

Exhibit 7

Information/Action Item

Consideration of institutional eligibility appeals for the 2015-16 Academic Year including Providence Christian College and Columbia College Hollywood

PROVIDENCE CHRISTIAN COLLEGE

Providence Christian College (“Providence”) is a non-profit private institution that has appealed the Commission’s determination that it is ineligible to participate in the Cal Grant Program for the 2015-16 academic year for failing to meet the 15.5% three-year cohort default rate (CDR) threshold established in law. Although the Commission certified a 16.6% CDR for Providence, the institution contends that this rate should not be used to determine eligibility because it is an *unofficial* CDR, as opposed to an official rate. (See Exhibit 7.1)

The U.S. Department of Education (“USED”) has confirmed that the 2011 three-year CDR it published for Providence is unofficial. (See Exhibit 7.2). According to the *Cohort Default Rate Guide* published by USED, the basis for the unofficial rate is:

An official CDR cannot be calculated for a school with 29 or fewer borrowers entering repayment during a cohort fiscal year if the school did not have an official or unofficial rate calculated for either or both of the 2 previous cohort fiscal years. Such a school will have an official rate calculated using the non-average formula and current year data. ... (See *Cohort Default Rate Guide*, Chapter 2.1, page 5.)

Because Providence did not have an official three-year CDR for either 2009 or 2010, and its current cohort contained fewer than 29 borrowers entering repayment, the resulting 16.6% CDR is unofficial. Providence has represented to the Commission that it has received its draft official three-year CDR for 2012 and that that rate is projected to be 8%, which would make Providence eligible for the 2016/17 academic year.

On October 1, 2014, when the Commission certified CDR and graduation rates as required by California Education Code section 69432.7(l)(3), the law provided that the Commission shall certify “the institution’s latest three-year cohort default rate and graduation rate as most recently reported by the United State Department of Education” (emphasis added). As of January 1, 2015, this language in the law has been changed. This section now provides that the Commission “shall certify by November 1 of each year the institution’s latest official three-year cohort default rate and graduation rate as most recently reported by the United States Department of Education (emphasis added.)

As a result of the timing of the law change, the Commission could elect to uphold its previous determination that Providence is ineligible for the 2015/16 academic year. On October 1, 2014, the Commission was not required to utilize an official CDR, only a published one. Indeed, when the CDR requirement was added to the Education Code for purposes of determining institutional eligibility, the only three-year CDR being published was a trial rate which was unofficial for federal Title IV purposes but which the Commission did use for Cal Grant Program participation.

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Alternatively, however, although this change in the law does not specifically apply to the 2015/16 academic year, it does reflect a decision by the Legislature that the Commission should only utilize official CDR data in its certification of qualifying institutions. In this instance, the potential consequences for students would be particularly harsh. Assuming that Providence's representation about its forthcoming 2012 three-year CDR is accurate, Providence would be ineligible for only a single academic year. The new and renewing Cal Grant entitlement students would, however, permanently lose their awards should they choose to remain in attendance at Providence during the 2015/16 academic year.

Considering these factors, the Commission could elect not to use the unofficial CDR for its 2015/16 academic year determination and instead consider Providence to have no reported CDR from USED. Institutions without a reported CDR are provisionally eligible to participate in the Cal Grant Program under Education Code section 69432.7(l)(3)(E). Assuming the Providence maintains all other eligibility criteria, this provisional status would last until USED publishes an official CDR for Providence.

Recommendation: Staff is recommending that 1) Providence Christian College's appeal be granted and that it be eligible for participation in the Cal Grant Program for the 2015-16 academic year; and 2) that the Commission delegate to the Executive Director the authority to grant appeals by future institutions that present similar factual and legal issues to those presented by Providence Christian College.

COLUMBIA COLLEGE HOLLYWOOD

Columbia College Hollywood ("CCH") is a WASC-accredited non-profit institution that has appealed the Commission's determination that it is ineligible to participate in the Cal Grant Program for the 2015-16 academic year for failing to meet the 20.0% graduation rate threshold established in law. On October 1, 2014, the Commission found CCH ineligible to participate in the Cal Grant Program for the 2015-16 academic year because its 2012 graduation rate of 19.6% did not meet the minimum graduation rate of 20.0% established by Education Code section 69432.7(l)(3)(l).

CCH has presented several issues for appeal, but for purposes of possible resolving its appeal at the June meeting, staff has focused on a particular aspect of CCH's claim. CCH alleges that an error in the number of students in the 2012 cohort has resulted in its graduation rate being calculated as 11 graduates from a 56 student cohort (19.6%) instead of 11 graduates in a 54 student cohort (20.4%). CCH has provided information from the USED confirming that, had CCH timely availed itself of the appeal procedures, its 2012 graduation rate would have been 20.4%; a rate which would have made it eligible for the Cal Grant Program in the 2015-16 academic year.

The Commission has previously established certain criteria, the satisfaction of which has permitted it to grant Cal Grant eligibility appeals where there has been a technical lack of compliance with Education Code section 69432.7(l)(3). In essence, an institution that can demonstrate that, despite its technical lack of compliance with the statutory thresholds for participation, it does in fact meet the requirements of the statute can be found to have substantially complied with the primary purpose for which these qualitative standards have been instituted.

The Commission has previously granted an appeal under similar circumstances. Menlo College successfully appealed its ineligibility for the 2013-14 academic year based on an error in its USED reported data, claiming that it had, in fact, met the requisite threshold. As part of the Menlo College appeal, the Commission made certain findings upon which the appeal was granted. The Commission found:

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1. Menlo College has been determined to be ineligible for Cal Grant awards for 2013-14 because the United States Department of Education (USED) has reported the Menlo College 2009 3-year cohort default rate (CDR) to be higher than the maximum CDR of 15.5% authorized by Education Code section 69432.7(/)(3)(C).
2. Due to a mistake by a loan servicer involving data for just one student, Menlo College's CDR was incorrectly calculated to be 15.6%.
3. Using factually correct data, Menlo College's CDR is 15.15%.
4. Menlo College failed to timely avail itself of USED challenge and appeal processes to correct the mistake.
5. USED has verified that had Menlo College timely challenged and appealed the mistakenly calculated CDR, USED's reported 2009 3-year CDR for Menlo College would have been below 15.5%, and that the Menlo College would have been eligible for Cal Grant awards in 2013-14.

From these findings, the Commission concluded:

The Commission concludes that despite the technical lack of compliance with the method by which Education Code section 69432.7(/)(3)(C) requires the Commission to identify a CDR to use to establish institutional eligibility for a Cal Grant, Menlo College complies with the substantive standard established by section 69432.7(/)(3)(C) by having a factually correct CDR below 15.5%. This satisfies the primary purpose of section 69432.7(/)(3)(C) and constitutes substantial compliance for purposes of determining Menlo College for Cal Grants.

Based on these unique circumstances, the appeal by Menlo College was granted.

CCH similarly meets these criteria.

1. CCH has been determined to be ineligible for Cal Grant awards because the United States Department of Education (USED) has reported CCH's graduation rate to be lower than the minimum graduation rate authorized by Education Code section 69432.7(/)(3)(H).
2. Due to a mistake by the institution, CCH's graduation rate was incorrectly calculated to be 19.6%.
3. Using factually correct data, CCH's graduation rate is 20.4%.
4. CCH failed to timely avail itself of USED challenge and appeal processes to correct the mistake.
5. USED has verified that had CCH timely challenged and appealed the mistakenly calculated graduation rate, USED's reported 2012 graduation rate for CCH would have been above 20%, and CCH would have been eligible for Cal Grant awards in 2015-16.

Recommendation: Based upon application of the criteria established by the Commission previously, staff is recommending 1) that the appeal of CCH be granted and that CCH's eligibility for Cal Grant participation in 2015-16 academic year be re-instated; and 2) that the Commission delegate to the Executive Director the authority to grant appeals by future institutions that present similar factual and legal issues to those presented by Menlo College and Columbia College Hollywood.

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