school graduate and meets all the graduation requirements. Additionally, prior to disbursing any Cal Grant funds, the enrolling institution must receive the original self-certification form and the original form must be placed in the student’s financial aid file.

The Commission adopted the motion with the understanding that a permanent solution would be developed during the discussions on the new 2007 IPA. The Commission also subsequently asked the Attorney General’s Office to opine on the legality of the existing award process with respect to the requirement of high school graduation.

Since Cal Grant Entitlement awards were first mailed in February this year, Commission staff determined that the self-certification letters should be mailed to recipients under a separate mailing in May to prevent many students from certifying their graduation before they actually graduate

Study of Entitlement Participant Graduation Confirmation

Commission staff performed a study of Entitlement awardees to determine their high school graduation rate. This study concluded that it was likely that the overwhelming majority of Cal Grant Entitlement participants are high school graduates.

Although this finding is significant, Commission staff feels that the requirement that Entitlement participants be high school graduates calls for a post-graduation affirmation of graduation by the student, or authoritative documentation confirming that the student graduated. It was the intent of the Legislature that only high school graduates receive Cal Grant Entitlement benefits.

Recommendation by the Commission’s Grant Advisory Committee

The following was submitted to the California Student Aid Commission by the Grant Advisory Committee dated February 2007, as part of their analysis of the draft 2007 IPA:

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

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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.

Language in the Current IPA

The IPA currently in place contains no statements addressing the confirmation or verification of high school graduation.

Language in the Proposed IPA

Each participating Cal Grant institution will collect and retain a high school graduation statement from each newly awarded Cal Grant Entitlement participant to be paid at that institution. Only post-graduation certifications are acceptable. Institutions may also collect transcripts, diplomas or other authoritative documentation of high school graduation in lieu of a student self-certification. Any self-certifications or graduation documents must be retained according to the document retention requirements of the new 2007 IPA.

In lieu of collection of a student self-certification, or of authoritative documentation of high school graduation, institutions that require high school graduation for admission purposes may affirm, upon certification of payment eligibility, that the institution has received and retained authoritative documentation of the student's graduation from high school.

Staff Discussion

The Commission's action implementing the temporary process for obtaining 2007-2008 high school graduation information resulted in the development of self-certification form mailed to each student and available on the Commission's Web site. Each student will self-certify, under penalty of perjury, to his or her graduation from high school. The student is to deliver the form to the institution of enrollment. The institution must receive the completed form before paying a Cal Grant Entitlement award, and place and retain the form in the student's financial aid file.

The new IPA would continue this process until the 2010-2011 award year. Institutions would have the option of collecting transcripts, copies of diplomas, or other authoritative documentation of high school graduation in lieu of the self-certification forms. In addition, the new IPA relieves institutions that require high school graduation for admission, and that gather and retain proof of graduation for all students, from receiving and maintaining the form before paying Cal Grant Entitlement awards. Commission staff included this option at the request of institutions, such as the public college systems – University of California and California State Universities – and private colleges such as USC and Stanford. These institutions will always have documentation of the student's graduation from high school.

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While Commission staff recognizes that the new IPA language continues the workload burden on institutions to receive and maintain the completed forms from the students enrolled in the institutions, staff has concluded that the adverse effect on the student would be even greater if the Commission were to receive and process the forms from students and then confirm graduation eligibility to institutions.

If the Commission were responsible for determining eligibility with respect to high school graduation, students and institutions would be disadvantaged. A centralized graduation eligibility process, executed without consideration of long term system capabilities, would not be a prudent course. Staff feels a comprehensive approach to confirmation of high school graduation, taking advantage of the increased capabilities of the real-time database to be phased in over the next two years, will be a better course of action.

Requiring the Commission to determine eligibility with respect to high schools graduation would introduce complexities into a system already burdened with obsolescent coding and inefficiencies, and would inhibit the timely delivery of funds for students. This is asserted based on experience with a somewhat similar collection system used for the Transfer Entitlement awards. That collection system is centralized with the Commission and was put into place in a short amount of time without thorough integration into the Grant Delivery System (GDS). Significant staff time has been expended in the processing of Transfer Entitlement applications resulting in delays to the detriment of the students and to the progress towards milestones in the real-time database project. The Transfer Entitlement process involves only about ten (10) percent of the number of potentially eligible students for all Cal Grant Entitlement awards.

Institutions would also be adversely affected because students would not be considered eligible for a Cal Grant until the Commission received the graduation information and determined that the student had, in fact, graduated from high school. This has the potential of affecting advances to institutions. Education Code section 69432.8 allows the Commission to advance funds to institutions to ensure availability of funds when the students enroll. However, the Commission is authorized only to advance “funds for eligible students who have indicated they will attend those institutions, less an amount based on historical claim enrollment attrition information.” (Educ. Code, § 69432.8; emphasis added.) If the Commission is responsible for receiving information that a student has, in fact, graduated and is, therefore, eligible for an Entitlement award, the student cannot be considered eligible until the Commission has received that information. An advance to an institution, therefore, can only be based on the number of students with Commission-verified high school graduations. The delays described above will likely result in the reduction of advances to institutions.

The limitations of the current GDS provide a disadvantage related to the Commission’s responsibility for obtaining graduation information. Essentially, if the Commission were to decide to assume responsibility for high school graduation confirmation, the Commission would be faced with a policy choice between endangering the GDS Real-time Project, i.e., Phase 1 and Phase 2 of GDS, on the one hand, and limiting the consideration of students for Cal Grant awards.

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Grant Delivery System (GDS)

The Commission is currently involved in a major project to revise and update the GDS which has not been comprehensively restructured since the early 1990s. When the system was converted from the original 1990 Financial Aid Processing System (FAPS) to GDS, the existing system 'batch' limitations were retained as an essential implementation strategy to reduce project risk. Subsequently planned improvements were put on hold during the critical implementation timeline of the Cal Grant Entitlement program in 2001-2003, again to limit the risk to completion of the Entitlement project. In June 2004, plans for system enhancements and restructure were forwarded to the state Department of Finance, and were approved and included in the Governor's May revised budget for FY 2005-2006. However, the Legislature, because of budget shortfalls, approved only those budget changes that impacted health and safety for that fiscal year.

For the 2006-2007 year, the GDS restructure and enhancements were again approved and funded as Phase I of the Real-time Database project. Phase I of this project restructures the underlying GDS system to simplify processes, increase flexibility for change, and enable real-time transactions. This restructure will prepare the system for implementation of Phase II of the project. The Governor's January 2007-2008 budget proposal contains a funding request for Phase II of this project.

Assuming approval in the Budget Act, Phase II of the Real-time database project will address the ambitious goal to bring real-time processing capability to the GDS and to establish direct communication protocols between GDS and the various Financial Aid Management (FAM) systems used by participating Cal Grant schools. These accomplishments are paramount to solving many of the inherent shortcomings in the 12 year old FAPS/GDS. Not only would these structural changes allow direct system-to-system communication between GDS and other systems, it would increase the ability for the Commission to adapt the system to meet new requirements such as the gathering of high school graduation data without significant impact on the students and institutions. Additionally, other benefits of the real-time transactions should reduce the institutional workload required for proper reporting of Cal Grant payments and the later payment reconciliation.

However, during the critical implementation of Phase I and Phase II of the project, any other changes to the GDS system could severely and adversely affect the project schedule and increase risk of project failure. Changes to GDS required by the Commission's responsibility for obtaining the actual high school graduation information would constitute a serious risk to Phase I and Phase II.

The Commission could try to avoid the risk to Phase I and Phase II by minimizing the changes to GDS while still taking responsibility for obtaining high school graduation information. However, this would require the Commission to limit the Cal Grant award programs for which a student will be considered.

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As presented above, compromises were made in the GDS to meet the deadline for implementation of the new Cal Grant program by January 2001. These compromises were based, in part, on policy decisions designed to implement the law consistent with the expressed intent of the law. Essentially, the award process was designed to consider a student's eligibility for as many Cal Grant programs as possible to maximize student access to an education after high school. All Cal Grant applicants are initially evaluated for eligibility for an Entitlement award; those who do not qualify are considered for a Competitive award, then a Cal Grant C award. However, GDS was designed to evaluate eligibility for each program in a linear fashion, not independently for each program. The linear processing model, with each program determination incumbent on completion of the prior step, was not designed to allow reconsideration for another program.

Transfer Entitlement Process

Last year, when implementing the Transfer Entitlement self-certification process extensive delays occurred in the processing of many of the awards for students. This was a result of staff having to key-in individual forms, to release the students from an on-hold status. Compounding this was confusion over the required responses on the self-certification form and the resulting reprocessing of many students after initial processing had already occurred. Though November, staff was still processing forms. Those students initially found ineligible for an Entitlement award, who were then considered for a Competitive award required direct intervention by staff in the Information Technology Division to be processed for Entitlement consideration.

The GDS was not designed to process grants out of order. The similar processing protocols needed for a centralized high school Entitlement graduation confirmation process would also impact the system adversely. Staff believes that if the Commission takes on the responsibility for processing Entitlement high school graduation self-certification forms, Entitlement award processing timeliness would be affected, and the release of funds to students might be delayed. Also, the results of having Commission Information Technology staff expend significant amounts of time performing data maintenance to the system is time much better spent on the real-time project and other system enhancements.

Commission staff feel that the adverse effect on students, and the secondary adverse effect on institutions and on the future of Cal Grant administration are more severe than the adverse effects of the temporary process in effect for the 2007-2008 award year. Staff recommends that the temporary process be extended until the 2010-2011 award year. The new 2007 IPA is proposed to end on June 30, 2010, because Commission staff expects that the Phase I and Phase II of the GDS Real-time Project will be completed. As a result of this project completion, the improvements described above would be in place.

For example, staff anticipates that upon completion of the GDS Real-Time Project, the Commission would put into place the components to have a centralized graduation data collection system that allows receipt and storage of graduation confirmations from

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multiple sources, for example from the student, the Commission, the college and the student's high school. Graduation data could be supplied either on-line or sent to the Commission for entry. However, Commission staff feels that this approach cannot be considered until after completion of Phase II of the Real-time project.

Certification types would include:

1. On-line self-reporting by students
2. Paper self-reporting keyed in by the Commission.
3. Paper self-reporting keyed in by the college.
4. Electronic reporting by colleges based on actual transcripts or diplomas.
5. Electronic certification by college-based, on-campus requirements of high school graduation certification with collection of proof of graduation for all students.
6. Electronic reporting of graduation by high schools.
7. Paper reporting of completion by high schools, keyed in by Commission staff..
8. Without a mandate, no high school could be required to send data but those schools that did would reduce the number of students without certification. An electronic system for high schools to use would be most straightforward.
9. Students submitting GED scores would be waived from further certification since a GED is a high school graduation equivalent.

A multi-faceted approach to high school graduation certification would allow maximum opportunity to receive confirmation of high school graduation in a timely manner. Post graduation self-certification by the student would be allowed, but increasing participation by high schools could eventually diminish reliance on self-reporting. As with the current certification process, institutions that require high school graduation for admission to the institution may affirm that the institution has received and retained authoritative documentation of the student's graduation from high school.

In the event that neither the high school nor the college can certify graduation, the Commission would contact the student to request a self-certification. E-mails to the student could be used with a follow-up letter, if necessary.

During the last year and during the recent new IPA public comment period, several commenters proposed that high schools should report the actual high school graduation of Cal Grant recipients. This information would be useful only in a centralized high school graduation confirmation system because the Commission is not sure where the student is attending college until the student is paid at an eligible institution. This makes sharing this type of data with the student's school of attendance problematic.

As part of a centralized high school graduation certification system, high school graduation confirmation could be integral whether on a voluntary basis by high schools or mandated by the Legislature.

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A formal mandate from the Legislature that high schools confirm high school graduation would assure that only eligible students receive Cal Grant Entitlement benefits. However, the law would be considered to be a state-mandated local cost that would require reimbursement from the state General Fund. The Commission could consider requesting the Legislature to require high school graduation confirmations from high schools to most efficiently assure the eligibility of Cal Grant Entitlement participants. The cost issues may dissuade the Legislature from implementing mandated data reporting for high schools. Mandated high school graduation certification would allow high school confirmation of a significant number of students.

Although not ideal, voluntary reports from at least some high schools would diminish the number of students for which disbursing institutions would have to collect graduation certifications. The Commission would develop reports and graduation recording systems to pass on the high school graduation information to disbursing institutions.

Conflicting Information

Stakeholders have requested that the Commission establish that institutions may disregard any other information they may have if they receive the form from the student certifying that he or she actually graduated from high school. Commission staff does not agree with this request. The factual circumstances in which student information the institution possesses might conflict with the student's certification are too numerous to list. A blanket excuse from resolving information that conflicts with the student's certification would be too broad to be appropriate. For example, an institution that possessed a transcript indicating the student did not graduate from high school should not be excused from resolving the conflict presented by a student's certification to the contrary.

Further, trying to limit the facts that would excuse the institution from resolving conflicting information would be incomplete. Some of the unexpressed circumstances could, if properly resolved, result in determinations that students were not California residents, and thus, do not qualify for Cal Grant awards. By limiting the circumstances in which an institution is required to resolve conflicting information, the Commission would be increasing the likelihood of unauthorized Cal Grant awards and the unauthorized expenditure of state funds.

The resolution of conflicting information is an exercise in judgment that depends on the information in the possession of the institution, is fact-specific to an individual student, and is required to be done on a student-by-student basis. It is simply not possible, or appropriate, to attempt to define every circumstance in which an institution is required to resolve conflicting information.

Federal government requirements relating to resolving conflicting information on federal financial aid eligibility recognize this concern. Cal Grant institutions are already subject to federal requirements to resolve conflicting information about eligibility factors for federal financial aid described in the *FSA Handbook* and *The Blue Book: Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions for Federally Funded Student Financial Aid Programs*. The *FSA Handbook* provides detailed

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information on the administration of the Title IV federal student aid programs, as well as on institutional eligibility to participate in these programs. *The Blue Book* provides guidance to institutions on general Title IV federal student financial aid program management, fiscal recordkeeping, accounting, and reporting functions. Relevant provisions relating to conflicting information from the *FSA Handbook* Vol. 1, p. 13, and *The Blue Book*, Chapter 10, pp. 142-143 are attached as Attachment 1. Each describes the requirement for resolving conflicting information in general terms, and describes circumstances that illustrate, but do not limit, the requirement to resolve conflicting information.

Staff Recommendation

Commission staff recommends that the Commission continue the temporary process for obtaining information about actual high school graduation that was implemented for the 2007-2008 award year to the 2010-2011 award year.

2007 Institutional Participation Agreement
IPA Extension and Grace Periods

Issue

Shall the Commission delay adoption of a new IPA and extend the current IPA?

Shall the Commission provide a grace period for compliance with the IPA?

Language in the Current IPA

The current IPA contains no language on extensions or provisions for grace periods. However, the current IPA expressly provides that it automatically terminates on June 30, 2007.

Language in the Proposed IPA

ARTICLE VIII

Effective Date

Except as otherwise expressly stated in this IPA, the provisions of the IPA in existence on June 30, 2007, and any actions adopted by the California Student Aid Commission at its meetings before July 1, 2007, shall continue to apply with respect to awards processed during the 2007-08 award year, and compliance with the provisions of this IPA shall be required beginning January 1, 2008, with respect to the processing of awards for the 2008-09 award year and succeeding award years.

Staff Discussion

The Commission is bound to seek expeditious solutions to current grant processes that conform to state law. For example, the IPA must ensure that the award process include information on actual high school graduation and California residency at time of grant awarding; and the State's ownership of State funds held by institutions must be fully protected. Therefore, the Commission has strengthened the language in the draft new IPA to enforce these requirements.

Fearing that some of these changes could be difficult to implement on July 1, 2007, the expected effective date of the new IPA, and could leave their institutions open for punitive action for being non-compliant, the Grant Advisory Committee (GAC) and other stakeholders suggested that the Commission extend the current IPA so that these matters can be studied in more depth, and that the entire Cal Grant delivery system be re-evaluated as a result of the proposed changes (see decentralization issue paper on this particular argument.)

The Commission can extend the current IPA. However, because the current IPA expressly states that it automatically expires on June 30, 2007, and there is no provision

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for amending the current IPA, institutions and the Commission would be required to sign a new IPA, even if it is to extend the terms of the current IPA.

More significantly, however, the Commission has approved changes on an ad hoc basis that are inconsistent with the terms of the current IPA, and therefore, must be articulated even in an extended current IPA. For example, the Commission has already voted to require institutions to hold Cal Grant funds in interest-bearing accounts and to remit that interest to the Commission. This issue is addressed one of the accompanying issue papers. Also, the Commission has adopted a temporary process for ensuring that information about actual high school graduation is obtained before a Cal Grant Entitlement award is paid. This was done to ensure compliance with the law. Any extension of the current IPA must include this temporary process, and should address future years. California residency is an eligibility requirement for Cal Grant awards, and issues about residency must be resolved even for an extension of the current IPA to ensure compliance with the law.

Each of these issues is addressed in an accompanying issue paper, and should be resolved by the Commission whether or not it decides to adopt a new IPA or extend the current IPA. Further, Commission staff and stakeholders have agreed on other changes that differ from the current IPA. For example, there is agreement that the final reconciliation date for institutions be December 31, rather than the October 15 date in the current IPA. Unless this agreement is included in the extension of the current IPA, Commission staff is obligated to enforce the October 15 date for final reconciliation.

Therefore, merely extending the current IPA does not avoid the necessity of resolving open issues, nor is it a simple administrative matter.

To allow a reasonable time for implementation of any changes required by the new IPA, Commission staff has considered the need for grace periods on an issue-by-issue basis. For example, for the interest-bearing account requirement, Commission staff has provided two grace periods that will allow institutions sufficient time to establish the accounts, but also provide protection of State funds, to the extent administratively possible. (Please refer to the issue paper on interest-bearing accounts for the specific language.)

Commission staff also proposes that the new IPA allow the provisions of the current IPA and actions adopted by the Commission at its meetings before July 1, 2007, to be continued with respect to awards processed during the 2007-08 award year, and that the terms of the new IPA apply to awards for the 2008-09 award year that begin to be processed on January 1, 2008.

Staff Recommendation

Staff recommends that the Commission adopt the new IPA rather than extending the current IPA.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
I Participation	Patricia Duncan, Director of Regulatory Compliance, DeVry University	WRITTEN	"This article requires completion of a new agreement for additional campus locations to participate in Cal Grant programs. We believe that additional locations of an existing, approved institution opened under the same Federal OPE ID number should be added to the institution's existing IPA. This would provide for ease of administration and would mirror the Federal program participation agreement process."	Yes, each time a new location is added, CSAC requires a new signed agreement. This follows federal methodology, but the process differs because USED's system of application is fully automated, and CSAC's is not. Therefore, CSAC does require a new, physically signed agreement. If the original agreement is less than one year old, no additional paperwork will be required from any of the campuses listed on the original agreement, just from the new location(s). If the original agreement is more than one year old, new paperwork may be required from all campuses involved.
I Participation	Steven B. Sample, President, University of Southern California	WRITTEN	"In two instances this paragraph indicates that the Institution is the 'agent' of the Commission for purposes of the Cal Grant Program. The word 'agent' has various meanings, including ones with significant legal connotation. Therefore, USC recommends that this word be stricken or a different word used (i.e., representative, affiliate, etc.)"	This term accurately reflects the legal responsibilities (for example Article IV) the IPA places on the institutions.
I Participation	Tony Ross, Vice President for Student Affairs, California State University, Los Angeles	WRITTEN	"...change of ownership as defined in Article VII,' should be <i>Article VIII.</i> "	Change made.
I Participation	Greg Leis, ITT Educational Services, Inc.	WRITTEN	"What does [any shift in control] mean?"	CSAC is continuing to research this matter.
II General Provisions	Chris Jennings, Director of Financial Aid, Fashion Institute of Design and Merchandising (FIDM)	LA	II.A.1 – Should read, "The institution is a <i>California</i> non-public postsecondary institution..."	Change made.
General Provisions	Sal Alcalá, Dean Special Services,	WRITTEN	II.A.1 - "Under Paragraph A,1, it appears for future reference purposes that Academic	Until California Education Code (CEC) 69432.7(l)(1) is amended to include other federal programs,

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
	Financial Aid /EOPS, Solano Community College		Competitive Grants and Smart Grants should be included. Additionally, there appears to be no reference to the State Work-Study Program anywhere in the document.”	eligibility for Cal Grant participation for non-public postsecondary institutions pursuing this path only includes Pell and two of the three federal campus-based programs: FWS, Perkins Loan, and SEOG.
General Provisions	Mary Gill, Consultant, State Assembly Higher Education Committee	SAC/ WRITTEN	II.A.2 – Should read, “...expends <i>at least</i> ten (10) percent...” The intent is not to exclude any college just because they don’t demonstrate an exact 10 percent. “Do you only allow WASC accreditation? What about other regional accreditation?”	Change made. Added suggested wording. CEC 69432.7.1 (2) states, “Any nonprofit institution... that is accredited by the Western Association of Schools and Colleges... A regionally accredited institution that was deemed qualified by the commission to participate in the Cal Grant Program for the 2000-01 academic year shall retain its eligibility as long as it maintains its existing accreditation status.” The code specifically requires WASC accreditation, and gives allowances for other regional accreditation only in a very limited circumstance. There are no schools which qualify under that allowance.
General Provisions	Mary Gill, Consultant, State Assembly Higher Education Committee	SAC/ WRITTEN	II.D – At the end of the last sentence, “... <i>or until outstanding audits are resolved.</i> ”	Change made.
General Provisions	Sal Alcala, Dean Special Services, Financial Aid /EOPS, Solano Community College	WRITTEN	II.E – “Under Paragraph E, in the spirit of a mutual agreement and fairness to all stakeholders, the California Student Aid Commission should agree to provide all institutions administering state programs timely regulations, guidelines, and workbooks, including regularly offered workshops throughout the state.”	In Article V – Cal Grant Program Administration – Commission Responsibilities, section B is the statement: “Provide the Institution with information, training and ongoing assistance with respect to the Institution’s participation in the administration of the Cal Grant Program.”
General Provisions	Steven B. Sample, President, University of Southern California	WRITTEN	II.I – “With respect to making records available to the Commission for review, USC recommends that the phrase “or at any time at the request of the Commission staff’ be replaced with ‘or at any time during normal	Please see wording included in Articles VII and VIII.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
General Provisions	Sal Alcala, Dean Special Services, Financial Aid /EOPS, Solano Community College	WRITTEN	business hours, upon reasonable advance written notice by the Commission staff of no less than fifteen (15) business days.” II.J – “Under Paragraph J, should the agreement be revised, it should be done in the fashion of a “mutual agreement” or “in partnership with”. As such there should be a clause to cover due process and the opportunity to appeal a decision of discontinuance.”	The sentence, “The Commission shall provide the Institution written notice of its intent to terminate the Agreement ten (10) days prior to such action” was removed, because staff recognized certain situations for termination that would require immediate action by CSAC in order to safeguard State funds and student awards. For all other instances, the Institution will receive notification forty-five (45) days prior to termination per Article VIII.B. An appeal process has been added to Article VII and Article VIII.
General Provisions	Steven B. Sample, President, University of Southern California	WRITTEN	II.J – “The prior version of the Agreement indicated that in the event of termination for failure to comply with law, ‘The Commission shall provide the Institution written notice of its intent to terminate the Agreement ten (10) days prior to such action.’ This language should be re-inserted into the current version of the Agreement, except that the time period be expanded to forty-five (45) days so that it will be in accord with Article VIII, Section B. Thereafter, the Institution should be permitted the opportunity to provide a response and/or evidence related to the Institution’s termination. To that end, USC recommends that the following language be included: ‘Institution’s shall be permitted to submit, and the Commission shall consider, a response to such notice, including any legal and factual reasons why such termination should not occur Such response shall be submitted within fifteen (15) days of receipt of the Commission’s written notice of termination.’”	See above.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
General Provisions	Craig Yamamoto, Director of Financial Aid, CSU Sacramento	WRITTEN	II.I – “There should be sufficient timeframe for CSAC to notify Institutions for program compliance review of at least two weeks to gather the records and coordinate with staff.”	Change made. Added the wording, “ <i>Under routine compliance reviews, the Commission will provide a minimum of thirty (30) day’s advance notice.</i> ” It is the usual practice of Compliance staff to contact an Institution ninety (90) days prior to the time of review.
General Provisions	Craig Yamamoto, Director of Financial Aid, CSU Sacramento	WRITTEN	II.M – “There should be a provision to allow Institutions a fair hearing and/or appeal to an Administrative Law Judge prior to termination of this Agreement.”	Please see Articles VII and VIII for new appeal language.
III Account Maintenance	Sal Alcalá, Dean Special Services, Financial Aid /EOPS, Solano Community College	WRITTEN	Article III – “In the course of finalizing this agreement, the California Student Aid Commission should seek funding to provide for an administrative allowance for institutions.”	This idea is outside the scope of this document.
Account Maintenance	Mary Gill, Consultant, State Assembly Higher Education Committee	SAC/ WRITTEN	III.A “...Institution-wide responsibility.” I suggest each campus hold a meeting with all personnel before signing.	CSAC supports this comment.
Separate Accounts	Rivka Weinberg, Director of Student Services, Touro College, LA	LA	III.D.1 – We request a third option, that schools have the right to commingle funds, like they are allowed in the federal program, especially since our main branch is in New York.	See <i>Separate Accounts</i> issue paper on the Commission’s website.
Separate Accounts	Beth Asmus, Dean, Special Programs, College of the Canyons, CCCSFAAA President	WEB	We recommend giving the colleges the opportunity to choose whether they keep separate or commingled accounts. If that is not possible, CCCSFAAA supports Option 2.	See <i>Separate Accounts</i> issue paper on the Commission’s website.
Separate Accounts	Catherine Graham, Director of Financial Aid, Loyola Marymount; CASFAA Executive Council and Independent	WEB	We would like to support the continued opportunity for private independent colleges to have the choice to commingle.	See <i>Separate Accounts</i> issue paper on the Commission’s website.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
Separate Accounts	Representative Jeff Shelby, Stanford University	WEB	We support commingled accounts with separate ledgers. "We are not going into bankruptcy."	See <i>Separate Accounts</i> issue paper on the Commission's website.
Separate Accounts	Brad Hardison, Financial Aid Office Director, Santa Barbara City College	WRITTEN	"I have concern in Article III, Section D. I do not believe schools should be required to keep Cal Grant funds in a separate interest bearing account. This creates an undue hardship on institutions who may occur additional costs to comply with this requirement. I suggest the funds can be commingled by Public Institutions and identified and tracked through a subsidiary ledger. I believe the requirement for an interest bearing account should be stricken from the language in the agreement."	See <i>Separate Accounts</i> issue paper on the Commission's website.
Separate Accounts	Linda Williams, Sierra College	SAC	III.D.1 – "Our accounting folks do not support separate accounts."	See <i>Separate Accounts</i> issue paper on the Commission's website.
Separate Accounts	Jacqueline Bradley, Assistant Dean, Financial Aid and EOPS, Mendocino College	WRITTEN	<p>"I am very concerned about the requirement to keep Cal Grant funds in a separate interest bearing account and return the interest to CSAC. When I attended the Commission meeting where this was initially proposed, college and university representatives that were present asked if there had been any data gathered on how much money this would cost the college (not just in fees, but administration of the process as well) and how much CSAC hoped to recoup. There was no data available at the time and I have not seen a report since.</p> <p>I do understand that some very large colleges and universities have drawn down large amounts of money that they have not reconciled and returned in a timely manner. I do not understand however, why the entire higher education system should be burdened with a process such as this. CSAC could follow the federal government's example of increasingly restrictive processes for those who do not meet</p>	See <i>Separate Accounts</i> issue paper on the Commission's website.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
			the deadlines or follow the process. If an educational institution fails to return money in a timely manner, move them to a pay-then-draw down process, so they only receive funds for students paid. CSAC should enforce their reconciliation policy; provide an opportunity for colleges to return the money when they reconcile and not wait until an artificial date. What about colleges who normally pay the students and then draw down the funds? While this proposal may respond to your audit, it is not an effective response.”	
Separate Accounts	Lois Madsen, National Director of Financial Aid, Concorde Career Colleges, Inc.	WEB	(speaking for Concorde schools only) We are responsible for managing the Cal Grant Program for our California campuses; most private for-profit schools prefer separate accounts, and we will continue to keep ours separate.	See <i>Separate Accounts</i> issue paper on the Commission’s website.
Separate Accounts	Derek Thomason, Director of Student Financial Services, Fresno Pacific University	WRITTEN	“We have met and conferred and Fresno Pacific University favors option 1 in point D of article III.”	See <i>Separate Accounts</i> issue paper on the Commission’s website.
Separate Accounts	Patricia Duncan, Director of Regulatory Compliance, DeVry University	WRITTEN	“We believe that public and private institutions authorized to operate and grant degrees in California should be treated equally. The requirements should not differentiate by sector. Institutions that can demonstrate their accounting records accurately track the Cal Grant funds, and can produce records of those funds as if they were in a separate account, should be allowed to commingle Cal Grant funds with funds from other sources. A separate account for Cal Grant funds should be required only if the institution has failed to meet acceptable standards or cannot demonstrate administrative capability.	See <i>Separate Accounts</i> issue paper on the Commission’s website.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
			At DeVry University, Cal Grant disbursements are posted to students' accounts prior to actually receiving funds from the state. In essence, DeVry is funding the students and then receiving reimbursement from the state. Because the funds are requested after the disbursements have been made to eligible students, we believe that the requirement for institutions to hold Cal Grant funds in an interest-bearing account at a financial institution in California to be overly prescriptive. This should be required only of at-risk institutions or those deemed to be lacking administrative capability."	
Separate Accounts	Steven B. Sample, President, University of Southern California	WRITTEN	"There appear two different 'options' with respect to account maintenance—Option One treats all institutions similarly, while Option Two indicates that public institutions may commingle Cal Grant funds, but private institutions may not. Since USC is not aware of any reason why the Institutions should be treated differently on this issue, USC recommends the adoption of Option One."	See <i>Separate Accounts</i> issue paper on the Commission's website.
Separate Accounts	Nancy Davis, Financial Aid Director, San Bernardino Valley College; regional representative for CCC Chancellor's Office and CCCSFAAA	WEB	People in my region have done some research and commingled accounts with separate ledgers seem to be what fiscal people would like to see. Option 2 is the preferred method.	See <i>Separate Accounts</i> issue paper on the Commission's website.
Separate Accounts	Cindy Castillo, Director of Financial Aid and Scholarships, De Anza College	WRITTEN	"Article III. D. Option 2 is preferred."	See <i>Separate Accounts</i> issue paper on the Commission's website.
Separate	Andres Guerrero,	WRITTEN	"We are in support of continuing with option 2	See <i>Separate Accounts</i> issue paper on the

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
Accounts	Director of Accounting, Los Angeles Community College District		(Item D (1)), 'The institution shall hold all Cal Grant funds... according to one of the two designations:' We need to continue to have the flexibility to have a separate bank account or 'commingle Cal Grant funds ...but must identify the Cal Grant funds through a subsidiary ledger.'	Commission's website.
Separate Accounts	Pat Vercruyssen, Financial Analyst, CSU Sacramento	SAC	(from the accounting office; speak for CSUS specifically, and all CSUs in general) III.D.1 – Our Chancellor's Office might not allow us to have a separate account for Cal Grant; given only these two options, possibly we will strongly support Option 2	See <i>Separate Accounts</i> issue paper on the Commission's website.
Separate Accounts	Craig Yamamoto, Director of Financial Aid, CSU Sacramento	WRITTEN	"We recommend Option 2."	See <i>Separate Accounts</i> issue paper on the Commission's website.
Separate Accounts	Kimberlee Reilly	WRITTEN	<p>"In Article III section D of the Draft IPA, San Diego State University would fall into the category of Option 2 since we do commingle our funds at the bank, but we are able to track all Cal Grant funds in our General Ledger system in a separate fund.</p> <p>"At SDSU, we have been tracking the cumulative balances due/cash on hand for Cal Grants on a monthly basis. The majority of months show funds that are due to the university by the Student Aid Commission. If interest is to be charged, we would recommend that it be calculated yearly to include the months where funds are due to the university or that we include the negative amounts in our calculations if we are required to calculate the interest on a more frequent basis.</p> <p>"In the future will we be able to draw down our</p>	See <i>Separate Accounts</i> issue paper on the Commission's website.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
			funds based on our disbursements as we do for our federal funds? This process allows us to receive our funds within a day or two. This process might eliminate the need for interest calculation since the money received would be based on actual disbursements."	
Separate Accounts	Shirley Brady, University Controller, Cal State San Marcos	WRITTEN	<p>III.D –</p> <p>"1) all checking and savings accounts have a monthly maintenance fee</p> <p>2) if we structured a stand alone group of accounts that could receive an earnings credit rate to offset fees, you cannot also earn interest. It is one or the other.</p> <p>3) no bank will allow these accounts to be overdraft for more than a day.</p> <p>4) if CSU wanted to attach these accounts into your ZBA structure to fund the shortfalls, that'd be okay. But again, you can't earn interest as the ZBA structure already gets earnings credit.</p> <p>5) I considered a savings account of some sort, but those too have fees and a restriction of 6 withdrawals/month (only 3 of which can be checks)</p> <p>6) My best suggestion would be a stand alone ZBA structure if you absolutely need interest paid. But then CSU would have to pay the bank fees and be responsible for keeping the account out of overdraft position.</p> <p>7) The interest rate on a business checking account for a non-profit is about 1.77% per annum. Earnings Credit rate is running about 5%. The cost for a bank account is \$5/month. We'd need to do the math with number of accounts and balances to figure which is more advantageous."</p>	See <i>Separate Accounts</i> issue paper on the Commission's website.
Separate Accounts	Gilda Maldonado, Financial Aid Director, San Diego	WEB	After speaking with all members in my district (region 10), we would prefer Option 2.	See <i>Separate Accounts</i> issue paper on the Commission's website.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
Separate Accounts	Mesa College Mary Gill, Consultant, State Assembly Higher Education Committee	WRITTEN	"We clearly heard in the public discussion that public institutions favor Option 2, with CSU clearly noting that Option 1 might be costly and interfere in their new revenue management system. Unless there are legal problems with Option 2, I would urge its selection to keep public higher education costs under control."	See <i>Separate Accounts</i> issue paper on the Commission's website.
Separate Accounts	Sophia Toney, Financial Aid Manager, City College of San Francisco	SAC	III.D.1 – (Referring to GSA 2007-06 from February 16, 2007) Commission staff cites bankruptcy as a reason for separate accounts. "How many bankruptcies has CSAC experienced? Even the feds do not want us to keep separate accounts. Don't ask the schools to eat the expense."	See <i>Separate Accounts</i> issue paper on the Commission's website.
California Financial Institution	Chris Jennings, Director of Financial Aid, Fashion Institute of Design and Merchandising (FIDM)	LA	III.D.1.a – Does the account have to be in California? "That's not a problem for us now, but with mergers and sales, the corporate may be taken out of state."	See below.
California Financial Institution	Rivka Weinberg, Director of Student Services, Touro College, LA	LA	III.D.1.a – Concerning a bank in California, "How about a bank with a California presence?" Touro's main branch is in NY; can they just use a bank like Bank of America which has a presence in CA, even though the account is actually in NY?	Change made. Wording changed to "...a financial institution <i>with a presence</i> in California..."
California Financial Institution	Greg Leis, ITT Educational Services, Inc.	WRITTEN	III.D.1.a – "Does this have to be a California bank or financial institution?"	See above.
Negative Balances	Pat Vercruyssen, Financial Analyst, CSU Sacramento	SAC	III.D.1.b – (quoted GAC recommendation) we might incur negative balances depending on when we are required to make awards compared to when funds are advanced; if we have to front the money, I am concerned. (Quoted again from the GAC recommendations, p.5) "Just-in-Time – what is the time for implementation? One year? Two?"	See <i>Interest-bearing Accounts</i> issue paper on the Commission's website.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
Negative Balances	Craig Yamamoto, Director of Financial Aid, CSU Sacramento	WRITTEN	"There should be consideration for any negative interest which accrues if Institutions advance Cal Grant funds to students prior to receiving reimbursement by the State."	See <i>Interest-bearing Accounts</i> issue paper on the Commission's website.
Negative Balances	Catherine Graham, Director of Financial Aid, Loyola Marymount; CASFAA Executive Council and Independent Representative	WEB	Recommend the Commission consider both positive and negative interest as we hold and cover the Cal Grant funding for our students.	See <i>Interest-bearing Accounts</i> issue paper on the Commission's website.
Negative Balances	Sean Smith, Director of Financial Aid, Scripps College	WRITTEN	"Scripps College specifically supports that the calculation of interest on Cal Grant funds held on the campus recognize both positive and negative balances."	See <i>Interest-bearing Accounts</i> issue paper on the Commission's website.
Negative Balances	Craig Yamamoto, Director of Financial Aid, CSU Sacramento	SAC	(responding to another comment about fronting money and incurring a negative balance for CG funds) The 95% advance is never enough; the Cal Grant program is growing, there are more students at CSU every year who receive CG.	CSAC conducted a study on take rates in 2006 which showed that the historical method (95% of the previous year's term advance) met the needs of the greatest number of schools. While CSAC recognizes it is not an ideal method for all schools, CSAC is attempting to accommodate in the best way possible. With the onset of the Real-time Database, this issue may be resolved.
Negative Balances	Mary Gill, Consultant, State Assembly Higher Education Committee	WRITTEN	"Institutions pointed out that Cal Grant Funds in their possession might earn interest, but also that the current allocation system (only 95% of the previous year up-front) sometimes results in institutions needing to front money for Cal Grant awards and there are situations of interest being lost on institutional funds. It seems appropriate and fair to work out a system that recognizes negative balances as well as positive balances in this new initiative to collect interest on Cal Grant monies."	See <i>Interest-bearing Accounts</i> issue paper on the Commission's website.
IV A Confirmation of General	Cindy Castillo, Director of Financial Aid and Scholarships,	WRITTEN	"We are not sure why this is such an expanded section. The previous version said we agreed to 'Confirm and document that students listed on a	A large number of responses to the May-June 2006 IPA public comment period requested greater detail to Section A – Verification of Eligibility and Section

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
Eligibility	De Anza College		Commission roster or other award notification meet basic eligibility requirements including California residency, financial need and appropriate program eligibility.' What is the purpose of the expanded section? Are there key issues in the expanded version that were not included in the previous version? We have always resolved conflicting information, what is different?"	B – Confirmation of Eligibility. CSAC staff looked at previous IPAs, the Cal Grant Program Manual (CGPM), California Education Code (CEC), and conferred with GAC for guidance to specify eligibility requirements. All inclusions, save two, in the proposed IPA for 2007, have been in the CGPM since 2003 or before. The exceptions are IV.A.13 (Community College Transfer Entitlement Award 10% Verification) which was added due to the passage of AB 840 set forth in CEC 69436.(d)(3)(B) and IV.A.14 High School Graduation Certification which was added due to recent scrutiny of other programs..
Confirmation of General Eligibility	Sal Alcalá, Dean Special Services, Financial Aid /EOPS, Solano Community College	WRITTEN	<p>“Under paragraph A, in general, the California Student Aid Commission should move toward incorporating language on the grade point verification if a paper version would still be employed. This form would collect, up front, the self certification from the student of the following:</p> <ul style="list-style-type: none"> • U.S. citizen or an eligible non –citizen • Meeting Selective Service requirements • Validity of Social Security requirements • Legal California state residency <p>“If the paper version of the grade point verification form will no longer be employed, I urge the California Student Aid Commission to make every effort to assist secondary schools to be able to electronically transmit grade point averages for their students as is the expectation of the California Student Aid Commission of the 109 California Community Colleges. How other postsecondary institutions are required to report grade point averages is unclear to me. The ability of so many more underrepresented students in secondary schools to gain access to the Cal Grant Entitlement would be greatly</p>	<p>Citizenship, Selective Service, and Social Security are addressed through the FAFSA.</p> <p>Discussion of these issues would be best handled comprehensively in other forums such as the Grant Advisory Committee.</p>

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
			<p>enhanced if all secondary schools could transmit the grade point average electronically. Were this the case, the California Student Aid Commission, could have each secondary school forward a signed certification for the element listed above. Again, this would be validating the information up front.</p> <p>“The other option is to have the student sign such a certification indicating that they meet all the elements as outlined by the California Student Aid Commission. Again this would be a front-end transaction at the time a student is offered an award by the Commission.”</p>	
Confirmation of General Eligibility	Steve Maradian, President, Los Angeles City College	WRITTEN	<p>“The revised Institutional Participation Agreement clearly states the institutional responsibilities in administering the Cal Grant program. The information contained on the document will assist our institution in making sure that Cal Grant funds are appropriately disbursed to eligible students attending Los Angeles City College.</p> <p>“In 2005-2006, our institution disbursed a total of 1.2 million dollars to 1,003 eligible Cal Grant B and C recipients, a growth of about eight (8) percent in total dollars disbursed from the previous 2004-2005 academic year. The amount of institutional responsibilities listed on Article IV of the new Institutional Participation Agreement appears to be substantial. With limited campus resources, our institution will be faced with the daunting challenge of keeping up with the growth in our Cal Grant program recipients and the difficulty of carrying out the institutional responsibilities as specified on the proposed agreement.</p>	As stated above, the amount of institutional responsibilities has not grown insomuch as it has been clearly outlined for the first time in a single document.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
			<p>“Our students have clearly benefited from the Cal Grant programs. They will benefit more if the California Student Aid Commission provides institutions with an administrative allowance to cover the cost of staffing, postage and check printing associated with the delivery of Cal Grant funds to students. With the implementation of the new Institutional Participation Agreement and without an administrative allowance to cover the cost of administering the Cal Grant programs, many of our students may experience a delay in the delivery of their Cal Grant funds.”</p>	<p>CSAC understands the administrative efforts expended for California students and the Cal Grant Program; unfortunately, the State of California has not provided an administrative allowance in the budget for such costs. Therefore, CSAC does not have the authority to cover institutional costs.</p>
Confirmation of General Eligibility t	Chris Jennings, Director of Financial Aid, Fashion Institute of Design and Merchandising (FIDM)	LA/WRITT EN	<p>IV – The format is confusing, because I didn't know how points related to one another, or if they related. First paragraph states, “at the time of disbursement,” but sections B and C do not only refer to time of disbursement. So take the clause, “at the time Cal Grant funds are paid as a Cal Grant award to the recipient or to the recipient's account,” down into section A</p>	<p>Change made. First paragraph was removed and the phrases “<i>at the time Cal Grant funds are paid as a Cal Grant award to the recipient or to the recipient's account,</i>” and “<i>prior to disbursement</i>” were added to the last sentence of IV.A.</p>
Confirmation of General Eligibility	Mary Gill, Consultant, State Assembly Higher Education Committee	SAC/WRIT TEN	<p>IV.A – Recommended wording, “Confirm that <i>there are no conflicting data to indicate the recipient does not meet all</i> eligibility and program requirements <i>as specified in this agreement</i> using all existing information <i>at the time of disbursal...</i>”</p> <p>“Using ‘all’ in this agreement is inaccurate...there are program requirements (such as high school GPA) that are not the responsibility of the institution. The agreement specifies the requirements in the following sections.”</p> <p>“The standard practice is to hold an institution accountable for what it knows when making payment.”</p>	<p>Changes made. See below.</p> <p>Added wording, “<i>specified in this agreement.</i>”</p> <p>Removed the word all.</p> <p>Added “<i>prior to disbursement.</i>”</p>

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			<p>“The institutions are obligated to report conflicting information (see the final sentence of this paragraph). This is a bit different from confirming eligibility that may carry the connotation of proactive verification.”</p> <p>“Also, the ‘etc.’ in the parentheses should be removed as it is ambiguous in a legal document.”</p> <p>Spell out the documents. For example, the G-8 should be included.</p>	<p>Removed etc. and added wording “<i>including, but not limited to.</i>”</p> <p>As a result of discussions with GAC, the list of documents was abbreviated. Staff believes the wording “student self-certification” includes the G-8.</p>
Confirmation of General Eligibility	Linda Williams, Sierra College	SAC	IV.A – (Verification of responsibilities) “Is this asking if Cal Grant students don’t fall in the federal 30% (required for verification)....Do we have to do all verification for them?” Training, staffing issues, student access, space, etc. A ton of stuff is being shifted to us.	Per Article IV.A, in agreement with the FSA Handbook Vol. 1, p. 13 and The Blue Book, Chapter 10, pp. 142-143, institutions are responsible to resolve conflicting information (“discrepancies” according to the Blue Book) the institution possesses. Given documentation already available to the institution (ISIR, student self-certification, etc), the schools are not being asked to seek secondary confirmation unless there are conflicts affecting student eligibility.
Confirmation of General Eligibility	Cecilia Kwan, Los Angeles Trade Technical College	LA	IV.A – All the criteria should be clearly spelled out in the Cal Grant Program Manual (CGPM) like in the Federal Student Aid (FSA) Handbook. For example, a Financial Aid Officer may think income ceilings are derived from AGI. Residency criteria should be included in the CGPM. It is too brief and confusing.	CSAC supports this idea, and staff plans to begin updating the CGPM upon completion of IPA revision.
Confirmation of CA Residency	Chris Cortes, Director of Financial Aid, Reedley College	WRITTEN	“Since the Admissions and Records Office does determine a student’s residency status, any verification of that status should be done by their office. If the FA Office discovers discrepancies, they would be responsible to resolve that information working with the A&R Office. CSAC would need to provide clear definitions of residency statuses and address	<p>CSAC supports this idea.</p> <p>The CGPM and training would be good places to address various residency and nonresidency scenarios. CEC identifies a large range of exceptions to residence determination which will need to be addressed. Staff also welcomes input from stakeholders.</p>

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
			the various scenarios such as minor students who are US Citizen with undocumented parents.”	
Confirmation of CA Residency	Mary Gill, Consultant, State Assembly Higher Education Committee	SAC	IV.A.6 – CA residency for private institutions needs further clarification; need proprietary and independent input.	See <i>California Residency</i> issue paper on the Commission’s website.
Confirmation of CA Residency	Gail Modder, Program Manager, Admissions and Records, Sierra College	SAC	IV.A.6 – Request similar definition be used. The CCC population is a transient population; they often have breaks of attendance; we reevaluate residency upon re-registration.	See <i>California Residency</i> issue paper on the Commission’s website.
Confirmation of CA Residency	Chris Jennings, Director of Financial Aid, Fashion Institute of Design and Merchandising (FIDM)	WRITTEN	IV.A.6 – “Having different dates of residency for different institutions can eliminate the portability of the grant. There needs to be one consistent date of state residency.”	See <i>California Residency</i> issue paper on the Commission’s website.
Confirmation of CA Residency	Rivka Weinberg, Director of Student Services, Touro College, LA	LA	IV.A.6.ii – September 20 of what year? Would like a list of possible documents to gather, as many as possible.	Change made. Added wording, “ <i>of the award year (i.e., September 20, 2007, for the 2007-08 award year).</i> ” See <i>California Residency</i> issue paper on the Commission’s website.
Confirmation of CA Residency	Lourdes Oropeza, Cal Grant Coordinator, Fullerton College	WEB	Residency is determined by Admissions and Records.	Once residency is determined by Admissions, the Financial Aid Office is simply responsible to work with Admissions to resolve conflicting data. See comment above from Chris Cortes, Reedley College. If no conflicting information arises, nothing further needs to be done.
Confirmation of CA Residency	Eugenia, Riverside College	WEB	Residency is determined by the Admissions Office. Are you saying the Financial Aid Office has to do this as well?	See above.
Confirmation of CA Residency	Beth Asmus, Dean, Special Programs, College of the Canyons, CCCSF AAA	WEB	In the California Education Code (CEC), our Admissions Office is responsible for checking residency; on our college it is on the ASP system in DataTel, and we check that before disbursing.	CSAC supports this process.

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Confirmation of CA Residency	President Mary Gill, Consultant, State Assembly Higher Education Committee	WRITTEN	IV.A.6.ii – “Regarding residency confirmation obligations of private institutions: The IPA only says ‘September 20’. It doesn’t say which year, nor specify any criteria to define ‘legal California state resident’ (as specified for public institutions). If private institutions are solely obligated to rely on the self-reported item on the FAFSA, then that should be clearly stated.”	See wording change above. See <i>California Residency</i> issue paper on the Commission’s website.
Confirmation of CA Residency	Steven B. Sample, President, University of Southern California	WRITTEN	IV.A.6 – Private nonprofit and for-profit institutions do not regularly determine California residency as a part of the financial aid eligibility determination for students. Therefore this section should be stricken. USC recommends that the Commission determine residency prior to the awarding of Cal Grants to students based on the information provided by the student on the FAFSA. This information includes: <ol style="list-style-type: none"> 1) Student and parent reported state of legal residency 2) The dates students and parents became residents of California 3) The student’s date of birth” 	See <i>California Residency</i> issue paper on the Commission’s website.
Confirmation of CA Residency	Craig Yamamoto, Director of Financial Aid, CSU Sacramento	WRITTEN	“This should be removed from the Institutional responsibilities. There currently is a difference of opinion in the financial aid community and CSAC regarding the responsibility and definitions of California residency requirements as it relates to enrollment fee and Cal Grant purposes as documented by GAC.”	See <i>California Residency</i> issue paper on the Commission’s website.
Confirmation of CA Residency	Olivia Garcia, Counseling Supervisor, UC Irvine	PHONE	Will renewal students be grandfathered in for the California residency criteria? For CCC Reserve Cal Grant A: will four-year institutions receiving transfer students who have spent 2-3 years at a CCC, be required to reestablish California residency?	CSAC will audit for the new California residency criteria for new awards beginning in the 2007-08 award year. Yes. CEC 69434.5 states that, “Upon receipt of a request to transfer the award to a tuition or fee charging qualifying institution, the individual shall be eligible to receive the Cal Grant A award previously

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				held in reserve if, at the time of the request, he or she meets all of the [eligibility] requirements of this article.” So residency needs to be confirmed at the time of the activation of the award at the tuition or fee-charging institution.
Confirmation of Income/Asset	Mary Gill, Consultant, State Assembly Higher Education Committee	SAC	IV.A.12 – Aren’t income/asset ceilings a CSAC responsibility?	CSAC does check income and asset ceilings and makes a preliminary award offer based on the first eligible ISIR, but a student may make income/asset changes to subsequent ISIRs which may make them ineligible by exceeding the income/asset ceilings.
Confirmation of Transfer Entitlement	Mary Gill, Consultant, State Assembly Higher Education Committee	SAC	IV.A.14 (Transfer Entitlement) - Lot of tension; should be Web-based.	See below.
Confirmation of Transfer Entitlement	Chris Collins, Associate Director, Office of Financial Aid and Scholarships, San Diego State University	WRITTEN	Article IV.A.14 – “We propose that the confirmation of a Community College Transfer Entitlement applicant as a California high school graduate be a CSAC responsibility. Our institution is like most in that we do not collect high school transcripts for students who transfer to SDSU after completing work at another postsecondary institution. As a result, it is currently incumbent upon us to contact the student and request additional information about their high school record which has no bearing on their attendance at SDSU. It would be timelier and more efficient, in our view, for CSAC to collect this information at the time that the student identifies themselves as a candidate for a Community College Transfer Entitlement Award. Therefore, we believe this item should be moved to Article V -Commission's Responsibilities.”	Change made. Wording as it was included in the February 16, 2007 draft IPA was moved to Article V – Cal Grant Program Administration – Commission Responsibilities. Added to Article IV. A.13 is the wording, “ <i>The California Community College Transfer Entitlement recipient randomly selected for verification pursuant to CEC 69436 (d)(3)(B) meets eligibility criteria.</i> ”
Confirmation of Transfer Entitlement	Deborah S. McCracken, Director, Financial Aid	WRITTEN	“Article IV. Provision A, 14: the preference for confirmation of California residency at the time of high school graduation for a community college transfer entitlement award is for this	See above.

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	California State University, Fullerton		item to be moved to Article V—Commission’s responsibilities. There is concern about the significant workload that would be presented because of the needed practice to resurrect residency information from a minimum of 2 years earlier. Many transfer students may have gained California residency status during their community college experience and their previous ineligibility due to non-resident status may not be apparent at the transfer school.”	
Confirmation of Transfer Entitlement	Steven B. Sample, President, University of Southern California	WRITTEN	IV.A.14 – “In the case of community college transfer students, institutions are not in possession of information regarding residency at the time of high school graduation or its equivalent. USC recommends that this requirement be stricken and that the Commission initiate verification of California residency as noted [for Article IV.A.6].”	See above.
Confirmation of Transfer Entitlement	Craig Yamamoto, Director of Financial Aid, CSU Sacramento	WRITTEN	<p>“CSAC should eliminate this requirement for Institutions. CSAC has a long-standing responsibility of awarding new recipients, which include reviewing California state residency requirements. Due to a snafu where it was discovered that non-California residents received Community College Transfer Entitlement Awards, a new state law AB 840 was enacted where CSAC now makes preliminary awards, and selects 10% of the awardees to be verified by colleges.</p> <p>“This new change negatively impacted our students because the Community College Transfer Entitlement awards were placed on Hold by CSAC, and schools received new requirements on October 12, 2006, well after the Fall 2006 semester had begun. Students</p>	<p>See above.</p> <p>These are provisions of 69436 (d)(3)(B).</p>

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			that were selected for verification then had to provide verification of the following items: (1) the student graduated from a California high school or equivalent during or after the 2000-01 academic year; (2) the student was a California resident at the time of high school graduation or equivalent; and (3) for a student who does not satisfy criteria (1) because he or she graduated from a high school outside of California, that such the student did not graduate from a California high school due solely to military orders that required the student or the student's parent to be out of the state at the time of high school graduation. This created a major delay in these students receiving their Cal Grant funds as well as an institutional burden to track and service these students."	
IV B Disbursement Policy	Chris Jennings, Director of Financial Aid, Fashion Institute of Design and Merchandising (FIDM)	LA	IV.B – Wasn't clear whether these 6 points were supposed to be contained within the disbursement policy or whether they were actions to take during disbursement; unclear.	Understood. Both are applicable.
Disbursement Policy	Chris Jennings, Director of Financial Aid, Fashion Institute of Design and Merchandising (FIDM)	LA	IV.B.1 – The wording, "proportional in length," is unclear; sounds like the policy is proportional.	Change made. Wording " and is proportional in length " was removed.
Disbursement Policy	Chris Jennings, Director of Financial Aid, Fashion Institute of Design and Merchandising (FIDM)	WRITTEN	IV.B.1.i – "Is this repetitive to A. 10)?"	Yes. Change made
Disbursing after Confirming	Mary Gill, Consultant, State Assembly	SAC/WRIT TEN	IV.B.1.ii – Need more flexibility. Just delete Article IV.B.1.ii; it is covered by other federal	Change made. Returned wording to mirror original intent of providing Books and Supplies and Access

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
Attendance	Higher Education Committee		<p>requirements.</p> <p>“As the institutions stated, they do not verify attendance, they verify enrollment.”</p> <p>“Many students are not yet in a ‘complete’ status...there may be required documents outstanding. The institution cannot make illegal payments.”</p> <p>“We heard at the hearing this might have been added by staff due to some concern that students were taking money and then leaving school...I don’t see how this would be a fix, even if true. That situation is covered in federal refund and repayment rules.”</p>	<p>funds to students as soon as possible. Changed to, “Disburse <i>Books and Supplies and Access</i> funds within ten (10) business days of <i>determination of enrollment</i> status.”</p> <p>The intent of Books and Supplies and Access funds is to allow the students to purchase needed books, supplies, and other direct student expenses that are necessary for class attendance. To delay these funds would be detrimental to the students’ academic success.</p>
Disbursing after Confirming Attendance	Kristen Shear, Santa Rosa Junior College, and CCCSFAAA President Elect	SAC	IV.B.1.ii – Does this mean we verify enrollment and pay within 10 days? Does this mean the school knows the student is attending ½ time or more? The student’s file is not complete at the beginning of the term. September 8 is when CCCs send in enrollment files. All students do not meet this 10 day requirement. What is the intent? Request that CSAC clean up the wording.	See above.
Disbursing after Confirming Attendance	Marisela Arce, Ed.D., Dean, FA, EOPS, TRIO, CAL-SOAP, Yuba College	WEB	IV.B.1.ii – When does the 10 days begin?	The ten days begins upon determination of enrollment status.
Disbursing after Confirming Attendance	Beth Asmus, Dean, Special Programs, College of the Canyons, CCCSFAAA President	WEB	IV.B.1.ii – I think you should reword this. We verify enrollment all the time.	See above.
Disbursing after Confirming Attendance	Lourdes Oropeza, Cal Grant Coordinator, Fullerton	WEB	IV.B.1.ii – What would happen to those colleges that confirm enrollment once a month, at the beginning of the month, but the checks are not	See above.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
	College		cut until the end of the month? They would be out of compliance, because it would be past the 10 days.	
Disbursing after Confirming Attendance	Nancy Davis, Financial Aid Director, San Bernardino Valley College; regional representative for CCC Chancellor's Office and CCCSFAAA	WEB	IV.B.1.ii - Suggested clarification: the attendance or enrollment status will be verified and then the delivery of funds should be within 10 days.	See above.
Disbursing after Confirming Attendance	Catherine Graham, Director of Financial Aid, Loyola Marymount; CASFAA Executive Council and Independent Representative	WEB	IV.B.1.ii - Prefer the use of the word "enrollment" to "attendance."	Change made.
Disbursing after Confirming Attendance	Alice Kwong, Financial Aid Supervisor, Consumnes River College	SAC	IV.B.1.ii - We are a multi-campus district; the checks aren't generated on our campus, but through the district office, and they cut according to their schedule. It is usually two weeks.	See above.
Disbursing after Confirming Attendance	Meredith Kelley, Director, Financial Aid and Scholarships, CSU Chico, CASFAA President Elect	SAC	IV.B.1.ii – Attendance vs. enrollment; we need to clarify that CCCs don't take attendance. ("Neither do proprietary" – unidentified speaker)	See above.
Disbursing after Confirming Attendance	Craig Yamamoto, Director of Financial Aid, CSU Sacramento	WRITTEN	IV.B.1.ii – "CSAC should eliminate this requirement for Institutions. CSAC currently advances to Institutions 95% of the previous Fall term's reconciled payments. With the rising number of Cal Grant students every year, Institutions do not receive enough Cal Grant funds to be able to disburse all Cal Grant funds to every eligible student until Institutions receive the funds from the State. This requirement	See wording change above.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
			would mean Institutions would have to begin disbursing Cal Grant funds 10 days after the term has started, and would have to find funds to make all Cal Grant disbursements in advance of the funds from the State. In addition, any interest lost in advancing funds to students would not be recovered through the requirements in calculating and returning interest on Cal Grant funds.”	
Late Disbursements	Brad Hardison, Financial Aid Office Director, Santa Barbara City College	WRITTEN	IV.B.1.iv – “This language does not seem to account for the fact that schools may be doing late disbursements of Fall Cal Grants later than 60 days after the term. The wording in this section needs to reflect that.”	See Article IV.C.2.ii for provision for adjustments and late payments.
Overawards	Mary Gill, Consultant, State Assembly Higher Education Committee	SAC	IV.B.1.v – Suggested wording, “Correct any overawards <i>as determined under federal regulations</i> , by adjusting other need-based financial assistance, reallocating non need-based financial assistance, offsetting subsequent term payments, <i>need-based and non need-based financial assistance as required under federal regulations</i> or by reducing subsequent term payments <i>or, if necessary, returning the remaining overage to the Commission.</i> ” “I took a stab at a better paragraph, but this section (and the subsequent sections IV,B,2), I and ii,) should be amended to either reflect CSAC guidance in the Cal Grant manual, or to just contain a reference to federal regulations and the manual...these sections seem confusing and a bit incomplete.”	Federal regulations provide for an overaward tolerance. Currently, Cal Grant has no such tolerance for overawards approved by the State or Commission. Change made. Wording changed to, “Correct any overawards by adjusting other financial assistance, <i>excluding tuition waivers</i> , offsetting subsequent term payments <i>within the same award year</i> , or, <i>if necessary</i> , returning the overage to the Commission.”
Disbursement Deadline	Chris Jennings, Director of Financial Aid, Fashion Institute of Design and Merchandising	LA	IV.B.1.vi – This makes the last day for disbursements (December 31) the same as the final reconciliation deadline (December 31). Can they be the same?	This is conceivable given technological capability.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
Refund Policy	(FIDM) Mary Gill, Consultant, State Assembly Higher Education Committee	SAC	IV.B.2 – Refund policy unclear; look at federal regulations. Need more detail and work with GAC. IV.B.2.ii – Limit to private institutions, not public.	Change made. Added wording, “ <i>which adheres to Return to Title IV criteria and</i> ”
Refund Policy	Carol, Financial Aid Supervisor, Folsom Lake College	WEB	IV.B.2 – We request clarification about the repayment policy in place.	See above.
Refund Policy	Greg Leis, ITT Educational Services, Inc.	WRITTEN	IV.B.2 – “What does this mean?”	See above.
Final Reconciliation	Beth Asmus, Dean, Special Programs, College of the Canyons, CCCSFAAA President	WEB	IV.B.3.ii – Wants to make sure the GAC recommendation for the final reconciliation deadline of December 31 is followed.	CSAC supports this idea and will recommend December 31 following the award year to the Commission as the final reconciliation date.
Final Reconciliation	Kristen Shear, Santa Rosa Junior College, and CCCSFAAA President Elect	SAC	IV.C.3.iv – Oftentimes schools reconcile by the end of June and want to return funds then. I encourage CSAC not to require us to wait until October or December. It took us three weeks last year to get our 30 day notice, and our business office had already sent the money. There is a cost to these accounts, and keeping these funds sitting there when we would like to return them involves a cost. There should be a mechanism to return funds earlier.	Change made. Wording changed to, “iv. Upon final award year reconciliation by the Institution, the Institution <i>may, at any time prior to invoicing</i> , repay any Cal Grant funds in excess of the reconciled amount to the Commission. v. Upon final reconciliation by the Commission, <i>if the Institution has any outstanding balances</i> , the Institution shall be invoiced for <i>those funds...</i> ”
Final Reconciliation	Beth Asmus, Dean, Special Programs, College of the Canyons, CCCSFAAA President	WEB	IV.C.3.iv – Do institutions need to wait for invoices to return funds or can they automatically do that if they have already reconciled? Can staff please reword this section to state that the schools can do either?	See above.
Final Reconciliation	Mary Gill, Consultant, State Assembly Higher Education Committee	WRITTEN	IV.C.3.iv – “The IPA makes reference to excess funds being returned to CSAC but does not allow for the possibility of deficit funding being requested from CSAC if the reconciliation	During any month prior to the final CSAC reconciliation, the Institution can report payments to request additional funding. After final reconciliation, payments and adjustments can be made on a case-

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
			indicates Cal Grant monies are still due to the institution.”	by-case basis. Given the new 60-day term reconciliation, these cases should be rare.
Final Reconciliation	Greg Leis, ITT Educational Services, Inc.	WRITTEN	IV.C.3.v – “This creates opportunity for False Claims Act Liability.”	
Due Process	Mary Gill, Consultant, State Assembly Higher Education Committee	WRITTEN	IV.C.3.viii – “This reference to institutional obligation to pay any liability determined as a result of a program review should have some statement related to due process provided in these matters (appeal, etc).	See below.
Due Process	Tenia Summerville, grants Coordinator, University of LaVerne	WEB	Page 9 – Suggested wording, “...funds that the Institution is ineligible to retain <i>after any and all appeals are exhausted or settled</i> may constitute noncompliance...”	Change made. Added the wording “..., <i>after all appeals are exhausted or settled...</i> ”
Due Process	Craig Yamamoto, Director of Financial Aid, CSU Sacramento	WRITTEN	IV.C.3.viii – “CSAC should include a due process for Institutions to appeal and have a fair hearing before an Administrative Law Judge.”	See above.
V Commission Responsibilities	Mary Gill, Consultant, State Assembly Higher Education Committee	SAC	V – Slim. Needs a little more flesh on the bones. CSAC has the major overall responsibility to develop forms, timely notices, Transfer Entitlements not getting enough timely notice ... (statement about extending IPA given timeline) work with advisory groups, do work with high schools, acquiring GPAs and verifying. Maybe someday need to have IPA with the high schools.	Change made. Some of the suggestions offered are not applicable to a contract between CSAC and colleges, but added the wording, “ <i>Maintain the Grant Delivery System</i> ” and “ <i>Maintain WebGrants and WebGrants for Students,</i> ” both of which are broad, encompassing duties. Also added, “ <i>Make a preliminary determination that Community College Transfer Entitlement Award recipients are residents of California at the time of high school graduation or its equivalent through use of a student self-certification under penalty of perjury [CEC 69436 (d)(3)(A)].</i> ” and “ <i>Develop forms, publications, and training curriculum for use in administering the Cal Grant Program.</i> ”
VI Information Security	Tony Ross, Vice President for Student Affairs, California State University, Los Angeles	WRITTEN	“There is no mention under Institutional or Commission responsibilities regarding SB 1386 reporting responsibilities should a breach occur. Even though encryption is a requirement throughout this document, the document should spell out who is responsible for notification to	The IPA is a contract between institutions and the Commission. The IPA does not release either party from breach reporting requirements under State law (SB 1386, codified in Civil Code 1798.29, 1798.82 and 1798.84), as per the paragraphs immediately under “Information Security – Institutional

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
			<p>whom, including specific contact name and number. If someone downloads the data on to a flash drive and loses it, there's possibly a need for notification."</p> <p>Add "<i>both electronic and printed,</i>"</p>	<p>Responsibilities" and the corresponding "Commission's Responsibilities," respectively. As per language in Article II, the IPA does not supersede any state or federal laws or regulations.</p> <p>Item L contains phone contact information for the ITS Help Desk in the event of a breach. It is possible that the Commission's ISO's contact information will also be added to this section.</p>
Information Security	Chris Jennings, Director of Financial Aid, Fashion Institute of Design and Merchandising (FIDM)	LA/WRITTEN	VI.A – "Maintain a historical record" – I don't understand. I'm the System Administrator, so I know who has signed and been given access. "We can provide a list of users who have been given access to WebGrants (the list is actually on WebGrants), but we have no way of identifying who access the site. Does WebGrants 'stamp' transactions with the User ID?"	See wording change below.
Information Security	Rivka Weinberg, Director of Student Services, Touro College, LA	LA	VI.A – Perhaps it should read, "the identification of the individual(s) who <i>are granted access to...</i> "	Change made. Suggested wording added.
Information Security	Craig Yamamoto, Director of Financial Aid, CSU Sacramento	WRITTEN	VI.B – "The underscore between the words "Authorized" and "Official" should be removed."	Change made.
IS Training	Cecilia Kwan, Los Angeles Trade Tech College	LA	VI.G – Who will provide the training? Institutions are not experts; it would be better if CSAC provided training. Web training is the best, because it is convenient –or in-person training with a Web alternative. Access renewal starting from August 1 of which year? For 2007-08 can existing accounts be used? July 1 st works better, because it begins the academic year.	<p>CSAC will provide the training online to download.</p> <p>Access renewal will occur on August 1 of each year. The first annual renewal will begin August 1, 2007. Notices will be sent 30 days prior, 14 days prior, and three days prior to expiration. Renewals may be made as soon as notification begins.</p>
IS Training	Tony Ross, Vice President for Student Affairs, California	WRITTEN	"There is no indication that employees or agents must sign the "Information Security and Confidentiality Agreement" mentioned in D	The Information Security and Confidentiality Agreement is a separate document from the Grant Delivery System (GDS) WebGrants User Access

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
	State University, Los Angeles		<p>above. They should be aware of the same requirements as the Authorized Official and the System Administrator.</p> <p>“Should all Institution employees or agents who are authorized to have GDS access be required to submit an accurate and complete "Information Security and Confidentiality Agreement" form to the Commission before access to the Commission’s network and data is granted? Does the “...User Access Request Form” already includes the necessary assurances?</p> <p>“Who will be responsible for 1) identifying the required training content, 2) making training available and 3) maintaining documentation of training?”</p>	<p>Request Form. The former is geared towards System Administrators (SA) and Authorized Officials (AO) and contains instructions regarding access and duties, similar in scope to the IPA. The latter document makes a reference to acknowledging having received and reviewed all security and confidentiality policies pertaining to the use of WebGrants.</p> <p>These two documents are quite different.</p> <p>CSAC will provide training that should augment the training that must be in place at the respective institutions. This training will be located in WebGrants for SAs to download for training purposes.</p>
IS Training	Brad Hardison, Financial Aid Office Director, Santa Barbara City College	WRITTEN	VI.G – “Limiting user to one year seems in practicable and not consistent with logins maintained by the US Department of Education. The annual training required is not specified as well. I believe CSAC should develop a training (online) that staff can participate in to meet this requirement. Otherwise, I feel that this requirement would be too burdensome.”	See above.
IS Training	Chris Jennings, Director of Financial Aid, Fashion Institute of Design and Merchandising (FIDM)	LA/WRITTEN	<p>VI.G – How is training handled with respect to granting or losing access? If they don’t receive training, do they lose access? How will CSAC know? Whatever training you can provide will be very much appreciated. If the training is on-line then that could be the certification that training has occurred.</p> <p>“Limiting access to a period of 1 year seems extreme.” Is there any logic in tying the access date to a hard calendar date as opposed to their original WebGrants access date? Do you have</p>	<p>See above.</p> <p>When renewing accounts, SAs should ensure that the employees receive and understand this training, prior to granting or renewing access to WebGrants. Since SAs are the account-granting authority for employees, the SAs will be the responsible party for checking off assurance that they have received this training.</p> <p>The one year date is expected to limit access of records by an employee from one academic year to</p>

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			<p>a way, based on the user ID, to determine what the user is doing on WebGrants? Can you track what a particular ID is doing?</p>	<p>another academic year, in the event the employee is no longer performing financial aid-related work for that institution or no longer employed by that institution.</p> <p>CSAC's audits have found that numerous accounts existed with expirations extending over a decade. Additionally, compliance reviews have reported high turnover at financial aid offices while WebGrants accounts continue to remain active.</p> <p>CSAC is expected by law to exercise due diligence in limiting access to student/institution information, and the one year length of time, expiring during the summer was the best compromise staff could achieve to accommodate institutions' academic schedules and CSAC's processing cycles.</p> <p>The CSAC ISO has requested an enhancement to WebGrants for tracking transactions on a per-user basis, with CSAC staff researching this capability at this time.</p>
IS Training	Chris Collins, Associate Director, Office of Financial Aid and Scholarships, San Diego State University	WRITTEN	<p>Article VI.G – “We recommend that the Commission develop the standardized training programs needed in the areas of information security, privacy and confidentiality. These programs could be conducted through computer based training modules or in person as a part of CSAC's annual, regional training workshops. If the training is developed and conducted by CSAC, the content can address in a specific way the concerns of the Commission regarding these issues. To leave the training to the discretion of institutions creates the possibility that key issues will not be included or uniformly dealt with in a way that is acceptable to CSAC.”</p>	See above.
Passwords	David Meske, CISSP, Director, Information	WRITTEN	<p>VI.H - How is the Commission defining regular basis? Is there a Commission standard?</p>	<p>Currently, it is defined as every 90 days. It is defined in WebGrants software and is already in</p>

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
	Security & Compliance, Loyola Marymount University			effect. See below.
Passwords	Tony Ross, Vice President for Student Affairs, California State University, Los Angeles	WRITTEN	<p>VI.H – “Passwords will be changed on a regular basis....’ Suggest adding: <i>every 90 days.</i>”</p> <p>“Suggest Adding: <i>1. Confidential Commission data may not be copied to Laptop computers, CDs, DVDs, flash drives, or any other form of electronic media and removed from the Institution’s premises.</i>”</p>	<p>The regularity of password renewals may change prior to the expiration of this document due to future developments of real-time access to data and database queries. Therefore staff hesitates to document a firm time period. Any changes made to the password renewal process will be widely distributed long before any such changes are implemented.</p> <p>The proposed wording that is being recommended is a good policy to implement; however, some schools have stated that they have employees who work from home, and Section K should accommodate these special circumstances.</p>
Passwords	Catherine Graham, Director of Financial Aid, Loyola Marymount; CASFAA Executive Council and Independent Representative	WEB	<p>VI.H and J – Aren’t we already monitoring password updates, etc.? It’s not an institution’s sole responsibility to ensure security of the password; it should be a CSAC responsibility, too.</p> <p>Also, concerning the acceptable use policy, can the institutions just include CSAC policy and requirements in their own established policy?</p>	Change made. CSAC supports this idea. Requiring regular password changes has been added to the Commission’s Responsibilities section.
Destruction of Data	Scott Thomason, Vice President, Business Officer, Redwoods Community College District	WRITTEN	VI.H – “On page 11 where it addresses needing to return or destroy data. It should say “all data obtained from the commission shall be kept confidential and, when no longer needed, destroyed in a secure manner following the institutions’ normal security policies for handling confidential data.”	<p>As per the paragraph at the beginning of Article VI, all classes of data that fall under NPI (Non-public Personal Information), PII (Personally Identifiable Information) and personal financial information are deemed to be Classified for the purpose of this agreement.</p> <p>The proposed wording does not satisfy all requirements of law pertaining to derivations of data. Additionally, the law requires that the Commission stipulate the level of security for data</p>

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
				disposition, as owners of the data. Leaving it for individual institutions to adopt adequate policies places the Commission in a position of weakness, should a breach occur at an institution without sufficiently stringent data destruction policies in place. The "Disposal Rule" (FTC 16 CFR 682, Fair and Accurate Credit Transaction Act of 2003 (FACTA)) goes into great detail about the disposal of financial records, including records involving "failed transactions," which are not addressed under the GLBA (Gramm-Leach-Bliley Act).
Acceptable Use Policy	Scott Thomason, Vice President, Business Officer, Redwoods Community College District	WRITTEN	VI.J – "We already have acceptable use policies for confidential data. Why would we need to set up a separate, special training and policy program just for commission data as opposed to all other confidential student data?"	Change made. CSAC supports this idea. The proposed wording is being changed from "...privacy and confidentiality of Commission data" to "privacy and confidentiality to include Commission data". I believe this will address the concern over the effort to create a "Commission only" policy.
Acceptable Use Policy	JoAnn Bernard Financial Aid Director, Miracosta Community College	WEB	VI.J –If a school has a written policy by AIS, does that suffice if they follow that?	CSAC has a legal responsibility to require standards for protection of its data. CSAC cannot rely on non-Commission policies to determine data protection standards.
Encrypting	Scott Thomason, Vice President, Business Officer, Redwoods Community College District	WRITTEN	VI.K – "Should say that accessing the Commission's physical network or protected web site should not be done from home or from public computers or hotel room networks instead of referencing "encrypted hard drives" and the no "bridging capability" references."	<p>Section K allows for flexibility by some institutions who have stated that they have work being conducted off-site by employees. Due to respective institution needs, we simply state that the data should be encrypted at offsite locations, and that encrypted sessions should be the only means by which one should be connected to any Commission networks from offsite.</p> <p>The bridging component is an essential security practice in the event that the Commission provides any additional (non-web) access to the Commission's networks and data in the future.</p> <p>As it stands today, any web-based access to the Commission's WebGrants program is conducted via a secure session, as evidenced by the "https://"</p>

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
IS Incident Notification	Gilda Maldonado, Financial Aid Director, San Diego Mesa College	WEB	VI.L – Can we please clarify the wording, so it states, “...ten (10) business days <i>after the institutions’ awareness of the incident.</i> ”	prefix in the web browser. Change made. Suggested wording added.
IS Incident Notification	Tony Ross, Vice President for Student Affairs, California State University, Los Angeles	WRITTEN	VI.L – “Suggest the following format: 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: <ul style="list-style-type: none"> • unauthorized or accidental modification, destruction, disclosure, loss, or access to automated files and databases; • incidents involving loss, damage or misuse of information assets; intrusions or breaches to Institution computers used to access the Commission data.” 	Change made. This suggestion will be implemented to help clarify the requirements necessary for contacting the Commission’s ITS Help Desk and Commission’s ISO as a result of an incident involving Commission data.
Third Parties	Mary Gill, Consultant, State Assembly Higher Education Committee	SAC	VI.M – I’m concerned about the statement that no Commission data can be transferred to a third party. What about district-level authorization; the whole MIS (Management Information System) is driven at a district level.	On a legal basis, each institution’s executive director signs the agreement for the handling of Commission data, and the agreement is with each institution. Instances requiring a district-level data storage and processing capability should contact the Commission’s ISO with a copy of the agreement between the institution and the district which reflects the same or better safeguards for the handling and protection of Commission data, and places appropriate legal requirements for reporting unauthorized access, modification, etc. of Commission data to the Commission and Institution, as the IPA requires a letter containing details of the incident signed by the Institution’s executive officer to be sent to the Commission’s ISO (Item L).
Liability	Scott Thomason, Vice President,	WRITTEN	VI.N – “If the intent is that the institution will accept liability for direct or consequential	Staff feels the current wording states this intent.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
	Business Officer, Redwoods Community College District		damages caused (by negligence, etc.) to the Commission's network or data integrity, then that is what should be said."	
Liability	Steven B. Sample, President, University of Southern California	WRITTEN	VI.N – [Section N] "should be stricken."	See above.
Confidential Data	Scott Thomason, Vice President, Business Officer, Redwoods Community College District	WRITTEN	VI.Q – "Seems to reiterate what is said in Paragraph P as well as in Paragraph E in the final section on page 12."	An initial draft had letter Q only, but enough confusion was generated that it resulted in specific references to existing widespread practices of email and faxing of confidential information. The differences between the sections involve Institution responsibilities and Commission responsibilities, respectively.
Auditing Security Records	Steven B. Sample, President, University of Southern California	WRITTEN	VI.G – Commission's Responsibilities – "This provision, which permits the Commission to audit the Institution's security records, should be modified as follows: 'The Commission will periodically audit, during normal business hours and upon reasonable advance written notice of no less than fifteen (15) business days, the security related records...'"	Changed wording to, "The Commission, <i>as part of their compliance review</i> , will audit the security-related records..." This will be subject to compliance review requirements stated elsewhere in the IPA.
Remedies	Mary Gill, Consultant, State Assembly Higher Education Committee	SAC	VII – The remedies are all institutional; how do those protect the students? In the Compton bankruptcy, no Cal Grant funds were stopped to students. There is no law cited here, the FSA Handbook tells you.	The severe instances where serious remedies must be taken against a school, do involve potential harm to the interests of the students and the State of California. Each student has the right to transfer to another institution to utilize his/her Cal Grant.
Remedies	Beth Asmus, Dean, Special Programs, College of the Canyons, CCCSFAAA President	WEB	Concerning the remedies for non-compliance (and 30, 60, 90, 120-day invoices and penalty letters), will you please clarify what the penalties will be at each timeframe? Maybe include a timeline to show the progression of increasing intensity for each penalty?	Unfortunately, the scope of the Corrective Measures is broader than the penalty letters, and to include them would restrict the policy.
Remedies	Steven B. Sample, President, University	WRITTEN	VII – "As currently drafted, the Commission is required to give 30 days notice before it may	Change made. Suggested wording added.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
	of Southern California		impose the enumerated remedies for failing to comply with the terms of the Agreement. USC recommends that, during that time period, the Institution be permitted to provide a response and/or evidence related to such remedies. To that end, USC recommends that the following language be included: 'Institution shall be permitted to submit, and the Commission shall consider, a response to such notice, including any legal and factual reasons why such remedy should not be imposed. Such response shall be submitted within fifteen (15) days of receipt of the Commission's written notice of its intent to impose such remedy.'"	
VIII Agreement Duration, Due Process	Mary Gill, Consultant, State Assembly Higher Education Committee	SAC/WRIT TEN	VIII.B.2 – Where is the necessity of comments to due process? Acknowledge that due process exists within the agreement, and show that institutions have access to it. "CSAC lists appropriate remedies for failure to comply (such as withholding Cal Grant funds from the institution). Cal Grant is a student entitlement; what recourse does a student have should CSAC cut off funding? In the CCCs, in particular, no monies go to the institution (not one penny ever has...) so how does this remedy apply to the institution?"	Change made. Added the following wording to Article VIII. <i>"The Institution shall be permitted to submit, and the Commission shall consider, a response to such notice, including any legal and factual reasons why such termination should not occur. Such response shall be submitted within fifteen (15) days of receipt of Commission's written notice of termination."</i>
Agreement Duration, Due Process	Catherine Graham, Director of Financial Aid, Loyola Marymount; CASFAA Executive Council and Independent Representative	WEB	VIII - Is there an option for an appeal process for audit?	See above.
Agreement Duration	Beth Asmus, Dean, Special Programs, College of the Canyons,	WEB	Can CSAC delineate the options for the IPA being rolled out (i.e., roll out sections at different times, roll out the whole document at a later date, etc.)?	Items in the new IPA requiring grace periods for implementation have sections included which are entitled, "Phased Implementation."

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
	CCCSFAAA President			
Agreement Duration	Gilda Maldonado, Financial Aid Director, San Diego Mesa College	WEB	Shouldn't we include the verbiage from the beginning of the IPA (Article I.A or Article II.G?) which mentions that the details of these articles may be null and void based on changes by the state legislature, etc.?	Change made. Added the wording, "The Agreement automatically terminates with any of the following occurrences:... <i>The fiscal year's budget adopted by the Legislature and signed by the Governor fails to approve Cal Grant funding.</i> "
IX Certification	Mary Gill, Consultant, State Assembly Higher Education Committee	SAC/WRIT TEN	<p>Has anyone addressed the fact that BPPVE (Bureau for Private Postsecondary and Vocational Education) will cease to exist by July 1st? This needs to have language about other authority.</p> <p>Again, Article IX, p. 16 should say, "...<i>not less than ten (10) percent...</i>"</p> <p>"Again, a note about CCC organization; many colleges will have a college CEO and a district Chancellor. Which should sign if both have responsibility for items in the IPA?"</p>	<p>CSAC is considering this occurrence. However, the current IPA does not contain language concerning BPPVE authorization, and the proposed IPA will not either.</p> <p>Change made. To be consistent with Article II.A.2, added the wording, "...[<i>at least</i>] ten (10) percent..."</p> <p>The college CEO will sign the IPA.</p>
Certification	Nancy Davis, Financial Aid Director, San Bernardino Valley College; regional representative for CCC Chancellor's Office and CCCSFAAA	WEB	Concerning certification, couldn't we have a form or statement to sign off that states the institution is complying with other IT certification rules (eg. Gramm-Leach-Bliley Act)?	Unfortunately, the laws defining Information Security are too numerous to be listed here.
Appendix A, Definitions	Mary Gill, Consultant, State Assembly Higher Education Committee	SAC	<p>Definitions going out with the IPA have sub-regulatory weight. I would be concerned if they were not given equal consideration.</p> <p>"Advances" – In mid-August? Classes have started by then; how about 10 days after the budget is signed?</p> <p>"Independent" and "Proprietary" – need clearer</p>	<p>Appendix A has been a part of the draft IPA through GAC discussions and the public comment period. It has and will continue to receive the same level of scrutiny as the remainder of the document.</p> <p>It is true that some students may have begun classes by the time of the Fall Advance, but this date was chosen to match the majority of school schedules and is only temporarily in place pending</p>

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
			language. There is a difference, these are overlapping definitions.	implementation of the Real-time Funding Model.
Definitions	Kristen Shear, Santa Rosa Junior College, and CCCSFAAA President Elect	SAC	“Access” –Refers only to Cal Grant B; perhaps should be “Access Grant” Don’t define “Entitlement.”	Access is a portion of the Cal B Grant. Further definition for “Entitlement” and “Competitive” can be found in the CGPM.
Definitions	Rivka Weinberg, Director of Student Services, Touro College, LA	LA	“Award Year” versus “Academic Year” – Why does it begin in July? What about the summer term? Is there a difference between the two definitions?	
High School Graduation Confirmation (not yet in the IPA)	Gail Modder, Program Manager, Admissions and Records, Sierra College	SAC	At the community colleges, no transcripts are required. We have a transient population. Open access. HS graduation is challenging for the community colleges due to CAHSEE. This would be very burdensome. The community colleges are the least funded public institution. We enroll 20,000 students, one-third are financial aid students. Work-wise we would have to add at least one full-time employee to collect that from each student. Multiply that times 109 community colleges.	See the <i>High School Graduation Confirmation</i> issue paper on the Commission’s website.
High School Graduation Confirmation	Marisela Arce, Ed.D., Dean, FA, EOPS, TRIO, CAL-SOAP, Yuba College	SAC/WEB	The financial aid officer continues to get additional responsibilities, both federal and state. We have restrictions about how much staff can be hired. Additional workload without additional personnel results in errors. Let the high schools certify who graduates. They are in the best place to do so. Have a link or Web-based solution to draw down the information of the student. Utilize the database CSAC already has with them.	See the <i>High School Graduation Confirmation</i> issue paper on the Commission’s website.
High School Graduation Confirmation	Meredith Kelley, Director, Financial Aid and Scholarships, CSU Chico, CASFAA President Elect	SAC	(Concerning the G8) May the form specify which institutions need the form and which don’t need it to be submitted? Will the AG’s (Attorney General’s) office have the final say?	See the <i>High School Graduation Confirmation</i> issue paper on the Commission’s website.
High School	Jacqueline Bradley,	WRITTEN	“One solution for high school graduation	See the <i>High School Graduation Confirmation</i> issue

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
Graduation Confirmation	Assistant Dean, Financial Aid and EOPS, Mendocino College		<p>verification may be: Since CSAC already collects GPA verifications in a centralized format, perhaps their computer programming staff could look at adding a Y/N element in the electronic submission and on the paper GPA submission form, which answers the question "Has this student passed the California High School Exit Exam?" If the answer is no, CSAC would mail them a form which asked the student to have their high school verify their high school graduation. Colleges and universities would verify as they do now, when there is conflict of information."</p> <p>"The various segments of California higher education have very different verification processes and awarding calendars. Community colleges are mandated to allow open access and to continue to process and award financial aid throughout the year. Community colleges begin the financial aid outreach process at least a full semester before the next Federal Application for Student Financial Aid is made available. The timelines, established processes and current resources must be taken into account when considering any shift in responsibilities to the colleges. Stakeholders should meet with CSAC staff and administrators to develop a solution that is not overly cumbersome and burdensome for any group."</p>	paper on the Commission's website.
High School Graduation Confirmation	Cindy Castillo, Director of Financial Aid and Scholarships, De Anza College	WRITTEN	"We believe that the self-certification from the student stating graduation from high school should be sufficient since we can verify that with the institution's Admissions status. Conversely, if a student indicates he/she did not graduate from high school, we believe the federal Ability-to-Benefit testing should be sufficient to meet	See the <i>High School Graduation Confirmation</i> issue paper on the Commission's website.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
High School Graduation Confirmation	Chris Cortes, Director of Financial Aid, Reedley College	WRITTEN	<p>the criteria for eligibility so that both federal and state programs treat the student equitably.”</p> <p>“Regarding verification of high school graduation, the aid offices should not be required to collect high school transcripts. We could obtain self-certification of a student's high school graduation status, but it would still be collected prior to the student's actual graduation date.</p> <p>“To require us to obtain proof of a student's HS graduation not only require students to jump through another hurdle, but would delay the processing of awards to first-time freshman. At many colleges, a first-time college student that is a recent HS grad can be processed early because there are no SAP issues from prior college work to review. This would further bottleneck the chaotic summer processing of aid for many new students.</p> <p>“I agree that CSAC should highlight the importance of the student's responsibility in only accepting funds for which they are eligible. If students do not graduate from high school or do not pass the CAHSEE, it needs to be very clear what students need to do if they fall into this category. The schools can assist with this and if necessary, collect documentation to resolve any discrepancies.”</p>	See the <i>High School Graduation Confirmation</i> issue paper on the Commission's website.
High School Graduation Confirmation	Mary Gill, Consultant, State Assembly Higher Education Committee	SAC	What is going on in the last year represents a sea change. Statute says CSAC is responsible for awarding; CSAC is starting to give responsibility to the colleges. The best idea is a database from the high schools. Go to O'Connell (Superintendent of Public Instruction)	See the <i>High School Graduation Confirmation</i> issue paper on the Commission's website.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
			<p>to establish a database. It's the high school's responsibility to confirm graduation as they have the information. CSAC has been loath to require of the high schools what they require of the community colleges. Of the new \$37 million addition to the community college budget, 25% will be eaten up with the requirement to gather high school transcripts.</p> <p>In my experience, the AG's office knows very little about Cal Grants. I urge you to proactively work with the AG, so they understand background. I have seen the AG use faulty understanding of statute and the heritage of the Cal Grant Program.</p>	
High School Graduation Confirmation	Beth Asmus, Dean, Special Programs, College of the Canyons, CCCSFAAA President	WEB	Having gone to all the Commission meetings for the last year,...as of February's meeting, legal counsel still hasn't come back with some information—residency, high school graduation, punitive actions for non-compliance—and we are confused. It is not an unwillingness to work with you, just confusion. For example, CSAC did a study and there was no empirical data to support that there was a single student who used a Cal Grant who was not a high school graduate.	See the <i>High School Graduation Confirmation</i> issue paper on the Commission's website.
High School Graduation Confirmation	Kristen Shear, Santa Rosa Junior College, and CCCSFAAA President Elect	SAC	<p>What are we waiting for from the AG, and when will it be expected? I am concerned that there will not be enough time after the AG decides, before the Commission meeting.</p> <p>As President-elect of CCCSFAAA I am concerned; our students do not need completion of high school to enroll due to open access – this is a mixed-message. Some community colleges may opt to collect high school transcripts, but it will delay delivery. Our students are already disadvantaged. That's</p>	See the <i>High School Graduation Confirmation</i> issue paper on the Commission's website.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
			<p>why they are attending community college, so there will be many of those students further disadvantaged.</p> <p>As a financial aid officer, I am concerned that the G8 will be semi-confrontational. Many students cannot return to their high school. Have the forms been developed? Is there time to change? When will they be mailed out?</p>	
High School Graduation Confirmation	Sophia Toney, Manager, Financial Aid, City College of San Francisco	SAC	<p>We have no way to collect high school transcripts. Students will experience delays. Cal Grant will not be delivered at the same time as Pell, SEOG, etc. The community colleges developed a form for the ACG which Marianna Deeken (U.S. Department of Education) says is fine. It says the student graduated on XX date; why do you need more? You just need to know if the student graduated. Fifty percent of our students receiving financial aid didn't graduate from high school in the USA; it will take half a year to verify them.</p>	See the <i>High School Graduation Confirmation</i> issue paper on the Commission's website.
High School Graduation Confirmation	Gilda Maldonado, Financial Aid Director, San Diego Mesa College	WEB	<p>When we were evaluating GAC's recommendations and comparing them to the draft IPA, we wonder why there is even a consideration if this group has already identified that high school students are correctly representing their graduation. I concur with GAC's recommendation on high school graduation on page 5.</p>	See the <i>High School Graduation Confirmation</i> issue paper on the Commission's website.
High School Graduation Confirmation	Alice Kwong, Financial Aid Supervisor, Consumnes River College	SAC	<p>High schools are already reporting their GPAs electronically; couldn't they just submit additional information after graduation about GPAs they submitted, who graduated and who didn't? We don't know how long it will take in the fall to request high school transcripts. It's hard to proceed since high schools are closed during the summer. We are bombarded in the fall. That traffic, coupled with the many late</p>	See the <i>High School Graduation Confirmation</i> issue paper on the Commission's website.

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			<p>appliers in the fall is very difficult. The workload is horrendous. Students suffering two months into the term without money because financial aid is not issued. Even if I could hire more staff, I don't have the space. This is our first year for imaging processing. The paper alone is horrendous.</p>	
High School Graduation Confirmation	Eugenia, Riverside College	WEB	<p>At our institution, we determined that particular information would only be captured in one office, so there was no potential for conflicting information found between two different offices of the campus, an audit finding. High school graduation documentation is collected by Admissions and Records; if the information is placed in the Financial Aid Office, I'm not sure whose would supersede.</p>	<p>See the <i>High School Graduation Confirmation</i> issue paper on the Commission's website.</p>
High School Graduation Confirmation	Carol, Financial Aid Supervisor, Folsom Lake College	WEB	<p>How come the high schools cannot send a roster of graduates to CSAC in June? I don't know about the other schools, but a lot of changes in the middle of the year is difficult. If we can't iron it out, we would support extension.</p>	<p>See the <i>High School Graduation Confirmation</i> issue paper on the Commission's website.</p>
High School Graduation Confirmation, Law	Mary Gill, Consultant, State Assembly Higher Education Committee	SAC	<p>The high school graduation solution is much broader. Sometimes the law is the problem, and CSAC has a responsibility to work with legislators and DOF (Department of Finance) on quality and administration, educate the governor's office, and seek legislative options. You have lots of vehicles to change the law. The Ortiz Bill ran into problems; I urge you to continue looking into this.</p>	<p>See the <i>High School Graduation Confirmation</i> issue paper on the Commission's website.</p>
Extending IPA	Craig Yamamoto, Director of Financial Aid, CSU Sacramento	SAC/ WRITTEN	<p>California State University, Sacramento endorses the Grant Advisory Committee (GAC) recommendations as detailed in the February 2007 GAC Chair's Report. We urge the California Student Aid Commission (CSAC) to extend the current IPA until a serious discussion can be devoted both to the overall model of Cal Grant delivery as well as the specific issues in</p>	<p>See the <i>Extension and Grace Periods</i> issue paper on the Commission's website.</p>

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
			<p>the draft IPA. There are unresolved issues between the financial aid community and CSAC staff in the interpretation and implementation of responsibilities in the current program.</p> <p>“The reason we believe this is the best approach is after months of working on the draft IPA, there are several serious unresolved issues which create a resource issue for the University and will harm students by delaying their Cal Grant payments if implemented. The issues regarding High School graduation and California residency are still unresolved. We recommend CSAC be prudent and careful in the IPA approval process and listen to the concerns raised by institutions.”</p>	
Extending IPA	Mary Gill, Consultant, State Assembly Higher Education Committee	SAC	<p>How much is implemented and how long? Until resources are available? Until policy is debated? How will it be phased-in? The outcome and results are what is important.</p> <p>I support that CSAC extend the current IPA to consider GAC’s recommendation of another system, should the schools have to take on much more responsibility than they already have for the Cal Grant Program.</p>	See the <i>Extension and Grace Periods</i> issue paper on the Commission’s website.
Extending IPA	Sophia Toney, Manager, Financial Aid, City College of San Francisco	SAC	Phase-in? I do not agree. CA residency, interest-bearing accounts, verification...phase-in says we sign even though we don’t agree with it. Implement new law or CSAC take more responsibility. Work it out first, and then work on a new comment period.	See the <i>Extension and Grace Periods</i> issue paper on the Commission’s website.
Extending IPA	Jacqueline Bradley, Assistant Dean, Financial Aid and EOPS, Mendocino College	WRITTEN	“I concur with the Grant Advisory Committee’s recommendation that the existing IPA be extended pending a full review of the delivery process that evaluates feasibility, cost-effectiveness, and efficiency of the various options. The review should be completed with	See the <i>Extension and Grace Periods</i> issue paper on the Commission’s website.

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			input from all stakeholder groups, much as the federal government handles the negotiated-rule making process. From my reading of the expectations regarding institutional responsibility for determining high school graduation, the IPA remains unclear.”	
Extending IPA	Kristen Shear, Santa Rosa Junior College, and CCCSFAAA President Elect	SAC	Cal B is called the “Access Grant.” These are “Entitlement” awards. Delaying awarding is in direct conflict with those terms. I recommend CSAC extend the current IPA and hold students harmless for the 2007-08 academic year.	See the <i>Extension and Grace Periods</i> issue paper on the Commission’s website.
Extending IPA	Nancy Davis, Financial Aid Director, San Bernardino Valley College; regional representative for CCC Chancellor’s Office and CCCSFAAA	WEB	I believe the process is running on a fast train and needs to be slowed down, We need to do more research—capacity and workload studies.	See the <i>Extension and Grace Periods</i> issue paper on the Commission’s website.
Extending IPA	Brad Hardison, Financial Aid Office Director, Santa Barbara City College	WRITTEN	“I believe these (commingling, late disbursements, annual training – see comments above) are significant issues and many have been brought up as the IPA has been drafted. If these and other concerns are not worked out to the satisfaction of the schools, I suggest that the current IPA be extended for another year to allow sufficient time for stakeholders to craft this important document. I am concerned about the fast pace this process is taking to implement an agreement by June 30th.”	See the <i>Extension and Grace Periods</i> issue paper on the Commission’s website.
Extending IPA	Chris Cortes, Director of Financial Aid, Reedley College	WRITTEN	“Regarding implementation of the changes proposed in the IPA, there needs to be a period of time where the Financial Aid Office can update procedures to comply with the new changes. If the signing of new IPA occurs on June 30th, it would be unrealistic to expect aid	See the <i>Extension and Grace Periods</i> issue paper on the Commission’s website.

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			offices to be able to fully comply with some of the proposed changes such as verifying high school graduation status. The current IPA should be extended another year.”	
Extending IPA	Deborah S. McCracken, Director, Financial Aid California State University, Fullerton	WRITTEN	“It is recommended that sufficient time be allowed for review, design, and finally implementation of all new requirements as set forth in a new IPA document. As a result, extension of the current IPA may be warranted. It is unreasonable to expect a new agreement to be signed for the 2007/08 fiscal year (June 20, 2007) coupled with compliance of all rules as presented in the IPA.”	See the <i>Extension and Grace Periods</i> issue paper on the Commission’s website.
Extending IPA	Linda Jennings, State Coordinator/Special Grants & Programs, National University	WRITTEN	“For the record National University supports the GAC recommendations presented to the California Student Aid Commission on the IPA revision AND, we support an extension of the current IPA for another year as recommended by both GAC and the California Association of Financial Aid Administrators.”	See the <i>Extension and Grace Periods</i> issue paper on the Commission’s website.
Extending IPA	Sean Smith, Director of Financial Aid, Scripps College	WRITTEN	“Scripps College supports the GAC recommendations presented to the California Student Aid Commission on the IPA revision. Additionally, Scripps College is in favor of an extension of the current IPA for another year, as recommended by both GAC and the California Association of Student Financial Aid Administrators (CASFAA).”	See the <i>Extension and Grace Periods</i> issue paper on the Commission’s website.
Extending IPA	Catherine Graham, Director of Financial Aid, Loyola Marymount; CASFAA Executive Council and Independent Representative	WEB	One concern for Financial Aid and Admissions is that we are assuming so much responsibility. We are three months from the deadline; is there going to be leeway for us to get our acts together. One reason that I am recommending a one year extension is that you are asking us to do some testing on a possible option.	See the <i>Extension and Grace Periods</i> issue paper on the Commission’s website.
Extending IPA	Mindy Bergeron,	WRITTEN	The California Association of Student Financial	See the <i>Extension and Grace Periods</i> issue paper

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
	CASFAA President		<p>Aid Administrators (CASFAA) encourages the California Student Aid Commission (CSAC) to extend the current Institutional Participation Agreement (IPA) for 2007-08 until such time as serious discussion can be given to the overall model of Cal Grant delivery and details of the draft IPA that continue to be problematic for the financial aid community. This is an endorsement of the position taken by the Grant Advisory Committee (GAC).</p> <p>“The reasons for this position include the following:</p> <ul style="list-style-type: none"> • The current IPA is a hybrid, assigning some responsibilities for determining Cal Grant eligibility to the institution and some to CSAC. Before issuing a final IPA, reasoned consideration should be given to the following: <ul style="list-style-type: none"> - Fully centralizing Cal Grant administration - Fully decentralizing Cal Grant administration; or - Providing additional clarity on roles and responsibilities and providing additional resources where needed. • Outstanding issues exist with the draft IPA that could be addressed through the process of reviewing the overall model of the IPA as outlined above. As outlined in the GAC recommendations, these issues include: <ul style="list-style-type: none"> - Option of commingling of Cal Grant funds in an interest-bearing account - Calculation of interest on Cal Grant funds held by the campus 	<p>on the Commission’s website.</p>

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
			<ul style="list-style-type: none"> - Campus confirmation of high school graduation - California residency definitions - Campus confirmation of residency” 	
Extending IPA	Denise C. Donn, Director of Financial Veteran Services, San Joaquin Delta College	WRITTEN	I have had the opportunity to review and participate in a number of discussions regarding the changes that are being recommended to the existing Participation Agreement. I support the changes that have been outlined in the letter from the CASFAA president (Mindy Bergeron)...” (See comment above.)	See the <i>Extension and Grace Periods</i> issue paper on the Commission’s website.
Extending IPA	Scott Thomason, Vice President, Chief Business Officer, Redwoods Community College District	WRITTEN	<p>“We fully support the Grant Advisory Committee’s recommendations and <i>strongly agree</i> that with several unresolved issues the existing IPA should be extended pending a full review of the delivery process. The timeline for implementation of the proposed IPA is very tight, and would seriously challenge our financial aid processing timeline for next year.</p> <p>“As stated above, we favor further work be devoted to the Grant Advisory Committee’s recommendations before any decisions are made final. We also support a fully centralized process that would allow CSAC to take responsibility for final determination of Cal Grant eligibility. We firmly believe that a fully centralized process is in the student’s best interests, as it would allow for a more consistent eligibility determination and be a more equitable process for all students.”</p>	See the <i>Extension and Grace Periods</i> issue paper on the Commission’s website.
Extending IPA	Lili Vidal, Interim Director, Financial Aid and Scholarships Department, California State University, Northridge	WRITTEN	“Cal State Northridge agrees completely with the comments that have already been submitted from GAC, CASFAA, and our colleagues at Cal State Sacramento. It would seem prudent to withhold renewing this agreement for an additional year to allow for further negotiations	See the <i>Extension and Grace Periods</i> issue paper on the Commission’s website.

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			and upcoming changes to be put in place that would eliminate the need for interest-bearing accounts.”	
Extending IPA	J. Michael Ortiz, Ph.D., President, California State Polytechnic University, Pomona	WRITTEN	“In consultation with the Director of Financial Aid, the draft IPA has been reviewed along with comments provided by The California Association of Student Financial Aid Administrators and the Grant Advisory Committee. My recommendation at this time would be to support an extension of the current IPA. It is apparent that further discussion needs to take place between the financial aid community and CSAC staff in an effort to put together a model Cal Grant delivery system.”	See the <i>Extension and Grace Periods</i> issue paper on the Commission’s website.
Decentralization/Centralization	Beth Asmus, CCCSFAAA President	WRITTEN	<p>“We recognize the responsibility of the Grant Advisory Committee (GAC) to represent <u>all</u> segments of higher education and to advise and make recommendations to the California Student Aid Commission on state grant programs. We have reviewed the Grant Advisory Committee’s recommendations on the draft IPA as reported at the February 2007 Commission meeting. At the March 26, 2007 CCCSFAAA Executive Board meeting, the Board unanimously endorsed supporting the GAC recommendations as made.</p> <p>Many of our members participated in the open forum or web conference or have submitted written comments and suggestions on the draft IPA. We ask you to consider our members’ feedback and concerns associated with the most current draft IPA as supporting GAC’s outlined concerns, and we recommend incorporating GAC’s recommendations to the Commissioners at the April meeting.”</p>	See the <i>Extension and Grace Periods</i> issue paper on the Commission’s website.
Miscellaneous Comments	Sophia Toney, Manager, Financial	SAC	The IPA as a whole is 75% schools’ requirements, 25% CSAC’s requirements. We	The language is intended only for its clarity to expound the institution’s responsibilities in

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	Aid, City College of San Francisco		are all together in this job. The language of the entire document needs to be different, friendlier. "We are going to take the Cal Grant away from you if you cannot do..." is what it sounds like.	administering Cal Grant funds.
Miscellaneous Comments	Cindy Castillo, Director of Financial Aid and Scholarships, De Anza College	WRITTEN	"As a general comment, providing a new version without a summary of the comparison to the previous version and a summary of the changes, it is difficult to respond. It would be more helpful if the Commission would start with the previous version and provide a summary of the stricken sections and a summary of any additional sections so that we can provide more accurate responses to whatever is imbedded into the new draft."	This process has been followed with GAC. The proposed draft IPA has changed so significantly, it was determined that a summary of changes would be too cumbersome to follow.
Decentralization/Centralization	Sean Smith, Director of Financial Aid, Scripps College	WRITTEN	"Scripps College specifically supports the movement to a fully centralized process with additional resources allocated to CSAC to take on responsibility for final determination of Cal Grant eligibility."	See the <i>Consideration of a Decentralized Cal Grant Program</i> issue paper on the Commission's website.
Decentralization/Centralization	Sal Alcalá, Dean Special Services, Financial Aid /EOPS, Solano Community College	WRITTEN	"As a former President of the California Community College Student Financial Aid Administrators Association (CCCSFAAA) and former President of the California Association of Student Financial Aid Administrators (CASFAA), I concur with CASFAA's comment urging you to defer revision to the Agreement in order to allow due consideration of having the Cal Grant program decentralized or perfected as centralized. As one reviews the draft agreement, so much of the document has the administrative burden weighing on the shoulders of the institution. Given this, why not decentralize?"	See the <i>Consideration of a Decentralized Cal Grant Program</i> issue paper on the Commission's website.
Decentralization/Centralization	Mary Gill, Consultant, State Assembly Higher Education Committee	SAC	Entitlement – "the law is to the student, not to the institution." Overall solution is the decentralization of the Cal	See the <i>Consideration of a Decentralized Cal Grant Program</i> issue paper on the Commission's website.

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			Grant Program. My thesis was written on the decentralization of the grant program, and I will continue to work on getting this through. I continue to wonder why a state agency is responsible for administering financial aid programs. "One-stop shopping. Let the schools decide/verify."	
Decentralization/Centralization	Lili Vidal, Interim Director, Financial Aid and Scholarships Department, California State University, Northridge	WRITTEN	<p>"The issues surrounding who is responsible for what work is large and complex and needs agreed-upon resolution. Either a completely decentralized system or completely centralized systems would make sense. We need to reduce the confusion for students and make it as simple a process as possible for them.</p> <p>"I urge you to pay close attention to the recommendations and comments you receive from CSAFAA and GAC who represent the entire financial aid community."</p>	See the <i>Consideration of a Decentralized Cal Grant Program</i> issue paper on the Commission's website.
Decentralization/Centralization	J. Michael Ortiz, Ph.D., President, California State Polytechnic University, Pomona	WRITTEN	<p>"The area of concern that I feel needs further discussion is the issue of a centralized process either at the CSAC or Institution level without the current hybrid aspect. If the hybrid model works best, there should be a clear distinction between responsibilities of the campus and those of CSAC. Other issues are the option of intermingling Cal Grant funds in interest-bearing accounts, calculation of interest on Cal Grant accounts, campus confirmation of high school graduation, and the definition of California residency and the campus confirmation of this.</p> <p>"I am confident that further discussion of these items between the financial aid community and the California Student Aid Commission will result in a new and improved IPA."</p>	See the <i>Consideration of a Decentralized Cal Grant Program</i> issue paper on the Commission's website.
Decentralization/Centralization	Deborah S. McCracken,	WRITTEN	The language of the IPA agreement clearly places institutional responsibilities that require	See the <i>Consideration of a Decentralized Cal Grant Program</i> issue paper on the Commission's website.

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
	<p>Director, Financial Aid California State University, Fullerton</p>		<p>additional workload and sometimes “workarounds” to standard institutional processing. As in March 2005, when prior feedback was provided, it is still the opinion that Cal Grant processing should be decentralized and converted to an allocation system where schools administer the awards.</p> <ul style="list-style-type: none"> • Schools have a proven record of accomplishment of spending allocated financial aid funds but if some schools had excess allocated funding, it could be deobligated and the state could redistribute the funding to schools needing more. • Students are confused enough about the financial aid process. They do not understand the role the school performs in the delivery of their Cal Grants. Often students are awarded a Cal Grant but the school cannot disburse the funds for a variety of reasons: the student did not submit verification documents, the student’s education level or other FAFSA data was incorrect, or the student qualified at school A but not at school B. If the campuses controlled the issuing of the Cal Grant awards to students: 1) students would have their complete financial aid packages in one notification, and 2) eligibility would be confirmed by the school before a Cal Grant award is made. • Under the current system, schools 	

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IPA Article	Name, School/ Organization	Method of Response	Comment	Response
			<p>often cannot make payments in a timely fashion because projected funding levels are not adequate for the entire academic year. Schools must constantly report awards and payments in order to increase their authorizations. As a result, students are left waiting and schools are left explaining endlessly why payment is delayed.”</p>	
Miscellaneous Comments	Sean Smith, Director of Financial Aid, Scripps College	WRITTEN	“Scripps College specifically supports the exclusion of the confirmation of the Cal Grant GPA from the list of campus responsibilities.”	CSAC supports this idea.