

**Action Item**

***California Student Aid Commission***

Consideration of a proposal incorporating federal financial aid requirements for state authorization and a state complaint process in order for postsecondary institutions to qualify to participate in federal student financial assistance programs into Cal Grant Program data and administration

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The United States Department of Education has put forth some new requirements on those institutions of higher education participating in federal student aid – both grants and loans.

The regulations require that the state participate in enforcing the federal conditions imposed on postsecondary institutions. First, a participating institution must, in effect, be licensed by the state to offer higher education. Second, that institution must agree to abide by a state process set up to deal with complaints.

Although the effective date was to have been July 1, 2011, California was not ready and has requested the allowable one-year extension to construct a “compliance solution.” Pursuant to requests by the Brown Administration, the Commission has been, and will continue to be involved in constructing that solution. The federal “doomsday provision” is that all postsecondary institutions would be ineligible to participate in student aid programs, including Cal Grants, which require federal student aid participation, were compliance by the due date were not achieved.

Open for discussion today is whether it is logical and desirable for the Commission to seek designation to administer the state authorization process for both non-profit and for-profit institutions involved with Cal Grants, or both state and federal aid programs.

What about the third category – institutions involved with federal aid, but not state aid? That last group should probably be included to ensure that the authorization process is uniformly applied.

What about the fourth category – institutions receiving neither state nor federal aid? They are currently screened by the Bureau of Private Postsecondary Education (BPPE), a California state agency created by state law in 2009. Authorization could remain there unless the Brown Administration and/or the Legislature desired to include those in the proposed Commission administration process.

Public postsecondary institutions satisfy the state approval process because they are created by the California Constitution or statute. Institutions incorporated in California expressly to offer postsecondary education and accredited by the Western Association

of Schools and Colleges or regional accreditation agencies recognized by the USDE may also satisfy the process. If so, the Commission would not be involved in those authorization processes.

Current state complaint processes do not comply with the new federal requirements. The California Attorney General enforces consumer laws generally, but is not required to review and act on all complaints concerning postsecondary institutions in California. In effect, its involvement is more in the nature of after-the-fact enforcement than the continuous and consistent processing typical of regulatory requirements. Legislative correction will be necessary.

BPPE also administers a complaint process, but not for postsecondary institutions that are exempt from BPPE regulation. Again, compliance would necessitate legislation conforming to the federal requirements of both coverage and process.

To avoid overlap and inconsistency, logic dictates that there be one, rather than multiple, complaint processes. Either the AG or BPPE could be designated in the legislation. Minimally, the Commission should request that it be provided at once with the details and ultimate resolution when the complaint involves a Cal Grant institution.

These and other options are open for discussion by the Commission.

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