
GRANT ADVISORY COMMITTEE

GRANT ADVISORY COMMITTEE MEETING

Friday, March 14, 2008
8:30 a.m. – 4:00 p.m.

California Student Aid Commission Headquarters
10811 International Drive, California Room
Rancho Cordova, CA 95670

MEMBERS

Mary Lindsey, Chair
Sharon Bowles, Vice Chair
Kate Jeffery
Lora Jo Bossio
Dean Kulju (Alternate)
Susan Gutierrez
Anthony Martinez
Timothy Bonnel
Marco De La Garza

Lisa Douglass
Catherine Graham
Ricardo Tejeda
Tina Miller (Alternate)
Judi Sveen
Sally Pace
Noelia Gonzalez
Lorena Hernandez, Commission Liaison

AGENDA

TAB ITEM

Call to Order and Roll Call

Introduction of New GAC Members and CSAC Staff

Public Comment (**Public Comment will also be asked for every agenda item**)

1. Committee Chair's Report
2. Executive Director's Report
3. Approval of Minutes for the following meetings:
 - 3.a June 16, 2006 teleconference meeting
 - 3.b.1 October 18, 2007 meeting
 - 3.b.2 October 19, 2007 meeting
 - 3.c January 16, 2008 teleconference meeting
4. Overview of Administrative Procedures for Committee Members
5. Consideration of the Governor's Proposed Elimination of the Competitive Program and the Effects of the Governor's Proposal on the Administration of the Cal Grant Competitive Program
6. Consideration of At-risk Institutions Criteria

GRANT ADVISORY COMMITTEE

7. Workgroup Updates and Recommendations
 - 7.a Prioritization of 2008 Workgroups
 - 7.b Cal Grant Data Analysis
 - 7.b.1 Student Expenses and Resources Survey (SEARS)
 - 7.b.2 Student Expense Budgets
 - 7.c Cal Grant Account Maintenance and Annual Interest Earning Calculation
8. Consideration of the Internal Audit by the Department of Finance on Cal Grant Program New Applicant Eligibility for Award Year 2006-07
9. Program Administration and Services Division Updates
 - 8.a Cal Grant Operations
 - 8.b Specialized Programs
 - 8.c School Support Services
 - 8.d Student Support Services
 - 8.e Program Policy and Development
 - 8.f Business Systems Integration
10. Public Affairs Update
11. Grant Delivery System (GDS) Phase II Update
12. State and Federal Legislative Update

Adjournment

Information Item

GRANT ADVISORY COMMITTEE

Committee Chair's Report

The Committee Chair will provide an oral update on the Grant Advisory Committee's activities since the last meeting.

Recommended Action: No action necessary.

Responsible Staff: Mary Lindsey, Chair
Grant Advisory Committee

Information Item

GRANT ADVISORY COMMITTEE

Executive Director's Report

The Executive Director will provide an oral update on the recent activities of the Commission.

Recommended Action: No action necessary.

Responsible Staff: Diana Fuentes-Michel, Executive Director
California Student Aid Commission

Information/Action Item

GRANT ADVISORY COMMITTEE

Approval/Assignment of Minutes

Enclosed, for the Committee's review and approval or assignment for review, are the following minutes:

- 3.a June 16, 2006 teleconference meeting
- 3.b.1 October 18, 2007 meeting
- 3.b.2 October 19, 2007 meeting
- 3.c January 16, 2008 teleconference meeting

Recommended Action: Approve or assign for review minutes listed above.

Responsible Staff: Kristen Trimarche, Analyst
Program Policy & Development Branch

**CALIFORNIA STUDENT AID COMMISSION
GRANT ADVISORY COMMITTEE MEETING**

10811 International Drive
Rancho Cordova, CA 95670

**MINUTES
JUNE 16, 2006**

**ADVISORY COMMITTEE
MEMBERS**

Mary Lindsey, Chair, PI

Maria Hernandez, Vice-Chair, CSU

Louise McClain, Commission
Representative

Tim Bonnel, CCCCCO

Lora Jo Bossio, UC

Laura Cunha, PI

Greg Gollihur, CPEC

Noelia Gonzalez, CASFAA

Kate Jeffery, UC

David Kopperud, K-12

Mary Robinson, CSU

Catherine Thomas, AICCU

Veronica Villalobos, AICCU

Craig Yamamoto, CCC

Kevin Woolfork, CPEC

COMMISSION STAFF

Max Espinoza, Chief, Program Administration &
Services Division

John Bays, Chief, Information Technology Division

Janet McDuffie, Chief, Management Services
Division

Anne Robertson, Manager, Cal Grant Operations
Branch

Bryan Dickason, Manager, School Support Services
Branch

Paula Rockwell, RM II, Research & Policy Analysis
Branch

Veronica Rodriguez, Staff, Program Administration &
Services Division

Tina Kilgore-Goodwin, AVP Audit Services, EdFund

Matthew Lieu, Associate Information Systems
Auditor, CSAC Internal Audits

Lori Nezhura, Staff, School Support Services Branch

Drew Schrepel, Staff, School Support Services
Branch

Allen Scott, Staff, Cal Grant Operations Branch
Division

Corazon Manuel, Staff, School Support Services
Branch

Justin Ngo, Staff, School Support Services Branch

Jorge Cortez, Staff, School Support Services Branch

ALSO PRESENT

No public members.

Call to Order

Chairperson Mary Lindsey began the meeting by asking Max Espinoza, Chief, Program Administration & Services Division (PASD), to summarize staff recommendations to the California Student Aid Commission (Commission) as it pertains to the audit findings.

Tab 1: Cal Grant Disbursements/ Advance Payments/ Reconciliation Internal Audit-Commission Staff Audit Work Plan & Recommendations

Mr. Espinoza explained that the pending issue from the last meeting dealt with the Cal Grant disbursement and reconciliation audit work plan recommendations from staff. He explained that the Grant Advisory Committee (GAC) members had asked for data comparing use of the new advance funds methodology to that of the existing one.

Since that review, explained Mr. Espinoza, Commission staff has concluded that no change to the existing advance funds process will be recommended and instead, will advocate that the process remain the same. Turning to Paula Rockwell, Research Manager II, Research & Policy Analysis Branch, Mr. Espinoza asked that she discuss the “rationale” behind existing use of the 95% rule for advancing funds to schools.

Ms Rockwell explained that she and her team looked at the existing methodology in an effort to understand the logic, and too, see if the process was a fair one. After reviewing the data, Ms. Rockwell concluded that the 95% rate has historic validity in terms of advancing institutions the amounts of money they need. The focus of the study, due to these findings, she added, had to change.

Seeking additional staff support from within the Commission, Ms. Rockwell, in talking with the executive staff, staff counsel and members of the audit review team, was able to conclude that the existing advance process used with institutions was an acceptable method of advancing funds. She noted that the “calculated” advance methodology did account for historical attrition rates, thereby addressing the concerns of staff and GAC alike.

Mr. Espinoza added that the methodology is reasonable and that now, due to the research, staff has the supporting documentation to justify use of the process. Ms. Rockwell concurred, adding that staff will continue to monitor the validity of the 95% rule and too, that use of the second recommendation (reconciliation of payments 30-60 days after the term) would take care of a lot of the audit findings. Mr. Espinoza reiterated the importance of the second recommendation.

Mary Robinson, California State University representative, asked if institutions are really receiving adequate funds when fees increase in the payment year and grant awards are actually, in some instances, substantially higher. Mr. Espinoza responded by noting that some institutions were holding onto the funds and not distributing to students and too, that the Commission would be looking at adding another advance date to deal with some of the timing issues involved with getting the money out to students. Member Robinson expressed the Mr. Espinoza had not answered her question.

Ms. Rockwell added that the audit concern with schools holding onto funds would remain. She asked that we wait to see how some of the changes put into place will change behavior and whether the funds can get distributed to students in a quicker fashion. Ms. Rockwell explained that staff would continue to monitor the data and report back if shortcoming exist and what can be done to resolve some of the processing issues.

Chair Lindsey reiterated the contents of the discussion, but added that Mr. Espinoza had not addressed Member Robinson's question regarding the actual amount advanced and whether or not the 95% could go higher given that fees and enrollment go up as well as the amount of awardees. Mr. Espinoza explained that what he was trying to say is that one of the initial issues with the audit findings was that institutions were holding on to a significant portion of the funds so he was not sure if the issue would get resolved by changing the methodology to advance more funds (give more money upfront). He explained that staff recommendations need to be assessed to determine their impact on institutional behavior.

Timothy Bonnel, California Community Colleges Chancellor's Office (CCCCO) representative, asked if GAC could see the data. Mr. Espinoza said that staff could share the current methodology as it pertains to the 95% policy. Member Robinson clarified what she was asking by stating that she was not disputing the 95%, but instead, to what "base" or amount is that 95% applied. Veronica Villalobos, Association of Independent Colleges and Universities (AICCU), attempted clarification by citing the example of the change in award amount from one academic year to the next and how that change affected the amount received by the institution. Mr. Espinoza commented that there were many variables that could impact the amount advanced.

Chair Lindsey commented that there were outstanding issues surrounding this matter and asked that 1) GAC be involved with staff in looking at the data as we move forward, and 2) that we not address issues like this at the eleventh hour. Mr. Espinoza explained that staff is not proposing a change. Chair Lindsey clarified that she's asking that GAC and staff look at the data before having to propose changes, especially if looking to address this matter in the future. Mr. Espinoza commented that staff hopes to have the advance eliminated altogether and go to "real time" processing. He assured Chair Lindsey that staff is happy to work with GAC.

Member Robinson, in response to Chair Lindsey's request for the development of a work group to look at the data, offered to be part of the review as well as to look at the correlation between institutions potentially being short in funds during the fall and the recommendations being made today, particularly with respect to interest-bearing checking accounts. Kate Jeffery, University of California (UC) representative, asked about the data used to conclude to not go forward with the take rate approach.

Ms. Rockwell explained that there was nothing wrong with the take rate, adding that a lot of it had to deal with the data that the Commission had available in order to make the assumptions needed to create an estimate. She continued that use of the take rate would not allow the Commission to get as close as needed to give institutions an amount that would work. Finally, she noted that the research effort looked to address the internal audit findings and not necessarily looking at what could be done in the future. Mr. Espinoza noted that staff was trying to be sensitive to the perceived concerns by GAC about the proposed changes being disruptive to the institutions as well as the Commission.

Member Jeffery asked if the analysis of the take rate, in comparison to the current advance funds methodology, resulted in larger amounts of advances to the institutions. Ms. Rockwell explained that the analysis provided varied results (all over the board).

Member Bonnel asked to see the results of the analysis of the proposed advance funds methodology (take rate). Mr. Espinoza explained that he'd have to address that with the internal staff and legal counsel. Chair Lindsey commented that in all her years of working with GAC, she had never heard of supporting data would not be available for GAC to review and use to

work with staff. Chair Lindsey asked Commissioner McClain to weigh in on the discussion. Commissioner McClain asked the question directly of Mr. Espinoza.

Mr. Espinoza explained that staff was working with legal on this issue so legal would need to be included in the conversation. Mr. Espinoza clarified that staff did not say they would give the information to GAC, but would have to consult before doing anything. Chair Lindsey commented that legal used to attend GAC meetings and asked Mr. Espinoza why that no longer was the case. Mr. Espinoza explained that the Commission does not have in-house full-time legal counsel at present, but when the Commission did, the attorney attended GAC meetings when available.

Janet McDuffie, Chief, Management Services Division, offered that Mr. Espinoza could ask legal counsel from the Attorney General's Office to attend GAC meetings. Chair Lindsey asked Commissioner McClain if the Commission can help staff expedite the hiring of permanent legal counsel. Commissioner McClain said she could look into it.

Chair Lindsey decided to table review of the data until the next meeting in August. Mr. Espinoza requested clarification on the data to be reviewed. GAC members agreed that they wanted to review all the data used to conclude that the Commission would continue to use the current advance funds methodology. Member Robinson explained that she is not concerned with having to change the methodology, but instead concerned that change may result in disrupting the flow of funds to the campuses. She also noted that the other option proposed based on take and historic rates applied to the budget year award roster.

Member Jeffery asked to see the data of the take rate proposal in comparison to current methodology so that people would not think that the proposed take rate methodology ended up putting more money out on the campuses and that is why the Commission went back to the original methodology. Chair Lindsey proposed a follow-up meeting to discuss the data secured from the analysis for August. Mr. Espinoza clarified that this issue would be addressed under the Research, Reporting and Analysis Workgroup.

Member Robinson expressed concern about the current data being used to support other recommendations such as the interest-bearing checking account issue and that matter going to the Commission and being dealt with before the proposed August meeting. Mr. Espinoza explained that he understood that at least one person (Mary Robinson) was not as concerned with change as much as being concerned with making sure the methodology did not lead to disruption. Also, he added, staff is viewing the advance issue as short-term because the hope is to get to a real-time situation.

Chair Lindsey sought to redirect the focus of the group, since discussion about the absence of a real time work group to develop business requirements started, and sought to paraphrase what Member Robinson had asked. When discussing interest-bearing accounts, Chair Lindsey noted if indeed, the data supports the 95% advance methodology, then that outcome suggests that the money given to campuses is adequate and not so excessively over what they need to disburse to their students.

Tina Kilgore-Goodwin, Assistant Vice President, Audit Services with Ed Fund, explained that the paraphrase did not necessarily depict the entire picture because it doesn't take into consideration the fact that those very same institutions may be requesting supplemental disbursements. What the audit findings reflect, added Ms. Kilgore-Goodwin, are a number of instances where folks retained and did not report advance and supplemental disbursements throughout the term. Of the 300 institutions reviewed, 230 of them, during the 2003-04 and

2004-05 award year, had a portion of their advance offset for the next term. For Ms. Kilgore-Goodwin and her team, the data suggests that payments are not being reported in a timely manner.

Member Bonnel asked if Ms. Kilgore-Goodwin had a range of the amounts that were offset and was that data statistically valid. He commented that it may be that a few schools were the ones that had significant amounts that were offset the following term. Ms. Kilgore-Goodwin explained that the number of schools and the dollar amount of the offset is significant and that the data was all over the board; some institutions have small offset amounts while others had larger amounts.

Chair Lindsey explained that student behavior may be causing the delay in payment to students. She asked if the data from the analysis completed by Ms. Kilgore-Goodwin, regarding reporting payments, could be included with the review being completed for the advance methodology in August. Chair Lindsey explained that there was a discomfort level with not seeing the data, and while not disputing the data, she would like to see the interpretation of the findings.

Member Bonnel stated he did not want to lose sight of the adverse affect the changes may have on the students; students need to be held harmless, he added. He added that payment cannot be delayed in getting to the student because of reconciliation or advance processes that delay their funding sometimes six or eight weeks. Mr. Bonnel also noted that situations occur at the schools where a student may be delayed, due to review of the application, in getting a form back to complete the process and sending the money back to CSAC, because the student was delayed, may delay payment an additional 2-6 weeks.

Chair Lindsey informed CSAC that GAC has an alternative recommendation as it pertains to requiring schools to hold excess funds in an interest-bearing account. GAC is recommending that for schools found to hold money, that as a sanction the following year, they would be required to hold money in an interest-bearing account, and that would be on a user/abuser basis versus across the board for everybody.

Member Jeffery asked if keeping track of the interest, earned by schools is going to continue to be an issue once the "just-in-time" process is in place. She encouraged both CSAC and the institutions to look at the amount of work needed to establish the process for tracking interest-bearing accounts. Mr. Espinoza explained that the federal government requires institutions hold money in interest-bearing accounts, so discussion has occurred about modeling their approach. Mr. Espinoza asked for clarification on the data being sought regarding interest-bearing accounts. Chair Lindsey explained that GAC wanted the data (analysis) used to recommend that institutions maintain interest-bearing accounts.

In an effort clarify what is being requested, Member Bonnel explained that it would be helpful to see the data in terms of 1) the number of schools not processing as expected (230) and of that number 1) the degree (\$ amount) non-reporting from the subset. In this way, he added, it can be determined what may have contributed to the non-reporting. Chair Lindsey, in discussing the 230 institutions cited in the analysis, asked if the number was unduplicated. After explaining what was meant (counting the number of instances per institution per award year), the answer was yes. One school could have two instances of term advances that exceeded the amount disbursed.

Member Bonnel asked if it would be fair to say that 50% of the schools identified, held less than 10 or \$15,000. Ms. Kilgore-Goodwin said no, it would not be. This, expressed Member Bonnel, is what he'd like to see in the August meeting so that the data can be reviewed and questions,

such as the ones being asked, can be answered. Member Bonnel told Mr. Espinoza, in response to his question about what is being asked, that it was this data GAC wanted to see. Mr. Espinoza and staff agreed that the data could be shared. Mr. Bonnel then asked if he could also have the data by segment since the CCs get awards in mid-October due to the September 2nd competition.

Chair Lindsey sought to clarify a comment, made by Mr. Espinoza, regarding the federal government requiring campuses to keep their funds in interest-bearing accounts and the State wanting to parallel that approach. There are exceptions, noted Chair Lindsey, to the requirement including instances where the school request funds under the "just in time" payment method and when the school could demonstrate that they would not earn more than \$250 in interest. Mr. Espinoza stated that the exceptions would be considered.

Lora Jo Bossio, University of California (UC) representative, asked if there was a lot of time to finalize the recommendations. Both Mr. Espinoza and Chair Lindsey said no, with Chair Lindsey stating that staff would be asking the Commission to have all institutions, participating in the 2007-08 Cal Grant program, be required to keep Cal Grant funds in an interest-bearing account and return any interest on those funds at the end of the year.

Again other issues surfaced regarding this analysis, including the enforcement of the October 15, 2006 deadline and 60-day reconciliation period (Bossio) and the need for institutional and Commission expenditures to implement the interest-bearing account effort (Lindsey). Member Bossio explained that the 60-day recommendation is for "preliminary" reconciliation with Mr. Espinoza noting that this process would allow for payment changes after the 60 days for the prior term.

Chair Lindsey brought the discussion back noting that staff is recommending the same thing as GAC and that is a 30-60 day, per term, preliminary recommendation, with nothing about it being a final reconciliation. Mr. Espinoza agreed. Chair Lindsey commented that if the reconciliation is preliminary, then staff will have to develop some parameters for reasonable changes after the fact. Mr. Espinoza explained that this part of the discussion can be added to the August meeting as well. Chair Lindsey also clarified that the reconciliation recommendation is for the 2007-09 year; Mr. Espinoza said yes. An Operations Memo would be issued, added Ms. Robertson, but there would be no automation in any fashion, to implement the reconciliation program, until 2007-08.

Member Bossio asked where the summer awards fall in this 30-60 day, after term, reconciliation process since the summer payment would run into the October 15th deadline. Member Bossio was concerned that this issue would be voted on by the Commission the following week (next meeting). Mr. Espinoza explained that the Commission already voted on the October 15th date and have directed staff to enforce it.

Member Jeffrey asked if no changes could be made, on a student's record, after the October 15th deadline if it was determined after that date that the student is eligible (example, a student disputing a residency issue). Mr. Espinoza explained that a case like that would be addressed through the appeals process in an appeals basis. Chair Lindsey offered that on the October 15th deadline, the requirement could be that this date be a final closed reconciliation or 90 days following the end of the last term of the academic year or whichever comes first.

Mr. Espinoza explained that staff did not feel there was flexibility on the October 15th deadline. Chair Lindsey asked if staff understood that for some institutions, the October 15th date only allows them four to six weeks to reconcile following the end of their entire year. Mr. Espinoza

stated that staff understood that, but it was pretty clear from the Commission's perspective that this was something that needed to be done; that it was not being enforced. And, he added, CSAC recognized it was not being clear and direct with the institutions that the October 15th date had to be done so the CSAC's hope is, in the next year, provide sufficient training and support so that everyone knows that the deadline will be enforced.

This, expressed Member Bonnel, is the crux of the problem; last minute, just-in-time agenda items that result in Commission decisions without adequate information resulting in decisions that are basically untenable for many of the institutions. He continued, stating that the October 15th deadline is going to cause problems and the 30-60 day reconciliation is going to wreak havoc for financial aid offices if the data is locked down and schools have to go through an appeals process. Mr. Bonnel noted that, at least with the CCs, they are willing to do the preliminary reconciliation, but in some cases, upwards of 15-30% of some of those awards get adjusted out in the spring term because of some other payment that came in that puts a student in an over-award situation, thereby making the student less eligible.

Member Bonnel explained that he would not support a 30-60 day reconciliation on term end unless it came with a preliminary comment and didn't lock down the data and force a manual intervention, administratively, to fix. He expressed concern about the deficiency in detail in the recommendation. Mr. Espinoza noted that staff would not agree with Member Bonnel's characterization, noting that concerns about summer payment have been addressed and that this matter has been in discussion for over five months.

Member Bossio expressed concern about not being able to get summer awards reconciled by the October 15th deadline, noting that it was a physical issue; one that the training will not be able to address because of the timing frame issue. While Member Bossio recognized that the fall term has a certain start date, as noted by Mr. Espinoza, she clarified that disbursement of funds can occur three or four times a year and that, too, could create difficulty. Mr. Espinoza agreed that the summer issue needs to be looked at, with GAC, during the August meeting.

When asked again if the October 15th deadline was already to be enforced, Mr. Espinoza pointed out that the decision was already made and passed by the Commission. Chair Lindsey explained that GAC discussed enforcing, at minimum, October 15th deadline because it was already in place and had been around for many years. Summer payment, she added, used to be the exception, but with advent of tidal wave two impact and the enrollment of more students, it is becoming more frequent and this is what may be bringing up this issue of summer payment.

Chair Lindsey expressed that staff has their position on the October 15th issue and they have made their recommendation. This, she noted, does not preclude GAC from saying the issue has been revisited and six weeks after the October 15th deadline is not enough to reconcile the year due to summer payments. Mr. Espinoza clarified that the reconciliation being required was and not a hard and fast reconciliation.

Mr. Espinoza, again, asked for clarification on the issue of October 15th because he understood that GAC had supported enforcement. Chair Lindsey explained that GAC is dealing with the October 15th issue and not the 30-60 preliminary post-term reconciliation. Member Bonnel explained that the 30-60 reconciliation recommendation does not say preliminary and that GAC has major concerns about it be a hard lock down on the data and a forced manual appeal process. He added that the CCs had no problem telling their campuses to get their data reconciled as soon as possible, but if they had to make adjustments, that the process be a simple one. And this, he added, is the "devil in the detail" argument he continues to bring up.

Chair Lindsey explained that the two issues (term reconciliation and end of year reconciliation) continue to be discussed interchangeably. She brought the discussion back to the term-by-term preliminary reconciliation because everyone seemed to be in agreement with that recommendation, especially if changes could be made after the preliminary reconciliation was completed. Chair Lindsey's concern was that GAC would hear staff say they were not sure if, indeed, changes could be completed after the preliminary reconciliation.

In discussing the 30-60, preliminary post-term reconciliation recommendation, Chair Lindsey recommended that the implementation and effectiveness of the requirement be assessed after one year and not create major procedural changes until data is secured and analyzed. Member Jeffery asked Mr. Espinoza and the staff what was being proposed, specific to this issue. Mr. Espinoza explained that staff is in agreement with GAC noting that there will be a preliminary 30-60 post-term reconciliation process that will allow for correction after the 60 days. Mr. Espinoza explained that staff wants to encourage adherence to the recommendation and too, give one year for the requirement to be phased in (no audit for the initial year and put the focus on training).

Member Bonnel noted that the problem with the recommendation was the last five words of the recommendation the noted the "with penalties for noncompliance" following the part about at the end of the term. Mr. Espinoza explained that the penalties for noncompliance referenced the October 15th date. He also discussed noted there the recommended 30-60 end of term reconciliation is in phases and since it will not be audited the first phase (year), there will be no penalties because staff knows time has to be allowed for behavior to change.

Member Bonnel commented that lately, much of what has been discussed during the teleconferences is a shift in workload away from Student Aid, onto schools, or created new workload as a result of new interpretations of Ed Code and other policies that would create a greater workload on a college campus. He added that in not defining what the process for the recommendation is going to be, the issue can be handed back to GAC to work it out. Mr. Espinoza asked what Member Bonnel meant by having the issue handed back. Member Bonnel explained that it would be handed back to GAC to work with the Commission staff and find a system that is not administratively burdensome.

Chair Lindsey attempted to craft a motion noting that GAC supports the staff recommendation with the amendment to clarify that it is a preliminary reconciliation. Member Bossio asked that the recommendation go one step further and say that GAC interprets preliminary to mean that adjustments will be made through the normal channel and not require appeals or a manual process. Member Jeffery reiterated that what she heard campus people say is that they want to be able to continue to make adjustments after the preliminary reconciliation date through Web Grants other than through some other process. Chair Lindsey recommended the use of "reasonable adjustments."

Motion 1: After discussion on how to frame the motion, Chair Lindsey noted that GAC supports staff recommendations, with the addition that it be amended to specifically include that it's a preliminary reconciliation and that we interpret preliminary reconciliation to mean that it allows for reasonable adjustments after the preliminary reconciliation through existing channels. Member Bonnel moved. Member Bossio seconded.

Discussion

Maria Hernandez, Vice Chair, California State University (CSU) representative, asked if use of the term “preliminary” will address the part on the recommendation that says that if a school does not reconcile with 30-60 days of the end of term, they will not be allowed to receive supplemental pay. Chair Lindsey noted that if the majority of the schools reconciled 95% of the money that was advanced, then staff could provide training for those schools that need help.

Mr. Espinoza, in response to Member Hernandez’ comment, noted that the different processes are tied to the other and the idea behind holding the supplemental was to hold them until these schools actually reconciled. Mr. Bonnel asked how CSAC would know whether a school reconciled or not. Mr. Espinoza asked the issue being raised should be discussed now. Member Bossio offered that the issue be addressed at the August meeting.

Motion passed.

Chair Lindsey began the discussion of the October 15th final reconciliation requirement in terms of the institutions that have summer enrollment, which is a trailer and therefore, may be making disbursements through September, four to six weeks before that October 15th deadline, and not have enough time to do a final reconciliation. Chair Lindsey noted that there are number of increasing institutions that fall into this category and recommended that all industry members would be served, including CSAC, if the issue could be addressed and resolved with minimal workload increase for all.

Chair Lindsey sought to revisit the suggestion of a year-end reconciliation of October 15th or 90 days from the close of your last term in that award year, whichever comes later. Mr. Espinoza asked if GAC was changing its original recommendation that CSAC enforce the October 15th deadline. Chair Lindsey said yes. Mr. Espinoza asked if further discussion on the Chair’s recommendation (how to handle summer payment) was needed. Member Bossio asked if Mr. Espinoza’s suggestion was that GAC approach the Commission and ask if, in light of the summer payment issue, GAC be given the opportunity to review the October 15th requirement again.

Chair Lindsey explained that the problem with Member Bossio’s suggestion is that the October 15th date is already a date that the Commission has in effect (place) by virtue of the Institutional Participation Agreement (IPA) and the only recommendation the Commission approved to enforce that. Member Bossio asked if GAC could go back and ask for reconsideration in light of things being different since the IPA was written.

Mr. Espinoza explained that the summer term, in his view, is the issue and that the recommendation be that said issue be looked at and resolved. In doing so, he added, how the summer payment is dealt with may have to be modified, but that does not necessarily mean that change to the October 15th requirement needs to be recommended. Member Bonnel noted that the Chair’s request is that, for those schools that have summer terms, that they be given 90 days from the end of those terms to get the final reconciliation done for the year. Member Bonnel also asked if there were other issues with the October 15th requirement other than the summer issue.

Discussing post-October 15th adjustments, Chair Lindsey asked if clarification was needed regarding the appeal process. Mr. Espinoza explained that there would be an appeal process, but then too, there would also be penalties. He added that the different aspects of the October 15th requirement are all wrapped up in the recommendation. Member Thomas asked what the penalty would be for a school that needs more money, but has not completed their

reconciliation. Ms. Robertson explained that there would be no penalty for that school in that scenario. Member Thomas also asked if Web Grants would still be up as a way to make changes after the October 15th deadline. Mr. Espinoza said Web Grants would be closed.

Member Jeffery asked if the appeal process referenced in the recommendation was in relation to the penalty. Chair Lindsey did not think stating that it has more to do with holding funds and that those funds could be pending some legitimate Cal Grant awards that going to be finalized post-October 15th. So in her view, the institution may 1) appeal the invoice and not return the money and 2) be able to appeal to allow those students to be included so the student gets paid; two issues. Member Jeffery noted that the appeals in the recommendation are only about the first type of appeal and not the second one. Ms. Robertson added that an institutions appeal for additional funds will be considered after the outstanding balance has been paid in full.

Catherine Thomas, Association of Independent Colleges and Universities (AICCU) representative, asked how those schools with summer terms would be identified as eligible for the 90 day from end-of-term reconciliation process as opposed to being required to use the October 15th deadline. Ms. Robertson explained that the current process requires that reconciliation by the October 15th deadline with schools being invoiced for the funds not expended. The schools, she added, pay the invoice then, as needed, would make adjustments for those students needing payment and CSAC would issue that amount. This, Ms. Robertson added, is how the process currently works. Member Thomas noted that there is no relief for those schools with large amounts of summer payments and CSAC is making a very cumbersome process.

Ms. Robertson asked the group for a reasonable date for schools to reconcile the year. Member Thomas said December 15th. Member Thomas noted that those schools asking for an extension of the reconciliation requirement should be able to show that they have actual summer payments than just claiming summer payment because they have summer terms. Chair Lindsey offered that one way this could be accomplished is by saying that outstanding summer payments by October 15th, given the current IPA and appeal process, have to be submitted for appeal, however, you can count on having that appeal approved.

Ms. Robertson asked for clarification on the recommendation from GAC regarding the 90-day reconciliation for schools with summer terms. Member Thomas stated that this was what she was trying to figure out because in her view, the October 15th requirement should apply only to academic-year processes that didn't get done in that time period and not to "legitimate" summer billings. Mr. Espinoza reiterated the need to address these issues further during the upcoming August meeting.

Motion 2: Member Bonnel moved that for schools that make payments in a summer term, that those schools be given an opportunity to do their final reconciliation no later than 90 days from the end of that term. Member Thomas seconded.

Motion 2 (amended): Member Bonnel moved that for schools that make payments in a summer term, that those schools are given an opportunity to do their final reconciliation no later than 90 days from the end of that term or December 31st, whichever comes first. Member Thomas seconded and agreed to the amendment.

Discussion

No discussion.

Motion passed.

On the issue of interest-bearing accounts, Mr. Bonnel asked if GAC had a standing recommendation. Chair Lindsey stated that GAC's recommendation is that it be only done as a sanction to schools who abuse the system. GAC is not in favor of interest-bearing accounts. Commissioner McClain asked Chair Lindsey her plan to address the high school verification issue not being noticed. Commissioner McClain wanted to know if it was going to be discussed at the Commission meeting. Chair Lindsey explained that staff has their position on the issue and so does GAC. Mr. Espinoza noted that the issue was not listed on the agenda because it was not requested of staff, but it will be posted by Monday.

Chairperson Lindsey adjourned the meeting at 11:58a.m.

Mary Lindsey, Chair

**CALIFORNIA STUDENT AID COMMISSION
GRANT ADVISORY COMMITTEE MEETING**

10811 International Drive
Rancho Cordova, CA 95670

**MINUTES
October 18, 2007**

A meeting of the Grant Advisory Committee was held on Thursday, October 18, 2007, in the California Room at CSAC Headquarters.

ADVISORY COMMITTEE MEMBERS:

Mary Lindsey, Chair, PI
Sharon Bowles, Vice Chair, HS
Louise McClain, Commission Liaison
Timothy Bonnel, CCC
Lora Jo Bossio, UC
Marco De La Garza, CCC
Noelia Gonzales, CASFAA
Susan Gutierrez, CSU
Kate Jeffery, UC
Frederick Holland, PI
Anthony Martinez, CSU Student
Sally Pace, K-12
Mary Robinson, CSU
Ricardo Tejada, AICCU Student

STAFF:

Catalina Mistler, Chief, PASD
Steve Caldwell, Chief, GRPA
Clarita Cortez, PPD
Jorge Cortez, School Support Services Branch
Bryan Dickason, Manager Cal Grant Operations
Gloria Falcon, Manager, PPD
Karen Henderson, Research & Policy Analysis
Debi Jackson, Applications & Project Services
Cheryl Lenz, Public Affairs
Bill Madison, Public Affairs
Tom Mays, Public Affairs
Lori Nezhura, PPD
Mona Stolz, PPD
Kristen Trimarche, PPD

GRPA (Governmental Relations and Public Affairs Division)

PASD (Program Administration and Services Division)

PPD (Program Policy and Development)

1 Roll Call was taken and a quorum was recognized.

2 Chairperson Lindsey prompted a discussion regarding the format of meeting minutes.
3 Committee members supported an executive, summary style of minutes for future meetings.
4 The requirement for having workgroup minutes was also addressed and PPD will research legal
5 requirements and provide information at the next GAC meeting.

6 Committee members will be identified as "Chair," "Vice Chair," and "Member" followed by
7 last name throughout the text of meeting minutes, with the understanding that the list of
8 Advisory Committee Members at the beginning of the meeting minutes may be used to identify
9 the represented segment.

10 **TAB 1 – APPROVAL OF MINUTES.**

11 Minutes from the August 16, 2007 meeting were approved.

12 Minutes from the following meetings were approved with requested corrections: July 19,
13 2007; May 24, 2007; April 5, 2007; February 14, 2007; and August 4, 2006.

14 Minutes from the following workgroups have been tabled for review and approval
15 pending legal response regarding the requirement of workgroup minutes: January 25, 2007;
16 January 5, 2007; December 14, 2006; September 18, 2006; and September 5, 2006.

17 Minutes from June 16, 2006 have been tabled in order to determine if the date was for a
18 workgroup or a teleconference meeting.

19 **TAB 2 – CAL GRANT, SPECIALIZED PROGRAMS, AND PUBLIC AFFAIRS UPDATE**

20 There was no discussion on this tab.

21 **TAB 3 – GRANT DELIVERY SYSTEM (GDS) PHASE 1 AND 2 UPDATE**

22 There was no discussion on this tab.
23
24
25
26

**CALIFORNIA STUDENT AID COMMISSION
GRANT ADVISORY COMMITTEE MEETING**

10811 International Drive
Rancho Cordova, CA 95670

**MINUTES
October 19, 2007**

A meeting of the Grant Advisory Committee was held on Friday, October 19, 2007, in the California Room at CSAC Headquarters.

ADVISORY COMMITTEE MEMBERS:

Mary Lindsey, Chair, PI
Sharon Bowles, Vice Chair, HS
Louise McClain, Commission Liaison
Timothy Bonnel, CCC
Lora Jo Bossio, UC
Marco De La Garza, CCC
Lynn Fox, AICCU Alternate
Noelia Gonzales, CASFAA
Catherine Graham, AICCU Alternate
Susan Gutierrez, CSU
Frederick Holland, PI
Sally Pace, K-12
Mary Robinson, CSU
Ricardo Tejada, AICCU Student

STAFF:

Diana Fuentes-Michel, Executive Director
Catalina Mistler, Chief, PASD
John Bays, Chief, Information Technology
Steve Caldwell, Chief, GRPA
Bryan Dickason, Manager, Cal Grant Operations
Gloria Falcon, Manager, PPD
Bob Illa, Manager, Fiscal and Administrative Services
Melissa Jackobosky, Cal Grant Operations
Yvette Johnson, Manager, School Support Services
Yvonne Stewart-Buchen, GRPA
Karen Henderson, Research & Policy Analysis
Joseph Lopez, Manager, Business Systems Integration
Lori Nezhura, PPD
Mona Stolz, PPD

ALSO PRESENT:

Lorena Hernandez, Commissioner

GRPA (Governmental Relations and Public Affairs Division)
PASD (Program Administration and Services Division)
PPD (Program Policy and Development)

1 Roll Call was taken and quorum was recognized.

2 Chairperson Lindsey began the meeting with the announcement that Commissioner
3 McClain's term on the Commission will be ending in December and acknowledged her
4 contributions as liaison to the GAC. Chairperson Lindsey presented Commissioner McClain with
5 a certificate of appreciation.

6 Chairperson Lindsey also announced Member Robinson's retirement and acknowledged
7 her contributions to CSAC as a GAC Member. A certificate of appreciation was presented to
8 her at the end of the meeting. Steve Caldwell spoke of his appreciation for all of Member
9 Robinson's input and work while serving as a GAC Representative.

10 **TAB 4 – COMMITTEE CHAIR'S REPORT**

11 Chairperson Lindsey reported on the Commission's actions on GAC's recommendations
12 regarding residency as it pertains to the Institutional Participation Agreement, which includes
13 public segments using their own methodology while nonpublics use the criteria set in Education
14 Code as used by community colleges in addition to using either the first date of instruction or the
15 date set by the Commission to establish a residency date.

16 The Commission approved an exception allowing students to keep their Cal Grant in
17 cases related to segments use of differing methodologies to determine residency: when a
18 student receives a Cal Grant payment at one institution, but transfers to a different segment in
19 which the student would no longer be a California resident, he or she may keep their Cal Grant.

20 The Commission also approved the recommendation that CSAC be the central
21 repository for high school graduation verification confirmation.

22 The Commission approved GAC's recommendation to allow all segments to commingle
23 Cal Grant funds.

24 **TAB 4 – EXECUTIVE DIRECTOR'S REPORT**

25 Diana Fuentes-Michel began her report by acknowledging Commissioner McClain's
26

1 contributions to CSAC and thanking Member Robinson for her service to California students,
 2 California State University and CSAC.

3 Executive Director Fuentes-Michel continued with information about the new
 4 Commission committee structure, which includes Personnel Evaluation and Nomination, Audit,
 5 Program Planning and Budget, and Governance and Monitoring, which will operate in an
 6 oversight capacity.

7 Information was provided regarding the transition and potential move of CSAC
 8 operations. The Commission leases will be ending this summer for the CSAC Headquarters
 9 and CSAC South buildings and consideration is being given whether to co-locate with EdFund
 10 or its successor in conjunction with the sale of EdFund or to separate the locations.

11 Executive Director Fuentes-Michel indicated that the transition and potential move may
 12 affect the timing of Phase II of the Real Time Data Base, which brought up a question from
 13 Member Bossio related to the ability to access and manipulate the data. John Bays responded
 14 by saying that a separate, future project, Data Warehouse, will provide that kind of information
 15 as opposed to the operational database.

16 Appointments to CSAC were discussed, including the anticipation of a new K-12
 17 appointment, Commissioner Perez' reappointment, and a replacement for Commissioner Dyke.

18 State budget issues were addressed and Executive Director Fuentes-Michel clarified
 19 that the upcoming budget year is going to be difficult and that Finance has directed CSAC to
 20 work with GAC and the institutions on the issues related to interest.

21 **TAB 6 – ENHANCING GAC MEMBER PARTICIPATION**

22 This discussion commenced with introductions by all present at the meeting and
 23 included individuals relaying their experience in or exposure to the field of financial aid and how
 24 long various individuals have been members of GAC.

1 Chairperson Lindsey then directed the discussion to explore ideas about making GAC
 2 Members, especially new GAC members, feel more comfortable and able to engage in
 3 participating in meetings. The following list includes the suggestions made by GAC members:

- 4 ■ Orientation for new members:
 - 5 ■ Access to minutes from prior meetings
 - 6 ■ Uniform Policies & Procedures
 - 7 ■ A contact within/by segment
 - 8 ■ Meeting etiquette/protocol/order: recording/transcriptions, speaking out
 - 9 ■ Identification of GAC meetings as public meetings
 - 10 ■ Definition of Grant Advisory Committee and Workgroups
- 11 ■ Glossary of terms/acronyms
- 12 ■ List of member expectations
- 13 ■ Summary-style of meeting minutes
- 14 ■ Receipt of agenda materials at least 10 days in advance of meeting
- 15 ■ Arrange seating for new members next to experienced members
- 16 ■ Include some background/historical content for agenda items
- 17 ■ Incorporate Robert's Rules of Order
- 18 ■ Mentoring program
- 19 ■ Expectation/role of Chair and Vice Chair

20

21 **TAB 7 – ELECTION OF NEW CHAIR AND VICE CHAIR**

22 The nomination of Mary Lindsey for GAC Chair was moved by Member Bossio and
 23 seconded by Member Gutierrez. Chairperson Lindsey accepted the nomination and no other
 24 members were nominated. Member Bossio moved by acclamation that Mary Lindsey be elected
 25 as Chair of GAC for one year. Member Gutierrez seconded the motion and it was carried with
 26 no abstentions.

1 The nomination of Sharon Bowles for GAC Vice Chair was moved by Member Gutierrez
 2 and seconded by Member Pace. Vice Chairperson Bowles accepted the nomination and no
 3 other members were nominated. Member Gutierrez moved by acclamation that Sharon Bowles
 4 be elected as Vice Chair. Member Pace seconded the motion and it was carried with no
 5 abstentions.

6 **TAB 8 – CAL GRANT PROGRAM DATA AND REPORTS**

7 **TAB 8.a – 2008-09 INCOME AND ASSET CEILINGS UPDATE**

8 Karen Henderson specified that the 2008-09 income and asset ceilings were increased
 9 by 4.42% as provided by Department of Finance.

10 Member Bonnel brought up a question regarding the fact that the ceilings are the same
 11 for single/no dependents and married/no dependents for Cal Grant A as well as Cal Grant B.

12 Ms. Henderson indicated that the ceilings are set in statute by the Legislature and
 13 reiterated that the ceilings are the same for both groups.

14 **TAB 8.b – REVIEW OF PROPOSED 2008-09 SELECTION CRITERIA**

15 Chairperson Lindsey requested a motion to adopt the selection criteria for 2008-2009 as
 16 presented by staff. A motion was made by Member De La Garza, seconded by Member Bossio,
 17 and carried with no abstentions.

18 **TAB 8.c – REVIEW PROPOSED 2008-09 STUDENT EXPENSE BUDGETS**

19 Ms. Henderson stated that CSAC is using the statewide average from the 2006-2007
 20 Student Expenses and Resources Survey (SEARS) for all segments, with the exception of the
 21 private career colleges.

22 Student expense budgets for private career colleges in 2008-2009 are based on 2003-
 23 2004 data, adjusted for inflation to 2006-2007 and then adjusted again for 2008-2009.

24 Ms. Henderson pointed out some concerns regarding the costs reported by students for
 25 their personal or miscellaneous expenses and noted that GAC might consider creating a
 26

1 workgroup to look at how student budgets are prepared since it has been approximately 15
2 years since it was last examined.

3 Chairperson Lindsey asked for a discussion and then a motion to recommend that the
4 Commission adopt the budgets for 2008-2009. She continued with asking GAC to consider
5 establishing a student expense budget workgroup for next year.

6 In order to approve this tab item, Member Robinson asked for some clarification
7 regarding the use of 2003-2004 data for private career colleges. Ms. Henderson responded by
8 indicating that a precedent was set in 1991-1992, when CSAC was no longer able to use the
9 Loan Reserve Fund to administer the survey, so the prior year's data was used after adjusting
10 for inflation.

11 Discussion regarding transportation ensued with members inquiring about why the
12 budget amount remains the same and in some instances decreases. Ms. Henderson explained
13 how the budgets are calculated and specified that amounts have to be rounded. Ms. Lindsey
14 further clarified that campuses may either use this budget as a starting point or as their actual
15 budget, depending on circumstances.

16 Member Bonnel moved to adopt the proposed Student Expense Budgets, the motion
17 was seconded by Member De La Garza and was carried with no abstentions.

18 **TAB 8.d – STUDENT EXPENSES AND RESOURCES SURVEY (SEARS) PROJECT**
19 **UPDATE**

20 Chairperson Lindsey requested that Ms. Henderson provide a brief update and directed
21 GAC Members to wait for a workgroup to engage in any big discussion on the issue.

22 Ms. Henderson proceeded with describing an outline of how the surveys were
23 administered among the various segments, including online, paper, in-class and a combination
24 thereof. The overall response rate was 26.9%, varying by segment: 54.2% at community
25 colleges, 35.2% at UC, 24.9% at CSU, 24.4% at ICCU, and 3.1% at private career colleges.

26

1 Since the return rate from private career colleges was significantly lower than in prior
2 years, Chairperson Lindsey proposed that she, Member Holland, and other representatives from
3 the segment meet outside of the SEARS process and consider options for improving the
4 response.

5 **TAB 9 – WORKGROUP REPORTS AND RECOMMENDATIONS**

6 Chairperson Lindsey suggested that in addition to any calls for action, a brief update be
7 provided in order to designate workgroup topics for the upcoming year.

8 **TAB 9.a – PAYMENT PERIODS FOR NON-TRADITIONAL BASED SCHOOLS**

9 Mr. Dickason proceeded with outlining the workgroup discussion from the previous day
10 regarding payment period for non-traditional, non-term based institutions. The workgroup
11 concluded that there is a need to review the subject further and work on modeling the Cal Grant
12 payment calculation process after the Pell Grant model, but with the understanding that the Cal
13 Grant program has a limited time frame.

14 Representatives from institutions with non-standard terms will be contacted to schedule
15 a meeting, which is intended to take place during the CASFAA conference in December 2007,
16 and return to GAC with the results.

17 **TAB 9.b – SELECTION CRITERIA**

18 Member Robinson summarized the prior discussion by relating that during this second
19 meeting of the workgroup, members are considering recommending some structural or
20 procedural changes relative to the weight that is assigned to various aspects of the selection
21 criteria.

22 The workgroup brought forward the recommendation that the Commission notify
23 students who applied for, but were not awarded the September 2nd Community College
24 Competitive Grant, that they are eligible to apply for a Community College Transfer Entitlement
25 in the upcoming two years when transferring to a four-year institution, in addition to reminding
26 these students that they may qualify for a one-year delay Entitlement award.

1 Member Bonnel moved that the recommendation be forwarded to the Commission, the
 2 motion was seconded by Member Gonzales and carried with no abstentions.

3 The workgroup also expressed interest in looking into what happens to the eligible non-
 4 recipients with zero EFCs, including whether the EFCs for these individuals changed to a higher
 5 amount after verification, if these particular students enrolled at a postsecondary institution, and
 6 if there is a way to ascertain if these students were eligible for other financial aid and received it.

7 Of subsequent interest to the workgroup is research on the number of awarded Cal
 8 Grants that are actually used or paid during the given award year and determining why the
 9 approximately 20% of students do not utilize their awards.

10 Chairperson Lindsey and Member Robinson discussed the fact that these topics may not
 11 fall within the scope of the current workgroups and would require forming a different workgroup,
 12 similar to the previously used Data Analysis Workgroup.

13 Executive Director Fuentes-Michel pointed out that a new research manager will be in
 14 place and could evaluate the best method for achieving the desired results of the research and
 15 indicated that in November CSAC staff would get back to GAC regarding the proposed
 16 workgroup priorities.

17 **10 – ANNUAL INTEREST CALCULATION DISCUSSION UPDATE**

18 Chief Mistler provided a brief history from 2005 which included a recommendation that
 19 Cal Grant funds be held in interest-bearing accounts. At the September 6, 2007, Commission
 20 meeting, GAC proposed further discussion to address the costs associated with maintaining
 21 these accounts, after which staff drafted a survey to obtain data from institutions in order to
 22 analyze the costs.

23 Discussion between Chairperson Lindsey and Mr. Illa ensued regarding the issue of
 24 negative interest and between Member Bonnel and Mr. Illa regarding potential confusion of the
 25 language around various types of accounts. Mr. Illa replied that expanding or altering the
 26 questions would capture the required data. Members Bossio and De La Garza expressed the

1 preference that financial aid administrators be alerted to the survey, which resulted in prompting
2 CSAC staff to convene a workgroup, inviting participants to adjust the survey, do a beta test and
3 also have GAC members forward the survey to colleagues and other institutional professionals
4 in order to fine tune the questions.

5 **11 – IDENTIFYING AT-RISK INSTITUTIONS UPDATE**

6 Ms. Nezhura commenced with a brief background of the topic and then specified that
7 CSAC staff would be organizing a workgroup and inviting GAC members to explore options for
8 safeguarding Cal Grant funds held at at-risk institutions. Chairperson Lindsey asked if a
9 meeting date has been set and Ms. Nezhura replied that staff wanted to wait until the GAC
10 Meeting Calendar had been set before doing so. Executive Director Fuentes-Michel assured
11 Chairperson Lindsey that staff would communicate the timeline with her by March.

12 **12 – DETERMINE WORKGROUP TOPICS FOR UPCOMING YEAR AND SELECTION** 13 **OF WORKGROUPS**

14 GAC Members proposed incorporating four workgroups for the coming year:

- 15 ▪ Non-term based Institutions, with Frederick Holland as Chair
- 16 ▪ Cal Grant C with Marco de la Garza and Mary Lindsey as Co-Chairs
- 17 ▪ Selection Criteria, with Catherine Graham as Chair
- 18 ▪ Data Analysis, with Kate Jeffery as Chair, which also includes the sub-topics
19 ○ SEARS
20 ○ Student Expense Budgets.

21 Member Holland moved to accept the four proposed workgroups, Member De La Garza
22 seconded the motion and the motion carried with no abstentions.

23 **13 – REVIEW 2008 GAC AND WORKGROUP MEETING SCHEDULE**

24 Chairperson Lindsey asked Ms. Falcon to present the meeting calendar draft to GAC.
25 The schedule includes four meeting dates: March 13-14, May 15-16, August 7-8, and October
26 9-10, all of which correlate with Commission meeting dates.

1 The two-day format has been proposed to include ample time for multiple workgroup
2 discussions on the first day of the meeting, and allows for flexibility in establishing meeting times
3 based on whether a whole day is required.

4 Member Holland indicated that he would not be able to attend the meetings in March.
5 Vice Chairperson Bowles said that she would not be able to attend in May, and Member Bossio
6 stated that she would not be able to attend in October.

7 Members then discussed the procedure for naming an alternate to attend the GAC
8 meeting as a proxy and it was understood that the representative of designating authority
9 provides the name and contact information of the alternate to the Chair and Commission's
10 Executive Director, but that an approval by the Commission is not required. In addition, a
11 standing alternate may be named and placed on file in order to alleviate the need of notifying
12 the Chair and Commission of the alternate on a meeting-by-meeting basis. The GAC member
13 then need only alert staff that the alternate will be attending on his or her behalf. Both naming
14 an alternate and alerting staff to the alternate's participation in a given meeting may be done
15 through e-mail to the GAC Chair and Commission's Executive Director.

16 Member Holland moved to adopt the proposed meeting schedule, the motion was
17 seconded by Member Bossio, and carried with no abstentions.

18 Acting Member Graham requested a telephone meeting with the Chair and Vice Chair
19 and the new workgroup leaders to review protocol, and specifically the Bagley-Keene Open
20 Meeting Act. Chairperson Lindsey pointed out that CSAC Staff is ultimately responsible for the
21 workgroup oversight, so they should be included.

22 **14 – EDUCATIONAL LEVEL VERIFICATION OVERVIEW**

23 Time did not allow for discussion of this item.

24 **15 – BUDGET PRINCIPLES OVERVIEW**

25 Time did not allow for discussion of budget items and Chairperson Lindsey suggested it
26 possibly be added to the March agenda and definitely to next October's agenda.

**CALIFORNIA STUDENT AID COMMISSION
GRANT ADVISORY COMMITTEE MEETING**

10811 International Drive
Rancho Cordova, CA 95670

**MINUTES
January 16, 2008**

A teleconference meeting of the Grant Advisory Committee was held on Wednesday, January 16, 2008.

ADVISORY COMMITTEE MEMBERS:

Mary Lindsey, Chair, PI
Sharon Bowles, Vice Chair, HS
Kate Jeffery, UC
Lora Jo Bossio, UC
Susan Gutierrez, CSU
Timothy Bonnel, CCC
Marco De La Garza, CCC
Lisa Douglass, AICCU
Catherine Graham, AICCU
Frederick Holland, PI
Judi Sveen, PI

Lorena Hernandez, Commission Liaison

STAFF:

Catalina Mistler, Chief, PASD
Steve Caldwell, Chief, GRPA
Bryan Dickason, Manager, Cal Grant Operations
Gloria Falcon, Manager, PPD
Bob Illa, Acting Chief, Fiscal and Administrative Services
Yvette Johnson, Manager, School Support Services
Karen Henderson, Research & Policy Analysis
Lori Nezhura, PPD
Mona Stolz, PPD
Kristen Trimarche, PPD
Tae Kang, Cal Grant Operations
Cheryl Lenz, Public Affairs

ALSO PRESENT:

Dan Friedlander

GRPA (Governmental Relations and Public Affairs Division)
PASD (Program Administration and Services Division)
PPD (Program Policy and Development)

1 Roll Call was taken but a quorum was not recognized.

2 Chairperson Lindsey began the meeting with a review of the purpose for the
3 teleconference meeting and continued by indicating that in addition to the four workgroups
4 discussed at the October 2007 Grant Advisory Committee retreat, two workgroups were added
5 after the November 2007 Commission meeting. With those six workgroups in mind, GAC
6 members were responsible for prioritizing work for 2008 to provide CSAC staff with the
7 necessary information to allocate resources in support of the workgroups.

8 **TAB 2.b – IDENTIFYING AT-RISK INSTITUTIONS**

9 Ms. Falcon proceeded to provide an update on the issue of identifying at-risk institutions,
10 which included some of the suggested methods for safeguarding State funds, such as creating
11 a survey document, creating a watch list, reviewing copies of the audit report, and to research
12 trends.

13 While researching the methods, staff found that a detailed report from the Post-
14 secondary Education Participant System may be a viable document to use in addressing at-risk
15 institutions as it provides a good snapshot of various institutions.

16 Member Bonnel and Chairperson Lindsey engaged in negotiating the amount of time
17 needed for GAC members to discuss the issue of at-risk Institutions. Chairperson Lindsey
18 proposed a minimum of two hours dedicated to the issue and Member Bonnel agreed.
19 Chairperson Lindsey summarized the process for the at-risk issue by suggesting that after
20 appropriate discussion with GAC, the criteria for determining how to proceed with at-risk
21 institutions be brought back to the Commission for approval and if the Commission approves the
22 criteria, then GAC will work out its implementation.

23 Member Jeffery inquired about who is involved with the workgroup, and Chairperson
24 Lindsey asked CSAC staff to notice all GAC members of any scheduled meetings so those who
25 were interested could participate.

26

TAB 2.a – NET INTEREST CALCULATION

Ms. Nezhura started the update by clarifying that the issue should be referred to as account maintenance and interest calculation to be inclusive of the scope of the content involved.

As background information, Ms. Nezhura explained that the review process of the Institutional Participation Agreement included discussion of interest-bearing account requirements that brought rise to issues about institutional administrative costs. At the Commission meeting in September 2007, GAC suggested that the Commission consider sponsoring legislation which would change the administration of the existing Cal Grant programs by allowing institutions to offset costs related to establishing interest-bearing accounts in addition to suggesting a change that would require the Commission to pay institutions lost interest (also referred to as netting interest and negative interest).

The Commission directed CSAC staff to further research the situation, and a survey was created, which was sent out on December 27, 2007, to financial aid administrators on CSAC's list serve to gather information by January 31, 2008. The survey was also sent out on January 15, 2008, to all EFT coordinators with email addresses in CSAC's WebGrant system.

Discussion ensued on the process for creating, intent to collaborate on, and sending out the survey, which resulted in Chief Mistler stating that CSAC staff is at the beginning of gathering information in order to move forward with data to support a proposal from the Commission. GAC and CSAC staff will convene at the March workgroup meeting to review the data collected from the survey as well as discussing options to generate a recommendation to go forward to the GAC meeting the following day.

Member Graham expressed concern over not having received notification or documentation regarding the survey and that she would like a copy of the Special Alert and the survey so that she could forward on the information. Ms. Nezhura confirmed that she would email the requested information shortly after the meeting.

1 Chairperson Lindsey continued the meeting by reviewing the four workgroups: selection
2 criteria, chaired by Catherine Graham; data analysis, chaired by Kate Jeffery; Cal Grant C,
3 chaired by Marco De La Garza and Mary Lindsey; and non-traditional payment terms, chaired
4 by Frederick Holland.

5 She continued by indicating that she believes non-traditional payment terms is almost
6 complete and would not require a lot of CSAC staff work, while the other three workgroups
7 would potentially require a significant amount of CSAC staff work. Chairperson Lindsey then
8 inquired of Ms. Falcon and Chief Mistler if the amount of time and resources available to GAC
9 workgroups had been determined.

10 Ms. Falcon replied that CSAC staff would need to understand the scope of the issues to
11 be included in the workgroups in order to determine how much staff and research time are
12 required. In addition, Chief Mistler stated that while CSAC is currently still committed to four
13 GAC workgroups and four GAC meetings for the year 2008, staff is considering the workload
14 and priorities based on the current budget proposals, which may result in some staff workload
15 reductions.

16 Chairperson Lindsey continued by suggesting that GAC members prioritize the
17 workgroups and topics without regard to how much CSAC staff time would be required and
18 proceeded with a brief overview of the selection criteria workgroup. Member Jeffery indicated
19 her belief that the topic of the use of EFC in awarding competitive grants be included in the
20 selection criteria workgroup as opposed to the data analysis workgroup. Member Graham
21 agreed to include this topic in the selection criteria workgroup.

22 With approximately five minutes remaining for the teleconference call, Chairperson
23 Lindsey proposed scheduling another teleconference meeting to prioritize the workgroup topics
24 in time for the Commission's February meeting. However, Member Jeffery asked if it would be
25 possible to ascertain the level of interest of the data analysis workgroup topics before ending
26 the call. Member Jeffery provided a synopsis of the topics, one of which is SEARS and the

1 expense budgets, and the second of which is to follow up on previous work completed on take
2 rates related to the number of Cal Grant recipients not utilizing their awards. Chairperson
3 Lindsey confirmed GAC members' interest in exploring the issues presented.

4 There being no further business, the meeting of the Grant Advisory Committee
5 adjourned at 9:50 a.m.

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11 _____
12 MARY LINDSEY
13 GRANT ADVISORY COMMITTEE CHAIR
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Information Item

GRANT ADVISORY COMMITTEE

Overview of Administrative Procedures for Committee Members

Commission Staff will provide information regarding various administrative matters including travel and teleconference information for GAC members.

Recommended Action: No action necessary.

Responsible Staff:

- Gloria Falcon, Manager
Program Policy and Development
- Mona Stolz, Analyst
Program Policy and Development
- Kristen Trimarche, Analyst
Program Policy and Development

TRAVEL GUIDELINES FOR GRANT ADVISORY COMMITTEE MEMBERS

This travel packet provides guidelines for traveling on State business. Included are methods of travel available, travel expenses eligible for reimbursement, and other pertinent information.

A. Eligible Travel Reimbursements

Committee members should use the most economical mode of travel and are reimbursed for eligible meal and lodging expenses incurred when traveling over 50 miles from home or headquarters in the course of official business. In addition, each Committee member shall receive actual and necessary traveling expenses incurred in the course of duty.

Submit all required receipts to Kristen Trimarche pertaining to the trip. An explanation must be offered when required receipts are not available. Note: Expenses incurred due to the failure of the member to cancel reservations within the required cancellation timeframe are not reimbursable and the member will be held responsible for the expenses incurred.

B. Travel Expense Worksheets

Complete a Travel Expense Worksheet and note the expenses incurred during the official travel. Sign the Travel Expense Worksheet at the "Claimant's Signature" and return the form by e-mail, fax or mail to:

California Student Aid Commission
Program Policy & Development
10811 International Drive
Rancho Cordova, CA 95670
Attn: Kristen Trimarche
FAX: (916) 526-8004
E-mail: ktrimarc@csac.ca.gov.

Upon receipt, Kristen will complete the Travel Expense Claim (TEC) for your reimbursement based on the information you provide and then e-mail the TEC to you. Please print the form and write your Social Security Number where indicated. Once it is complete, sign it in blue ink and return it to the address listed above. Your reimbursement check will be sent to you in approximately 4 weeks.

C. CSAC Authorized Travel Agency

Airline Reservations

A contract exists between the State of California and Southwest Airlines (SWABIZ). Airline reservations are "ticketless" and directly billed to Commission. Please review the "Setting-up a Traveler Account" PowerPoint presentation to learn how to get a SWABIZ account. If you need to make flight changes immediately prior to departure, simply go to the Southwest ticket counter as all flights purchased for State employees are full-fare tickets and are 100% refundable or exchangeable.

Rental Car Arrangements

The primary car rental vendor is Enterprise Rent-A-Car for all government travel. In the event that the primary vendor is unable to provide service, the secondary vendor must be used. Vanguard Car Rental USA is the secondary vendor. Vanguard Car Rental USA is the parent company of Alamo and National Car Rental. Departments are required to ensure that the secondary vendor is only used when the primary vendor cannot provide service.

WHENEVER POSSIBLE, PLEASE REFUEL THE VEHICLE PRIOR TO RETURNING IT AS IT IS LESS COSTLY TO THE STATE.

D. Vehicle Usage

“Agencies determine who will drive on official business and the types to use: state-owned, privately-owned, or commercially-owned vehicles.” (State Administrative Manual, Section 0750)

E. Vehicle Operator Requirements

“Employees who operate vehicles on official business must have a valid driver’s license, insurance, and a good driving record.” (State Administrative Manual, Section 0751)

“Employees who operate vehicles on official business shall use, and ensure all passengers use, all available safety equipment in the vehicle being operated.” (State Administrative Manual, Section 0751)

F. Private Vehicles

“Employees may use their privately-owned automobiles on official business if this is approved by the agency.” (State Administrative Manual, Section 0750)

“An employee must certify in writing the vehicle will always be covered by liability insurance at the following levels: \$15,000 for personal injury to, or death of, one person; \$30,000 for personal injury to two or more persons in one accident, and \$5,000 for property damage. The vehicle is adequate for the work. The vehicle is equipped with operating safety belts. The vehicle is in safe mechanical condition.” (State Administrative Manual, Section 0753)

Although you are not an “employee”, you must meet the requirements pertaining to operator requirements, vehicle safety, seat belt usage, and authorization. On an annual basis, you will be asked to complete the “Authorization to Use Privately Owned Vehicles on State Business” (STD. 261).

The current standard rate for mileage reimbursement for use of a privately owned vehicle on official state business is 48.5 cents per mile.

G. Parking Fees

Parking fees are reimbursable expenses and require receipts over \$10.00.

H. Bridge and Road Tolls

Bridge and road toll fees are reimbursable expenses and require no receipts.

I. Shuttles and Taxis

Shuttle and Taxi charges are reimbursable expenses and require receipts. The state allows the addition of a 10% tip for taxis only.

J. Tips

With the exception of tips for taxis, tips are not reimbursable, since the State considers tips to be part of the "incidentals" reimbursement.

K. Hotel Arrangements

Approximately 3 weeks prior to the meeting, you will be notified of the hotel where the rooms are blocked and date(s) that have been reserved for the meeting. You will be provided with the phone number so that you may make your hotel reservations. When calling, ask for the rooms blocked for the California Student Aid Commission to ensure that you receive the state rate of \$84.00. **Cancellations not made 24 hours prior to arrival will be charged the full amount.** Therefore, notify the hotel immediately if you need to cancel your room reservation to avoid unnecessary charges. The hotel room is reimbursable at the State rate and requires receipts.

L. Telephone Calls

Business telephone calls are reimbursable expenses and require receipts over \$5.00 and must include the place and party called.

M. Incidentals

Incidentals are reimbursable up to \$6.00 for a full 24 hour period. (Incidentals may not be claimed for less than a 24 hour period.)

N. Meal Allowances

Allowable meal expenses for travel LESS than 24 hours:

No lunch or incidentals may be claimed.

Breakfast: Trip must begin at or before 6:00 a.m. AND end at or after 9:00 a.m.

Dinner: Trip must begin at or before 4:00 p.m. AND end at or after 7:00 p.m.

Allowable meal expenses for travel MORE than 24 hour period (or fraction thereof):

Meals maybe claimed for actual expenses up to the following State limits:

Breakfast: \$6.00 Lunch: \$10.00 Dinner: \$18.00

TRAVEL EXPENSE WORKSHEET

Tab 4.b

Claimant's Name: _____ **Phone:** _____
Address: _____ **City:** _____
State: _____ **Zip:** _____

Attach travel itinerary and all receipts, including airfare, lodging, ground transportation, phone calls, and parking fees. Reproduced copies of receipts are not acceptable. Please complete the items below, sign this form at the "Claimant's Signature". Upon receipt, staff will complete the Travel Expense Claim (TEC) for your reimbursement based on the information you provide and will E-mail you the TEC. **Please print it out and fill in your Social Security Number on the form.** Once it is complete, sign it in blue ink and return it. Your reimbursement check will be sent to you in approximately 4 weeks.

1. Destination

To: _____ **From:** _____ **Purpose of Trip:** _____
Departure Date: _____ **Time:** _____ **am/pm** **Return Date:** _____ **Time:** _____ **am/pm**

2. Indicate Form of Payment

Airfare: Charged to State (**Itinerary & Receipt required**)
 Reimburse Me (**Receipt & Proof of Payment required**)
 N/A

Lodging: Charged to State (**Receipt required**)
 Reimburse Me (**Itemized Receipt with zero balance required**)
 N/A

Rental Car: Charged to State (**Itemized Receipt required**)
 Reimburse Me (**Receipt & Proof of Payment required**)
 N/A

3. Incidentals and Meals

Allowable Expenses for travel LESS than 24-hours: (No lunch or incidentals may be claimed.)

Breakfast: Trip must begin at or before 6 a.m. AND end at or after 9 a.m.

Dinner: Trip must begin at or before 4 p.m. AND end at or after 7 p.m.

Reimbursement is allowable for actual expenses for any 24-hour period or fraction thereof up to the maximums listed below:

Breakfast - \$6.00 maximum Lunch - \$10.00 maximum Dinner - \$18.00 maximum Incidentals - \$6.00 (per full 24 hour period)

Date					
Breakfast	\$	\$	\$	\$	\$
Lunch	\$	\$	\$	\$	\$
Dinner	\$	\$	\$	\$	\$
Incidentals	\$	\$	\$	\$	\$

(Over)

4. Ground Transportation, Business Expenses and Phone Calls

Private Car, # of Miles @ \$.485/mile: _____ Vehicle License#: _____

Parking: \$ _____ Bridge/Road Tolls: \$ _____ Taxi: \$ _____

Airport/Hotel Limo: \$ _____ Bus/Streetcar/Tram: \$ _____ Business Expense \$ _____

Describe Expense: _____

Phone Calls (Include amount, name of person called and phone number called):

Name:	#	\$
_____	_____	_____
_____	_____	_____
_____	_____	_____

If receipts are not attached or unusual expenses were incurred, please explain
(Proof of Payment required; i.e. credit card bill, bank statement, front & back copy of cashed check)
(The State will only reimburse for allowable, actual expenditures.)

Claimant's Signature

PLEASE E-MAIL, MAIL OR FAX COMPLETED FORM TO:

California Student Aid Commission
Program Policy & Development
10811 International Drive
Rancho Cordova, CA 95670
Attn: Kristen Trimarche
FAX (916) 526-8004
Email: ktrimarc@csac.ca.gov

(IF EMAILING OR FAXING, INCLUDE ALL RECEIPTS WITH YOUR TRAVEL EXPENSE CLAIM)

AIRLINE TRAVEL INFORMATION

SouthWest Airlines Company Travel website:

<http://www.swabiz.com/>

Book Travel:

<http://www.swabiz.com/businessTravel.html>

Company Travel Reservation

Welcome to the company travel reservation area.

We are currently accepting reservations through Month Day, Year.

Company ID

Please enter your company ID to access Southwest Airlines reservations. *(Contact the GAC Coordinator for this information.)*

Company ID

Continue >>

Traveler Accounts

Traveler Accounts are a new, optional feature on SWABIZ. Traveler Accounts allow your personal travel preferences to be saved by SWABIZ, saving you time and effort when booking.

[Create a Traveler Account](#)

[Login to an existing Traveler Account](#)

Create a Traveler Account:



Traveler Accounts

If you are a Rapid Rewards Member, you already have an account number. To access your account and update your travel preferences, login to the right. If you do not have your Company ID number, please contact your Company Travel Manager.

Convenient Features just for you.

- View travel itineraries
- Quick reservations based on travel preferences and stored trips
- Store credit card preferences for added convenience
- View your Rapid Rewards account activity and Awards
- Verify/change your account information
- Change your password
- Request past flight credit for your Rapid Rewards Account

Traveler Account Login

Company ID

Account Number
(you may omit leading zeroes)

Password ([Password Help](#))

Remember my Company ID and account number for future login.

Create an Account

If you do not already have an Account Number, you may [Create an Account](#) now.

Create an Account:

Rapid Rewards Online Enrollment



- Step 1. Account Information
- Step 2. Additional Information
- Step 3. Add Credit Card (optional)
- Step 4. Add Rental Car/Hotel Preferences (optional)
- Step 5. Save Frequent Trips (optional)

Note: If you already have an account number and password, you may [log in now](#) to take advantage of all the convenient features.

* Denotes required field.

Company ID

If you do not know your Company ID number, please contact your Company Travel Manager.

*Company ID

Rapid Rewards Enrollment

Enroll in our award-winning frequent flyer program, Rapid Rewards. No matter how far you fly or what fare you pay, it takes just eight (8) roundtrips (16 credits; one credit awarded per one-way flight) within 24 consecutive months to receive an Award, valid for a roundtrip anywhere Southwest flies.

Would you like to be automatically enrolled in Rapid Rewards at this time?

Yes No

Account Information

Name:
(First name must not contain initials and it must match government-issued photo identification.)

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Prefix	*First Name	M.I.	*Last Name

Contact Information:

Home Business

*Address

Apt/Ste/etc Number

*City

Select Your State

*State *Zip

If Outside the U.S.:

State/Province/Region Postal Code

UNITED STATES OF AMERICA

*Country

* Phone

Company Name *(Required for business address.)*

Account E-mail Address:

Note: This e-mail address will be used to send you secure account information only, including Award Notifications, and will not be used for e-mail marketing purposes. Please designate an e-mail address that is not shared with others.

*Account E-mail Address

*Re-enter E-mail Address

To ensure delivery of e-mails containing your account information, including Award Notifications, please add SouthwestAirlines@mail.southwest.com to your address book or approved senders list.

Set Password:

The password must be between 6 and 12 characters. (Example: test123)

Please make note of the password as it will not be redisplayed and for security purposes we are unable to provide the password if you contact us via telephone.

*Enter Password

*Re-enter Password



RECORDING ETIQUETTE AND TELECONFERENCE INFORMATION

Regular Meetings

- ❖ Microphones are only for recording, not for amplifying.

Teleconference Meetings

- ❖ During teleconference meetings, each participant will be asked to state their full name and may be asked to spell their name, if necessary. Then, each time before speaking, please state your name. This will make it clear to the transcriber and all other participants who is speaking and will eliminate interruptions to find out who is speaking.
- ❖ When a vote is to be taken, roll call will be made with your applicable “yeah” or “nay” response so it will be clear to the transcriber and all other participants.
- ❖ We will always provide you with (in our emails about teleconferences) the phone number to call in on (numbers change each time) and also phone number(s) to call if you have any problems calling in.
- ❖ Teleconference meetings are considered official meetings and as such, require notice and agenda provisions under the Bagley-Keene Act. The Bagley-Keene Act states:

“When a teleconference meeting is held, each site from which a member of the body participated must be accessible to the public. [Hence, a member cannot participate from his or her car, using a car phone or from his or her home, unless the home is open to the public for the duration of the meeting.] All proceedings must be audible and votes must be taken by rollcall. All other provisions of the Act also apply to teleconference meetings.”

To be “audible” as stated above, any phones used shall have “speaker” capability so other attendees (including any public participants that attend) are able to be heard and can hear all of the proceedings.

- ❖ Notices of the meeting must include the time and place of the meeting which includes all locations that will be calling in to participate. Notices are also required to be POSTED at all locations.

LUNCH CHOICES IN RANCHO CORDOVA, CA

Within walking distance:

Edfund cafeteria (Nature's Table): You or your group will need to be escorted with a CSAC staff member who will stay with you the entire time. The cafeteria has soups, sandwiches, etc.

La Petite Café: Turn Left onto Quality. Go just past stop sign. Will be on left hand side. They have sandwiches, specials, and crepes.

Within driving distance:

The Lunch Stop cafeteria (in Delta Dental bldg.): Directions (one mile): Right on Quality, Left on International Dr. Will be on Left Hand Side. If you go to far, you will reach Kilgore and there you should make a U-turn. 11155 International Drive. (Cafeteria located in Bldg. B. Go inside main door and turn left before you reach the security desk). They have hamburgers, sandwiches, and daily specials. Phone: 861-2308.

Labou: 10395 Rockingham Dr. Directions: Right on Quality, Right on International, Left on Rockingham Dr. (on right hand side) Phone: 369-7824

Subway: Right on Quality, Right on International, Left on Mather Field); on Left hand side.

Quizno's: Left on Quality, Right on White Rock, Left on Zinfandel Dr., cross the highway, Right on Olsen Dr., on right hand side.

Mexican: La Favorita: Right on Quality, Right on International (turns into Mather Field), cross the Highway, Right on Folsom Blvd. (before Zinfandel on Left hand side)

Chinese: Nippon: Left on Quality, Right on White Rock, Left on Zinfandel Dr., cross the highway, Right on Olsen Dr., turn Left at Target sign. Will be on your left in between Cheezer's Pizza and Citiwear.

Pizza: Straw Hat Pizza (salad bar/pizza, etc.): Right on Quality, Right on International (turns into Mather Field) cross highway, on right hand side after Mills Station Rd. (before Folsom Blvd.)

Fast Food: McDonald's: Left on Quality, Right on White Rock (on left-hand side)

Taco Bell, Burger King, Pizza Hut, Chipolte, etc.: Left on Quality, Right on White Rock, Left on Zinfandel Dr., across the highway (on left and right hand sides)

Diner: Stonebrook (formerly Lyon's): Left on Quality, Right on White Rock, (on left hand side)

Information/Action Item

GRANT ADVISORY COMMITTEE

Consideration of the Governor's Proposed Elimination of the Competitive Program
and the Effects of the Governor's Proposal on the Administration of the Cal Grant
Competitive Program

On January 10, 2008, Governor Arnold Schwarzenegger submitted his proposed budget for 2008-09. Commission programs were not subject to any current year budget reductions, other than to reflect savings associated with revised payment projections. However, there are significant changes being proposed that affect both students and Commission operations in 2008-09 fiscal year. Attached is information related to the Governor's proposed elimination of new Competitive Cal Grant awards in the 2008-09 fiscal year.

Recommended Action: No action anticipated.

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

Robert Illa, Chief
Management Services Division

Consideration of the Governor's Proposed Elimination of the Competitive Program and the Effects of the Governor's Proposal on the Administration of the Cal Grant Competitive Program

The purpose of this Tab Item is to inform the Grant Advisory Committee that even though the Governor's Budget for 2008-2009 has proposed the elimination of new Competitive Cal Grant awards in the 2008-2009 fiscal year, Commission staff is planning to follow normal procedures and process March Competitive awards for 2008-2009 in April, rather than delay processing until after a final decision on the State budget. Commission staff also plans to notify students that they have been tentatively awarded a Competitive Cal Grant award, but that the availability of the awards and the amount of the awards may be affected by the final State budget.

Background

California Education Code Section 69437(b) authorizes the Commission to grant 22,500 Competitive Cal Grant A and B awards beginning with the 2001-02 academic year, and each academic year thereafter.

- One-half of the awards are distributed during the March Competition and the remaining awards are distributed during the September Competition.
- All eligible applicants are ranked by the score generated by the selection criteria and sorted in descending order.
- Students awarded for the March competitive are notified in late April of their award status.
- Students awarded for the September competition are notified in late September of their award status.

Program Demand

- Annually over 135,000 applicants have met the basic eligibility requirements for a Competitive Cal Grant award.
- Awards were offered to older, re-entry students who do not have access to the Entitlement Program.
- Annually over 110,000 students did not receive an award because of the statute limitations.
- The number of eligible non-recipients will continue to increase as students seek financial assistance in dealing with the high cost of education.
- The number of older workers seeking additional education to upgrade or acquire new job skills will continue to increase due to the struggling economy and the changing labor market.

Typical Recipients

- Approximately 70 percent of the Competitive Cal Grant awards are offered to students at California Community Colleges
- Awards were offered to students whose:
 - Average grade point average was 3.27 or better
 - Average annual income was less than \$16,000
 - Average age was 30 years old

Discussion

The Governor's Budget for 2008-2009 proposes the elimination of new awards for the Cal Grant Competitive Program, resulting in a \$57.4 million savings to the General Fund. Competitive Cal Grant renewal awards would not be affected.

Each year, staff processes the new March 2nd Competitive awards in April and notifies both students and institutions of award offers. The Commission mails a California Aid Report (CAR) to each successful student, advising him or her of the award offer and the proposed Cal Grant award amount. Each CAR also informs the student that the award offer is not final and any changes in the final State budget may affect the award offer.

With the proposed elimination of the 2008-09 Competitive Program, staff considered whether or not to process new Competitive awards. Existing law continues to authorize Competitive Cal Grant awards. Further, delaying processing until a final decision on the State budget would extend well beyond the time institutions would normally make financial aid decisions and students would normally choose institutions for the 2008-2009 academic year. Staff concluded that processing the Competitive Cal Grant awards and notifying students that they were tentatively awarded, but that the award could be eliminated in the State budget, would better enable them to make their higher education plans and decisions, than not processing the awards and not informing them. Commission staff also sought stakeholder input to understand the impact to students and schools. Stakeholders, including CASFAA and CCCSFAA representatives, recommended that the Commission process the awards through the normal award cycle and advise the student of the proposed elimination of the program.

Staff, therefore, is planning to process the tentative March 2nd Competitive awards. To reduce the costs of notifying the successful students, staff is planning to notify students via postcard, rather than a CAR. The postcard will inform each awarded student that he or she is tentatively being offered a March Competitive Cal Grant, and will advise that the program is proposed to be eliminated. The postcard will also advise the student to check the Commission's website for updates on the final budget outcome and encourage the student to establish a WebGrants for Students account. The Commission will send the student a final correspondence to confirm or withdraw the award offer, once the final State budget is approved.

The September 2nd GPA Verification form used for the September 2nd Competitive award is prepared for printing during February in an effort to distribute them to all Community Colleges after the March 2nd deadline. To reduce the costs of printing and mailing the September 2nd GPA Verification forms, staff is planning to create a pdf version of the form and make it available as early as March 4 on the CSAC website. Staff will communicate with all stakeholders and ensure that the GPA Verification form is available to all interested parties viewing our website. The Commission receives 97% of the September 2nd GPAs electronically from the Community Colleges and only 3% are submitted via paper. Commission staff also sought stakeholder input and it was agreed that an electronic version of the form would be acceptable for their use for the September 2nd Competitive application cycle.

Information/Action Item

GRANT ADVISORY COMMITTEE

Identifying At-Risk Institutions

Enclosed for your review is a written report with considerations from the CSAC staff on the method and criteria to identify at-risk institutions. The CSAC staff will be available to comment and respond to questions.

Recommended Action: Review report and make recommendation based on the GAC Meeting discussion.

Responsible Staff: Gloria Falcon, Manager
Program Policy & Development Branch

Lori Nezhura, Analyst
Program Policy & Development Branch

Tae Kang, Associate Analyst
Grant Operations Branch

IDENTIFYING AT-RISK INSTITUTIONS

During the September 6, 2007, Commission meeting, Commissioners directed the California Student Aid Commission (CSAC) staff to develop criteria to identify at-risk institutions. Emphasis was added to seek criteria that would parallel the system that the federal government utilizes. This document outlines those efforts.

Background:

At the May 24, 2007, Institutional Participation Agreement Workgroup meeting, participants offered suggestions for alternative methods of safeguarding State funds.

It was suggested that instead of dealing with the repercussions of bankrupt institutions, the Commission should take preventive measures to avoid Cal Grant losses from bankruptcies. To protect State funds, there should be preliminary steps to identify at-risk institutions before institutions are closed or bankruptcy is declared. The workgroup compiled a list of possible red flags that the CSAC staff could use to help pinpoint institutions that are "at-risk:"

Potential Red Flags

- Does the institution have accreditation problems?
- Has the institution been placed on probation by the Department of Education?
- Is the institution on the federal reimbursement program?
- Is the institution on the federal watch list?
- Is there a decrease in enrollment versus Cal Grant term advances?
- Is the institution filing its audit report with the Department of Education in a timely fashion?

Possible Actions

Workgroup participants suggested the following actions that could assist in the at-risk identification process:

- Create a survey document. This survey would ask questions to gauge a particular institution's financial status. The survey would be sent once a year through an automated survey service.
- Create a "watch list." The Commission could create a watch list similar to that of the federal government to monitor payments and reconciliation.
- Review copies of the A-133 report (federal audit) and financial statements from institutions.
- Mirror the federal Pell Grant program where institutions are reimbursed for the students that are paid on Web Grants.
- Place proprietary institutions on a reimbursement program since this segment historically has incurred the most bankruptcies.
- Research trends, characteristics and patterns from the institutions that have declared bankruptcy in the past. The study might reveal information that may be used to develop criteria for institutions who wish to participate in the Cal Grant Program.

IDENTIFYING AT-RISK INSTITUTIONS

Commission Staff Concept:

While some of the suggestions made by workgroup participants can be implemented, others such the collection, review, and interpretation of the A-133 audit reports and financial statements will create an administrative workload for the CSAC staff.

The CSAC staff found that the most efficient and less taxing process to identify at-risk institutions would be to utilize the existing U.S. Department of Education's (Department) Postsecondary Education Participants System (PEPS). The PEPS identifies institutions that are placed on a provisional certification status. Provisional certification may be assigned by the Department for a variety of reasons: initial application; change of ownership, structure or governance; reapplication after approval to participate has ended, been limited, suspended, or terminated; a participating institution's accrediting agency has lost Department approval; an institution has a high default rate; or an institution is determined to be not administratively and financially responsible.

The PEPS also maintains case management's comments and contact information from the most recent program reviews; at times, these comments indicate a lack of administrative and financial responsibility. These conditions may be used as flags if they indicate that an institution has had repeat adverse findings and will imminently be placed on the restrictive oversight or face termination unless the corrective measures have been applied by the next annual report.

The CSAC staff is considering only classifying institutions as "at-risk" if institutions are found in a provisional certification status that are judged by the Department to lack administrative and/or financial responsibility coupled with restrictive measures.

Moreover, only private non-profit and for-profit institutions should require scrutiny and be identified as "at risk." We found during our recent IPA renewal process that 54 institutions were found to be in a provisional certification status for various reasons as stated earlier. However, only 6 of those institutions were determined by the Department to be deficient in administrative capability and/or in financial responsibility. Those 6 institutions were identified as either private non-profit or for-profit institutions. Further research found that during the past 12 years, 11 institutions (1 private non-profit and 10 for-profit) closed their facilities leaving an outstanding balance with the Commission.

In addition, CSAC staff is considering that institutions that are found to be "at-risk" be placed on a reimbursement program and remain on the reimbursement program until their status is cleared by the Department. "At-risk" institutions would no longer benefit from term advances, which allows institutions to received 95% of the prior year reconciled Cal Grant funds two to three weeks prior to the start of the term for timely disbursement to students. The reimbursement program would require that institutions request Cal Grant disbursements by posting payments for eligible students on WebGrants. The reimbursement program, also called the "pay as you go method," would minimize the amount of Cal Grant funds that "at-risk" institutions will hold in their account.

As specified in Article VII and Article VIII of the Institutional Participation Agreement, institutions would be sent written notice on the Commission's intent to withhold term

IDENTIFYING AT-RISK INSTITUTIONS

advances. Institutions will have an opportunity to submit in writing any legal and factual reasons why such corrective measure or termination should not be imposed.

Conclusion:

In summary, the CSAC has identified the following considerations:

- Consider utilizing the PEPS system, available through the Department, as the means to identify “at-risk” institutions.
- As determined by the Department, consider using the lack of administrative capability and financial stability as the criteria to identify institutions as “at-risk.”
- Consider checking only private non-profit and for-profit institutions. Research found that these segments lead in the number of deficiencies in the areas of administrative capability and/or financial stability.
- Lastly, consider placing these segments on a reimbursement program until cleared by the Department.

Information/Action Item

GRANT ADVISORY COMMITTEE

Workgroup Updates and Recommendations

The Committee will provide oral reports and/or recommendations on the following workgroups:

- 7.a Prioritization of 2008 Workgroups
- 7.b Cal Grant Data Analysis
 - 7.b.1 Student Expenses and Resources Survey (SEARS)
 - 7.b.2 Student Expense Budgets
- 7.c Cal Grant Account Maintenance and Annual Interest Earning Survey

Recommended Action: Take appropriate action as necessary.

Responsible Staff:

- Kate Jeffery, Chair
Cal Grant Data Analysis Workgroup
- Karen Vogel-Henderson, Research Analyst
Research & Policy Analysis Branch
- Lori Nezhura, Analyst
Program Policy & Development Branch

Information/Action Item

GRANT ADVISORY COMMITTEE

Consideration of the Internal Audit by the Department of Finance on Cal Grant
Program New Applicant Eligibility for Award Year 2006-07

The Department of Finance performed an internal audit of Commission Cal Grant processes for new applicant eligibility and issued an audit report on December 11, 2007. Attached is the background and other information related to the audit and its findings and recommendations along with a copy of the audit report.

Recommended Action: No action anticipated.

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

**Consideration of the Internal Audit by the Department of Finance
on Cal Grant Program New Applicant Eligibility for Award Year
2006-07**

The Department of Finance performed an internal audit of Commission Cal Grant processes for new applicant eligibility and issued an audit report on December 11, 2007. A copy of the audit report is included as Tab Item 8.b.

The audit report concluded that overall, Commission processes for new Cal Grant applications are in accordance with the law. The audit report included six findings and recommendations, as well as management responses that describe the steps Commission staff will be implementing to address the findings and recommendations.

The purpose of this Tab Item is to inform the Grant Advisory Committee of a change in Commission processes that will need to be implemented to conform to one of the audit report recommendations. Finding 1, on page 6 of the audit report, and Appendix III, on page 13 of the audit report, indicate that the process for Competitive Cal Grant B awards is inconsistent with California Education Code section 69437.6(c), which requires an applicant to establish eligibility for a Competitive Cal Grant B award by using a high school grade point average or using a reestablished grade point average based on a California community college grade point average of at least a 2.0. (See last bullet on page 5 of the audit report.) Instead, the awards process has allowed applicants to use college grade point averages, in addition to community college grade point averages, to establish eligibility for Competitive Cal Grant B awards.

Commission staff agrees that the process must be changed because the text of Education Code section 69437.6(c) does not expressly allow applicants to use college grade point averages to establish eligibility for Competitive Cal Grant B awards. This change will be implemented for applicants for the 2008-09 academic year.

However, because this change will affect some of the most disadvantaged applicants for Cal Grant awards, Commission staff will study the effect of the change and will come back in the future with an analysis and possible recommendation for a statutory change.

Background

On November 17, 2005, the Commission adopted its Internal Audit Plan and Risk Assessment for the Two-Year Audit Cycle Ending December 31, 2007 ("Audit Plan"). The Audit Plan identified high-risk areas in the Cal Grant Program that were to be audited during the two-year cycle, including Cal Grant Disbursements and Reconciliation, Cal Grant Grade Point Average Collection, and Cal Grant New Applicant Eligibility, among others.

The adoption of the Audit Plan was significant because it was the first time the Commission had acted to implement a systematic and systemic review of the operations and administration of the Cal Grant Program after the law had been revised in 2000 to change the Cal Grant Program to an entitlement program.

Until 2000, the number of Cal Grant awards was based on the amount of State funds appropriated each year in the State Budget. However, the Legislature completely changed the way Cal Grants were awarded and administered when it enacted the Ortiz-Pacheco-Poochigian-Vasconcellos Cal Grant Program in 2000. (See Chapter 403, Statutes of 2000

Tab 8.a

("SB 1644") (Education Code sections 69430-69440).) SB 1644 converted the Cal Grant Program into an entitlement. Thus, the State would provide funding for all Cal Grants awarded by the Commission to applicants meeting new eligibility requirements for applicants and the higher education institutions they were to attend. For those applicants who did not qualify for the entitlement, SB 1644 also authorized Competitive Cal Grant Awards under different new eligibility requirements, but limited the Cal Grant Competitive Awards to 22,500 per year.

SB 1644 was enacted and became effective in September 2000, and required the Commission to start awarding Cal Grants under the new eligibility requirements beginning in January 2001. Essentially, the Commission had to change its entire administrative process, including completely reprogramming its information technology processes, within two and one-half months. These changes would normally have required eighteen to twenty-four months to complete.

The Commission was able to change its operations by January 2001 in time to award Cal Grants under the new requirements imposed by SB 1644, and continued to implement the changes through 2001 as further award requirements became applicable. However, until the adoption of the Audit Plan in 2005, the Commission had not formally reviewed the new processes to ensure compliance with the requirements of SB 1644, even though the new processes had been developed and implemented within an extremely abbreviated period. This was due, in part, to the Commission's concentration on issues arising from its loan program responsibilities.

Concerns about the Cal Grant Program administration became a higher priority in 2006, when Commission staff discovered during the award process that the Cal Grant award process did not account for an eligibility factor applicable to the Community College Transfer Cal Grant Entitlement Program ("Transfer Entitlement Program"). The Transfer Entitlement Program required applicants to have graduated from California high schools to be eligible for a Transfer Entitlement Cal Grant award, a requirement unique to the Transfer Entitlement Program. Commission staff was able to work with the Administration and Legislature to obtain legislation so as not to disadvantage students mid-year by taking away the Transfer Cal Grant Entitlement awards incorrectly awarded.

Commission staff recommended to the Commission at that time that a consultant be hired to review procedures to determine compliance with all Cal Grant requirements. The Commission authorized a consultant to review the Transfer Entitlement Program, but indicated it would rely on the Audit Plan as the appropriate mechanism to determine compliance with other Cal Grant Program requirements.

Until 2006, the Commission's internal audit function was supervised by the Vice President of Audit Services of EdFund, the Commission's non-profit auxiliary. Commission internal audit staff and EdFund internal audit staff completed two internal audits reviewing Disbursements and Reconciliation and Cal Grant Grade Point Average Collection, as provided in the Audit Plan, and Commission staff has implemented changes to processes to satisfy recommendations from those internal audits.

In April 2006, however, the Bureau of State Audits issued a report of its performance review of the Commission's oversight of loan program operations and EdFund. The Bureau of State Audits is a State department that conducts independent audits of State government agencies for use by the Administration and the Legislature to promote sound fiscal and administrative policy for the government of the state. The Bureau of State Audits recommended, in part, that the Commission end its reliance on EdFund's Vice President of Audit Services for supervision of Commission internal audit responsibilities.

On June 22, 2006, the Commission separated responsibility for the Commission's internal audit functions from the responsibility for EdFund's internal audit functions. In response to other recommendations from the Bureau of State Audits, the Commission then undertook a process of establishing policies by which it would exercise its oversight responsibilities for the loan program and EdFund, and its responsibilities over Commission programs. The hiring of a chief internal auditor for the Commission was delayed until these policies were established. Beginning in late 2007, the Commission staff began the State interview process for hiring a chief internal auditor. This process has, to date, not resulted in a hiring.

In the meantime, the Commission, recognizing that the systematic review of the Cal Grant Program needed to continue, entered into a contract in October 2006 with the Department of Finance to develop and implement an audit program for an audit of new Cal Grant applicant eligibility. This internal audit was one of those included in the Commission's Internal Audit Plan for 2005-2007.

The internal audit of new Cal Grant applicant eligibility is significant because it is the first audit of the overall operational and administrative aspects of the Commission's awarding of Cal Grants.

The Department of Finance completed the audit report and issued it to the Commission on December 11, 2007.

Discussion

While the Department of Finance concluded that overall, Commission processes of new Cal Grant applications are in accordance with the law, it included six findings and recommendations in its audit report. Commission staff is currently implementing steps to address the findings and recommendations in conformance with the management responses beginning on page 16 of the audit report.

One of the findings will require a significant change in the Cal Grant awards process. Finding 1, on page 6 of the audit report, and Appendix III, on page 13 of the audit report, indicate that the awards process for Competitive Cal Grant B awards does not conform to California Education Code section 69437.6(c). Education Code section 69437.6(c) provides:

To compete for a competitive Cal Grant B award, an applicant shall, at a minimum, meet all of the requirements of Article 3 (commencing with Section 69435), with the exception of paragraphs (1) and (8) of subdivision (a) of Section 69435.3. However, in lieu of meeting the grade point average requirements of paragraph (3) of subdivision (a) of Section 69435.3, a student may reestablish his or her grade point average by completing at least 16 cumulative units of credit for academic coursework at an accredited California community college, as defined by the commission, by regulation, with at least a 2.0 community college grade point average. [Emphasis added.]

Education Code section 69437.6(c) expressly authorizes the use of only community college grade point averages to reestablish an applicant's grade point average for purposes of a Competitive Cal Grant B award.

Tab 8.a

The statute governing Cal Grant Competitive A awards, Education Code section 69437.6(b), is different. It expressly allows applicants to submit a “community college or college grade point average....”

The Commission, however, has administered the Competitive Cal Grant B awards since 2001 by allowing applicants to use college grade point averages in addition to community college grade point averages, as expressly allowed only for Competitive Cal Grant A awards. Current Commission staff is unable to determine the reason for this.

However, legislative history provides one possible explanation. The Competitive Cal Grant A and B statutes were initially enacted as part of SB 1644, but were amended in 2001 by Chapter 8, Statutes of 2001 (“SB 176”). The Senate Floor Analysis of SB 176 indicated that the bill was making several technical and clarifying changes, describing the relevant change as:

4. Clarifying that students participating in the competitive Cal Grant A and B Award Programs may use a college GPA, if they have one, in lieu of high school GPA. This policy is consistent with how this program has been administered in prior years [under the Cal Grant Program in effect before SB 1644]. [Emphasis added.]

The intent expressed in the Senate Floor Analysis of SB 176 was not carried through to the text of SB 176. Rather than treating grade point average eligibility requirements for Competitive Cal Grant A and B awards identically, the text of SB 176 established them differently.

Thus, the Commission award process implemented in 2001 for Competitive Cal Grant A and B awards treated the grade point average eligibility requirements identically, consistent with the legislative intent expressed in the Senate Floor Analysis, but inconsistent with the actual text of the law. The Department of Finance audit report recommends that the Commission follow the text of the law rather than the intent of the law.

Commission staff agrees that it should follow the text of the law and require applicants for Competitive Cal Grant B awards seeking to establish eligibility based on reestablished grade point averages to do so using only California community college grade point averages, not college grade point averages. This change will be implemented for applicants for the 2008-09 academic year.

The change in the award process will not result in fewer awards to applicants; the law allows the Commission to award a total of 22,500 Competitive awards. There will be an effect on a particular group of applicants, however. Some of the most disadvantaged applicants, with the lowest incomes, will be excluded from consideration for Competitive Cal Grant B awards if they have only college grade point averages, not community college grade point averages. Further, they would not qualify for Competitive Cal Grant A awards if their college grade point averages do not meet the Competitive Cal Grant A college-grade-point-average requirement of 2.4.

Commission staff will study the effect of the change and will come back in the future with an analysis and possible recommendation for a statutory change.

AP_{ERFORMANCE} AUDIT

California Student Aid Commission
Cal Grant Program
New Applicant Eligibility
For Award Year 2006-2007

Prepared By:
Office of State Audits and Evaluations
Department of Finance

077980036

August 2007



December 11, 2007

Ms. Diana Fuentes-Michel, Executive Director
California Student Aid Commission
P.O. Box 419026
Rancho Cordova, CA 95741-9026

Dear Ms. Fuentes-Michel:

Final Report—Cal Grant Program New Applicant Eligibility Audit

Enclosed is the final report on our audit of the Cal Grant new applicant eligibility. The Department of Finance, Office of State Audits and Evaluations, performed this audit in accordance with an interagency agreement with the California Student Aid Commission (Commission).

The findings and recommendations in our report are intended to assist the Commission in enhancing compliance with the California Education Code and improving the internal control over the administration of the Cal Grant Program. The Commission agreed with our findings and we appreciate the Commission's willingness to implement corrective action. Please provide us with a corrective action plan within thirty days from the date of this letter. Mail your corrective action plan to:

Department of Finance
Office of State Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814

We appreciate the Commission's assistance and cooperation with this audit. If you have any questions, please contact Kimberly Tarvin, Manager, or James Kong, Supervisor, at (916) 322-2985.

Sincerely,

Janet I. Rosman, Assistant Chief
Office of State Audits and Evaluations

Enclosure

cc: ✓ Mr. Keith Yamanaka, Chief Deputy Director, California Student Aid Commission

AP_{PERFORMANCE} AUDIT

California Student Aid Commission
Cal Grant Program
New Applicant Eligibility
For Award Year 2006-2007

Prepared By:
Office of State Audits and Evaluations
Department of Finance

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EXECUTIVE SUMMARY

The California Student Aid Commission (Commission) requested that the Department of Finance, Office of State Audits and Evaluations (Finance), audit the Commission's compliance with California Education Code (CEC) eligibility requirements and internal control over processing Cal Grant awards for new applicants. An independent assessment had not been performed of the Cal Grant new applicant eligibility process since the expansion of the program in the year 2000.

Overall, the Commission processes new Cal Grant applications in accordance with the California Education Code (CEC). Furthermore, the Commission's operations and processes generally ensure that proper award determinations are made for new applicants. However, the following findings expose the Commission to the risk that ineligible students may receive a Cal Grant Award. The proposed recommendations, if implemented, will reduce this risk by further enhancing compliance with the CEC and improving the internal control over the administration of the Cal Grant Program.

- Ineligible students may receive a Cal Grant award because six critical Cal Grant eligibility requirements are not programmed into the Grant Delivery System (GDS) application and the participating institutions (PIs) only review conflicting data. Therefore, these six Cal Grant eligibility requirements may not be evaluated during the Commission's or the PI's award process. To mitigate this risk, the Commission should program these requirements into the GDS application. If certain data cannot be determined for some students when the Commission processes the application, this information, and any other conflicting data the Commission is aware of, should be forwarded to the PIs for review during their processing of Cal Grant awards.
- Because three of the CEC competitive eligibility requirements are unclear, the Commission is exposed to the risk that some students could assert they were incorrectly disqualified because other potentially ineligible students were awarded a competitive Cal Grant. Currently, these three requirements are not programmed into GDS or evaluated when the Cal Grant new applications are processed. The Commission should seek revisions to the CEC to clarify the competitive eligibility requirements. If it is determined that these requirements apply to the competitive applicants, then the Commission should program these requirements into the GDS application.
- Current audit resources of the Program Compliance Branch do not provide sufficient audit coverage. With current audit resources, the Program Compliance Branch will only be able to audit each PI once every eight years. To maximize the use of its limited resources, the Program Compliance Branch should consider using a more risk-based approach in selecting the PIs and student records for audit. Additionally, the current audit program could be used for high risk PIs, while a more streamlined audit program that focuses on the most common areas of noncompliance could be developed for lower risk PIs.

- System-wide testing of the GDS application has not been performed since 2001. Without testing the entire GDS program periodically, the Commission cannot be sure that all portions of the program are functioning as intended when new changes to the program have been implemented. The Commission should implement regularly scheduled testing of the entire GDS automated process and perform intermittent system-wide testing when significant program code changes are made.
- The internal controls related to GDS and WebGrants system access are inadequate and increase the risk that unauthorized transactions or changes could occur, or access to data may be granted to unauthorized individuals or school officials. The Commission should promptly disconnect access for former employees, assign no more than one access capability per employee, align access with employee job responsibilities, implement a validation process for the Administrator's Access Request forms, and consistently assign WebGrants user expiration dates.
- Some critical operating activities may not be performed correctly or at the proper time because written policies, procedures, and desk manuals are either non-existent or incomplete, key person dependency exists, and secondary review procedures are not performed for some critical activities. This risk is increased when turnover of key staff occurs. The Commission should develop written procedures for its critical activities, provide cross-training to staff to minimize key person dependency, and implement secondary reviews for critical operating activities.

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BACKGROUND, OBJECTIVES, SCOPE, AND METHODOLOGY

Background

The California Student Aid Commission (Commission) is the principle state agency responsible for administering state and federal financial aid programs for students attending public and private universities, colleges, and vocational schools in California. Its mission is to make education beyond high school financially accessible to all Californians, and to provide financial aid policy analysis and leadership. It fulfills its mission, in part, through Cal Grant awards made to eligible students continuing their education at postsecondary institutions.

Cal Grants are state funded monetary grants awarded to students to help pay for college or occupational/technical training expenses. Eligibility requirements for new applicants are established in California Education Code (CEC), and are granted under the following programs:

- Cal Grant A Entitlement Program
- Cal Grant B Entitlement Program
- California Community College Transfer Cal Grant Entitlement Program
- Competitive Cal Grant A and B Awards
- Cal Grant C Program

In the year 2000, the Cal Grant Program experienced tremendous growth as a result of Senate Bill 1644, which introduced entitlement awards. In 2006, Assembly Bill 840 was passed which provided additional eligibility requirements for California Community College Transfer Entitlement applicants. Because an independent assessment had not been performed since the expansion of the program, the Commission requested an audit of new applicant eligibility for the Cal Grant program.

Objectives and Scope

The Commission requested the Department of Finance, Office of State Audits and Evaluations (Finance), to perform an audit of the Cal Grant Program new application processes. The primary objectives of our audit were to evaluate whether:

- Preliminary award determinations for new applicants were made in compliance with Cal Grant Program eligibility requirements for the period July 1, 2006 through June 30, 2007.
- The current internal control adequately ensures that award determinations will continue to be made in compliance with the Cal Grant Program eligibility requirements.

Except as discussed in the following paragraph, this performance audit was conducted in accordance with *Generally Accepted Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Those standards require that the audit be planned

and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

The audit did not include an evaluation of the EDFUND, the Commission's auxiliary organization, which maintains the data center and provides other program and information technology support services for the Commission. Furthermore, the Commission recently completed audits of grade point average verification and funding disbursement and reconciliation processes; therefore, these areas were not duplicated or included in this audit.

Methodology

To assess compliance with the Cal Grant Program eligibility requirements, the following steps were performed:

- The Cal Grant Program requirements were identified and documented.
- The Grant Delivery System (GDS) program language was reviewed to determine whether it included the applicable Cal Grant Program requirements.
- Samples of student data and case studies with modified student data were examined in a test environment of the GDS application to determine whether GDS was functioning as intended.

To assess whether the internal control ensures proper award determinations are made for new applicants, the following steps were performed:

- Various Commission staff were interviewed to obtain an understanding of the Cal Grant new applicant operations.
- Processes for data collection, edits and processing of the data, and record maintenance were evaluated.
- The appropriateness of user profiles and user access to GDS and WebGrants applications were reviewed.
- The collection, evaluation, and dissemination of legislation, the CEC, and other information used to manage the grant eligibility process was analyzed.
- The procedures for the identification, review, and implementation of required changes to GDS and other program activities were evaluated.
- The user acceptance testing process for GDS program changes was analyzed.
- The effectiveness of the external audit activities in mitigating the risk that the participating institutions may disburse Cal Grants to or on behalf of ineligible students was evaluated.
- The decision-making authority and processes performed by Commissioners, executive management, and the Program Administration and Support Division relative to Cal Grant awards was reviewed.

The audit was performed during the period October 17, 2006 through August 16, 2007. Appendices I and II provide an overview of the Cal Grant new applicant eligibility processes. Recommendations were developed based on the evaluation of the data and documentation provided, and interviews with Commission staff.

FINDINGS AND RECOMMENDATIONS

An audit was conducted of the California Student Aid Commission's (Commission) compliance with California Education Code (CEC) eligibility requirements and internal control over processing the Cal Grant new applicant awards. The following findings and recommendations were identified:

FINDING 1 CEC Eligibility Requirements Not Programmed into the GDS

Ineligible students may receive a Cal Grant award because the eligibility requirements below are not programmed into the Grant Delivery System (GDS) application and are not evaluated by the Commission during the award process. The Commission relies on participating institutions (PIs) to perform the evaluation of the requirements not reviewed during the Commission's application process. However, because the CEC only requires the PIs to evaluate the student information if they are aware of conflicting information, both the Commission and the PI may not evaluate the requirements below prior to disbursement of funds.

General Requirements for all Cal Grants

- Citizenship (CEC Section 69433.9(a)).
- Selective Service registration (CEC Section 69433.9(b)).
- Non-default of student loans (CEC Sections 69433.9(d) and 69507.5(a)).
- Non-repayment of federal or state student grants (CEC Section 69507.5 (a)).

Competitive Cal Grant A Requirement

- Allowance for college GPA of at least 2.4 and less than 3.0 (CEC Section 69437.6(b)).

Competitive Cal Grant B Requirement

- High school or reestablished GPA of at least 2.0 (CEC Section 69437.6(c)).

Overall, the GDS is operating as designed and programmed when processing new Cal Grant applications. However, a review of 63 student records for competitive Cal Grant applicants identified 31 instances, totaling \$56,479, where students were awarded a Cal Grant, but the student did not meet the eligibility requirements, and one student was incorrectly disqualified. (See Appendix III for further details.) Additionally, as noted below in Finding 3, the Program Compliance Branch identified a significant number of findings in the eligibility area when the audits at the PIs were performed. As a result, it appears that the PIs may not be identifying a significant number of ineligible students before the funds are disbursed.

Recommendation: The Commission should include the Cal Grant Program eligibility requirements identified above in the GDS program code to increase the accuracy of the Commission's award determinations. If certain information cannot be determined for some students at the time when the Commission processes the application, this information, and any other conflicting information the Commission is aware of, should be forwarded to the PIs for their review during student processing.

FINDING 2 Clarification of the CEC

Because some of the CEC requirements are unclear, the Commission is exposed to the risk that some students could assert that they were incorrectly disqualified because other potentially ineligible students were awarded a competitive Cal Grant. Currently, these requirements are not programmed into GDS or evaluated when the Cal Grant new applications are processed.

Competitive Cal Grant A, B, and C

- High school graduation or equivalent¹ requirement (CEC Section 69433.9(e)(3)).

Competitive Cal Grant A and B

- California residency at time of high school graduation (CEC Sections 69433.9(e)(1), 69437.6(b), and 69437.6(c)).

Competitive California Community College Transfer

- Graduation from CA high school and obtaining written affirmation of such (CEC Section 69437.6(d)).

Recommendation: The Commission should determine the legislative intent for these requirements and seek revisions to the CEC to clarify the competitive eligibility requirements. If it is determined that these requirements apply to the competitive applicants, then the Commission should program these requirements into the GDS application.

FINDING 3 Increased Monitoring of PIs is Needed

With current audit resources, the Program Compliance Branch will only be able to audit each PI once every eight years based on the current number of audits completed in Fiscal Year 2005-06. The importance of the audits is reflected by the fact that of the audits of the PIs for the period July 1, 2002 through June 30 2006, 208 of 621 findings (33 percent) were related to ineligible students receiving Cal Grant awards after the PIs processed the students. Adding to this concern of lack of audit coverage is the fact that fourteen new participating institutions have not yet been audited and ten PIs have not been audited for nine years.

Because of the design of the Cal Grant Program, significant reliance is placed on the PIs to verify the eligibility of the students. This is because some data, such as verification of student graduation requirements or financial information, cannot be confirmed or may change between the date the Commission processes the application and the time when the grant funds are distributed. The CEC, Section 69432.7(k), requires PIs to address only conflicting information about the students that would cause the student to become ineligible to receive the Cal Grant prior to disbursing Cal Grant funds. For a sample of new applications, even though the Commission processed the new applications accurately, some ineligible students still received a Cal Grant award. Specifically, of 43 Cal Grant entitlement awardees reviewed during the audit, 3 students were granted a Cal Grant award that would have been disqualified according to the most updated Institutional Student Information Record (ISIR) record. Of the 63 Cal Grant competitive awardees reviewed during the audit, 8 students granted a Cal Grant award would have been disqualified if the most updated ISIR record was used. Increased audit coverage will

¹ Reference to high school graduation or equivalent refers to the General Educational Development (GED) test or the California High School Proficiency Examination (CHSPE).

assist the Commission to deter and detect noncompliance with the Cal Grant requirements at the PIs.

Recommendation: To maximize the use of its limited resources, the Program Compliance Branch should consider using a more risk-based approach in selecting the PIs and student records for audit. Additionally, the current audit program could be used for high risk PIs, while a more streamlined audit program that focuses on the most common areas of noncompliance could be developed for lower risk PIs.

FINDING 4 System-Wide Testing of GDS Should Be Performed

System-wide testing of the GDS application has not been performed since 2001. The Commission currently tests specific changes to program code in a test environment and incorporates the new coding into the GDS production environment. Without testing the entire GDS program periodically, the Commission cannot be sure that all portions of the program are functioning as intended when new changes to the program have been implemented.

State Administrative Manual (SAM), Section 4841, requires each agency to provide for the integrity and security of automated information produced or used in the course of agency operations. SAM, Section 4840.4, further defines information integrity as the condition in which information or programs are preserved for their intended purpose, including the accuracy and completeness of information systems and the data maintained within those systems.

Recommendation: The Commission should implement regularly scheduled testing of the entire GDS automated process and perform intermittent system-wide testing when significant program code changes are made.

FINDING 5 Controls Over System Access Rights Are Inadequate

The internal control related to GDS and WebGrants system access is inadequate and increases the risk that unauthorized transactions or changes could occur, or access to data may be granted to unauthorized individuals or school officials.

Based on a review of 132 employees with access to GDS, the following issues were identified:

- Active system accesses exist for 5 former employees.
- More than one access is assigned to 6 employees.
- Standard profile identifications and access levels do not appear reasonable in relation to work responsibilities for 32 employees.
- GDS has 5 assigned profile IDs that are active, but no longer used by any staff.
- Key GDS tables can be updated by 2 profile identifications. However, the work responsibilities of staff assigned to these profiles do not appear to require this capability.
- There are 36 employees with access to both the Structured Query Language application and GDS tables which could allow the employees to make inappropriate changes to the data in the GDS tables.

A review of 98 employees with WebGrants access identified the following:

- Active system accesses exist for 2 former employees.
- More than one access is assigned to 1 employee.

- Standard profile identifications and access levels do not appear reasonable in relation to work responsibilities for 6 employees.
- Independent validation of Administrator's Access Request Form signatures for WebGrants is not performed to ensure the access requested is appropriate and authorized.
- The assignment of WebGrants user expiration dates is not consistent.

SAM, Section 4841, states that each agency must provide for the integrity and security of automated information produced or used in the course of agency operations. SAM, Section 4840.4, further defines information security as the protection of automated information from unauthorized access, modification, destruction, or disclosure. SAM, Section 4840.4, also defines the user of information as an individual having specific limited authority from the owner of information to view, change, add to, disseminate, or delete such information.

Recommendation: The Commission should promptly disconnect access for former employees, assign no more than one access capability per employee, align access with employee job responsibilities, implement a validation process for the Administrator's Access Request forms, and consistently assign WebGrants user expiration dates.

FINDING 6 Administrative Internal Control Needs Improvement

Some critical operating activities may not be performed correctly or at the proper time because written policies, procedures, and desk manuals either do not exist or are incomplete, key person dependency exists, and secondary review procedures are not performed for some critical activities. Specifically, the roles, responsibilities, and procedures for Cal Grant operations are not formally documented including who, when, and how to perform critical Cal Grant activities. Instead, the Commission has relied upon experienced seasoned staff to complete the critical tasks. This practice has resulted in key-person dependency, especially for the GDS table updates and user acceptance testing. Furthermore, no one reviews the work of the staff performing these duties before major changes impacting program eligibility are implemented. Due to the recent loss of several key management staff, the Commission has experienced challenges in identifying and communicating when and how some activities should be performed.

Government Code, Section 13402, states that agency heads are responsible for the establishment and maintenance of a system of accounting and administrative control. This responsibility includes documenting the system, communicating the system requirements to employees, and assuring that the system is functioning as prescribed.

Recommendation: The Commission should develop written procedures for its critical activities, provide cross-training to staff to minimize key person dependency, and implement secondary reviews for critical operating activities.

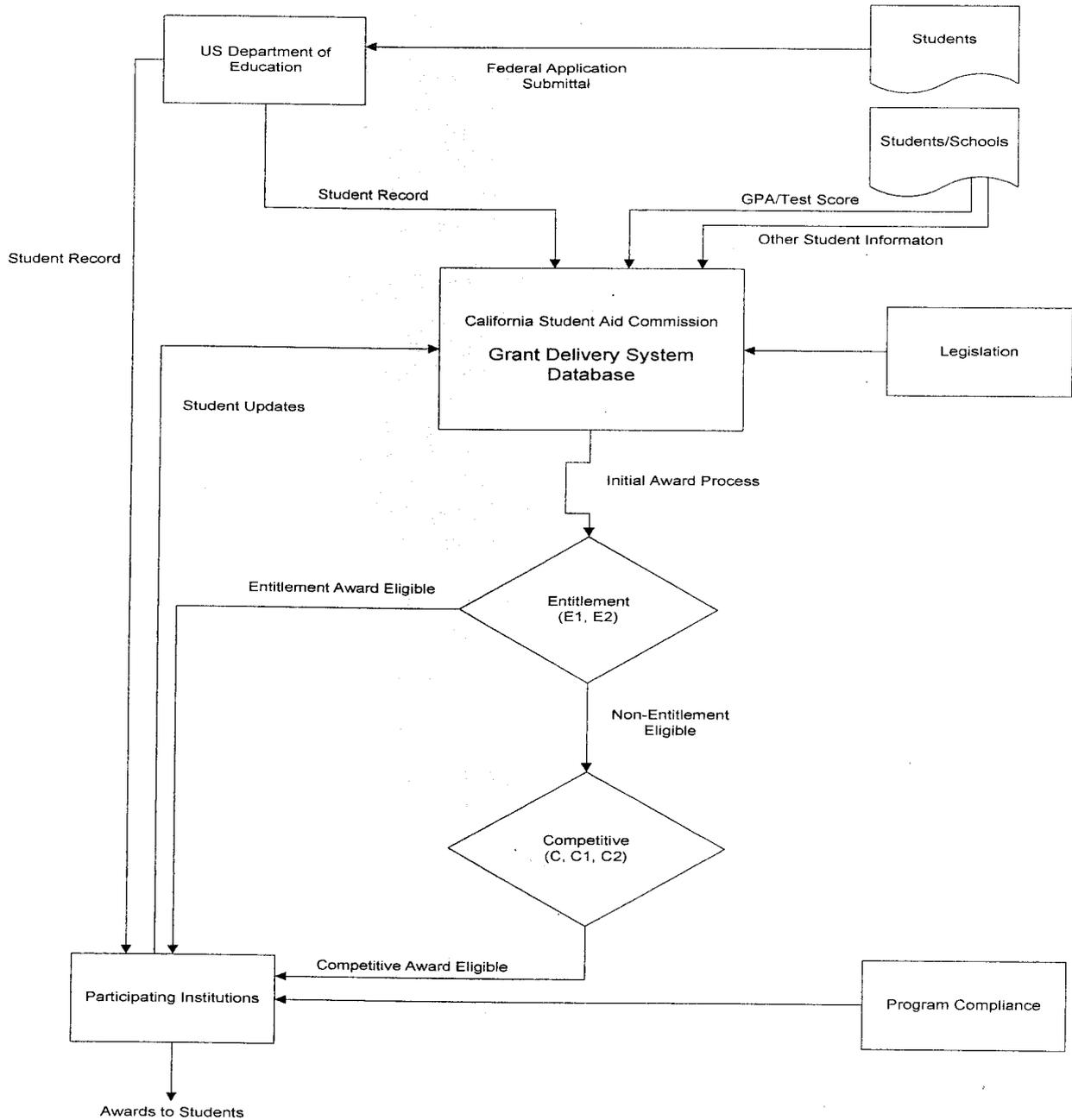
CONCLUSION

The Commission needs to consider additional eligibility requirements when evaluating applications to reduce the risk of ineligible students receiving Cal Grant awards. Six critical eligibility requirements are not programmed into the GDS, and may not be reviewed by the PIs. Additionally, three CEC competitive eligibility requirements are not currently being evaluated because of unclear language. Not considering these nine additional requirements could open the Commission up to allegations that students are being wrongly disqualified.

Significant reliance is placed on the PIs to verify the eligibility of the students before funds are disbursed. However, audits performed by the Program Compliance Branch reflect significant findings regarding ineligible students receiving Cal Grant awards. The Commission needs to reconsider its audit coverage and determine a way to audit all PIs on a timely, rotational basis to ensure adequate coverage of all PIs. Without this audit coverage, an increasing number of ineligible students could receive awards.

The Commission needs to strengthen the administration of the Cal Grant Program by improving its internal control over system-wide testing of GDS, system access rights, written procedures, key person dependency, and second level reviews of critical operating activities.

NEW STUDENT APPLICATION PROCESS



CAL GRANT PROGRAM ACTIVITIES

Application Processing

To begin the Cal Grant application process, the student must submit a Free Application for Federal Student Aid (FAFSA) form to the United States Department of Education (USED). The USED transmits accepted FAFSAs to the California Student Aid Commission (Commission). This data is transmitted electronically as an Institutional Student Information Record (ISIR). The ISIR contains all information reported on the FAFSA, financial aid and loan histories, and some processing results such as a student's dependency status and expected family contribution.

The Commission's responsibilities include working with the USED to incorporate federal changes to the ISIR record layout. The Program Administration and Services Division (PASD) evaluates the changes and impact on the Cal Grant application process and the Information Technology Division (IT) incorporates program code changes into GDS.

In addition to the FAFSA, the Commission must receive certified grade point average (GPA) data for an application to be considered complete². The GPA data may be received in paper format or transmitted electronically. Data received in paper format is either scanned or manually entered into the GDS. Electronically transmitted GPA data is uploaded directly into the GDS through WebGrants and WebGrants for Students.

The data is received by the Commission daily and processed in weekly batches. The GDS is designed and programmed to process the applicant data through the award filters and eligibility edits associated with the Cal Grant programs.

Program Change Control Procedures

Commission staff identify, analyze, disseminate, and incorporate changes affecting grant eligibility and application processing into GDS program code. Included are processes to identify and analyze changes to Cal Grant eligibility requirements, document new award requirements, translate and write changes into program code, test and accept coding changes, and incorporate coding changes into the GDS.

The Governmental and Public Affairs Division monitors legislative activity. Legislation that may affect the Cal Grant operations are communicated to Commissioners and Commission management for analysis and input. When legislation related to Cal Grants is adopted, Commission management analyzes the impact and determines if changes are required for the GDS application program code and or other operational processes.

² Supplemental information is required for college transfer students and for students pursuing occupational or technical training.

The Commission has established procedures to manage when and how Cal Grant Program changes affecting the GDS are addressed. Depending on complexity of the change, PASD and IT staff will manage and track changes through the Defect Report and/or Software Requirement Specification (SRS)³ processes. For more complex changes, a SRS document is developed to fully analyze the changes and identify implementation steps. In these cases, a Defect Report is usually developed to implement the steps identified in the SRS that require programming changes to GDS. For less complex changes, a Defect Report is developed and the GDS programming change is processed and implemented.

The Commission uses configuration and change management software to manage its data library. Existing program code is checked out of the data library and placed into a test environment before being modified by a programmer. Once modified, the new GDS program code is tested by the programmer to confirm that it executes as intended. Next, the user acceptance testing is performed using a test GDS environment to confirm that the changes in the program are operating as required. After all necessary approvals are obtained on the Commission's Migration form, the new GDS program code is implemented within the functioning program.

Monitoring of Program Compliance

The Commission makes award determinations based on the data received as of March 2, except for the second competitive cycle for which the data submission date is September 2. However, some activities occur after the March 2 submission date, such as the filing of income taxes (which establishes income and assets), high school graduation, and the calculation of final GPAs. Due to the likelihood of eligibility data updates, the Commission relies on the participating institutions (PIs) to confirm the students' eligibility using the most current information on file. The USED transmits updated ISIRs and the Commission disburses the award funds to the PIs where the student is enrolled. The PIs are responsible for verifying and validating conflicting information before funds are released to or on behalf of the student. To mitigate the risk of this significant reliance on the PIs, the Program Compliance Branch conducts audits of the PIs' procedures and compliance with the Cal Grant program requirements.

Commission Governance Responsibilities

The Commission establishes policy, participates in the budget and fiscal process, oversees the administration of the Cal Grant Program, participates in IT enhancement decisions, determines selection criteria and scoring for competitive awards, resolves issues and appeals, and arbitrates final loan default decisions.

The Commission has established internal and external communication, decision-making, and reporting protocols. Regular management meetings are convened and the Executive Office maintains regular communications with its Commission Chair. Also, the Commissioners convene regularly scheduled public governance meetings.

³ Software Requirement Specification (SRS) is used synonymously with Business Rules and Requirements (BRR) and Data Description Specification (DDS).

COMPETITIVE CAL GRANT AWARD AUDIT RESULTS

The following table identifies instances where the California Student Aid Commission (Commission) did not make Cal Grant award determinations in accordance with California Education Code (CEC) eligibility requirements.

The audit results are based on a test sample of 63 competitive Cal Grant student awardees. The sample was randomly selected from the March 2 and September 2 cycles from the award year July 1, 2006 through June 30, 2007.

		Competitive Cal Grants			
		C	C1	C2	Total
General Requirements	Student is not in compliance with all Selective Service registration requirements (CEC Section 69433.9(b))	1	1	2	4
	Student is in default of student loan(s) (CEC Sections 69433.9(d) and 69507.5(a))	0	0	1	1
	Student failed to repay a federal or state student grant(s) (CEC Section 69507.5(a))	0	0	1	1
Competitive Cal Grant A Requirements	Use of college grade point average of at least 2.4 and less than 3.0 (CEC Section 69437.6(b))		3	3	6
Competitive Cal Grant B Requirements	Use of high school or reestablished grade point average of at least 2.0 (CEC Section 69437.6(c))		14	12	26
	Use of GPA in calculation of cut-off score		0	3	3
Results⁴	Students Incorrectly Qualified	1	14	16	31
	Students Incorrectly Disqualified	0	1	0	1
	Amount Disbursed to Incorrectly Qualified Students	\$576	\$36,235	\$19,668	\$56,479

Legend:

- C** The C cycle awards students who qualified for a Cal Grant C and submitted their application by March 2.
- C1** The C1 cycle awards students who qualified for a Cal Grant A or B under the competitive cycle and submitted their application by March 2.
- C2** The C2 cycle awards students who qualified for a Cal Grant A or B under the competitive cycle, enrolled in a California Community College, and submitted their application by September 2.

⁴ **Note:** A student may be ineligible based on more than one requirement.

COMMISSION RESPONSE

CALIFORNIA STUDENT AID COMMISSION

OFFICE OF THE EXECUTIVE DIRECTOR



November 21, 2007

Ms. Kimberly Tarvin
Manager
Department of Finance
Office of Audits and Evaluations
300 Capitol Mall, Suite 801
Sacramento, CA 95814

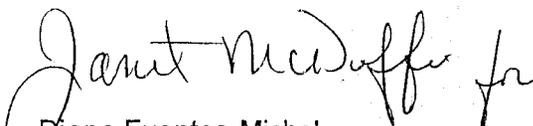
RE: Draft Report—Cal Grant Program New Applicant Eligibility Audit

Dear Ms. Tarvin:

Enclosed is the California Student Aid Commission's Management Response to the Cal Grant Program New Applicant Eligibility Audit. Thank you for the opportunity to review and respond to the draft audit. These recommendations will be helpful in our efforts to enhance our programs.

If you have any questions regarding the response, please contact Ms. Catalina Mistler, Chief, Program Administration & Services Division, at (916) 526-7968.

Sincerely,


Diana Fuentes-Michel
Executive Director

Enclosure

cc: Mr. Keith Yamanaka, Chief Deputy Director
Ms. Catalina Mistler, Chief, Program Administration & Services Division

CSAC Management Response to Cal Grant Program New Applicant Eligibility Audit

Finding 1: CEC Eligibility Requirements Not Programmed into the GDS

CSAC Management's Response:

CSAC Management concurs that a reassessment of the GDS code for eligibility requirements is appropriate to increase the accuracy of the Cal Grant award determinations. The general requirements identified as points a-d are currently all requirements that are checked by the respective federal agencies when a Cal Grant recipient submits a Free Application for Federal Student Aid (FAFSA). If the applicant does not meet the federal check, the specific item is flagged and a comment is placed on the student's FAFSA information that is transmitted to the PIs via the ISIR (Institutional Student Information Report). The PIs are required to clear the status prior to releasing federal Title IV funds. US Citizenship is checked against the Department of Homeland Security database to ensure applicants are US citizens or permanent residents. If the student cannot provide documentation to the PI that he/she is an eligible citizen, they will not receive Title IV funding. The process is similar for the Selective Service requirement. FAFSA information submitted to the United States Department of Education is checked against the Selective Service Administration to ensure that males 18 and over have registered for Selective Service. Any male applicants who fail to register or are not found in the database are flagged with a comment on their ISIR record. PIs cannot disburse any Title IV funding without a positive registration confirmation.

Bullets c and d also appear as ISIR flags with comments. PIs are not allowed to release Title IV funds until the default or repayment issue has been resolved. All PIs are required to have access to the National Student Loan Database System (NSLDS) which also indicates that the applicant is in default. Students who are in this status are to provide paperwork from the lender or agency to clear their default status before receiving Title IV aid.

Bullets e and f were resolved as of September 2007 for both competitive cycles. The GPA requirements were changed in the GDS system and any applicants who were disqualified as a result of the incorrect GPA were rerun under the new GPA requirements. An additional 86 students were awarded competitive Cal Grant awards with the new GPA criteria. Future competitive awards will be subject to the new GPA requirements.

CSAC has relied on PIs to clear the flagged item prior to disbursing Cal Grant awards. CSAC staff will consider options to increase the accuracy of Cal Grant awards such as:

- notifying the applicant that he/she is not eligible for an award if the applicant's ISIR has been flagged for one or more of these eligibility requirements, or
- processing a preliminary award but putting a hold on payments until the status is cleared.

CSAC Management Response to Cal Grant Program New Applicant Eligibility Audit

Finding 2: Clarification of the California Education Code (CEC)

CSAC Management's Response:

CSAC Management is seeking legal clarification in the identified sections of the California Education Code for the competitive eligibility requirements.

Finding 3: Increased Monitoring of PIs is Needed

CSAC Management's Response:

The Program Compliance Branch audits institutions participating in the Cal Grant Programs, Specialized Programs, and the Cal-SOAP Program. The number of PI audits conducted by the Program Compliance Branch is proportional to the number of auditors authorized in the State Budget. The Program Compliance Branch currently uses a risk based approach in selecting PIs for audit. Student records are then selected on a modified random basis; recipients from each of the Cal Grant Programs are randomly selected based on their proportion of the total population. The sample students' records are then verified for compliance with program requirements.

The 2007-08 Budget Act authorized two additional Program Compliance auditors to increase program compliance reviews for institutions participating in the Cal Grant Program and the Assumption Program of Loans for Education (APLE) with the objective of auditing higher risk institutions once every three years. The audits must emphasize verification of applicant eligibility, fund disbursement, and payment reconciliation. Selection of PIs must be prioritized to review institutions that have demonstrated noncompliance in prior audits.

The Audit Program is being revised to include additional requirements noted in the recently instituted IPA (Institutional Participation Agreement) and to meet the new 2007-08 Budget Act requirements. These new requirements are similar in scope to those recommended in this audit report. Management will consider the recommendations in this report in further modifying the audit program and the selection of PIs and student records.

These measures will help maximize the limited audit resources. However, CSAC Management will continue to advocate for additional auditors to increase the frequency of audits.

Finding 4: System-Wide Testing of GDS Should Be Performed

CSAC Management's Response:

CSAC Management concurs with this finding and the recommendations. In prior years, system-wide testing was administered by program staff before running each operational cycle. Integration and regression testing should also be performed for each defect or enhancement submitted prior to migrating to User Acceptance testing. The Information Technology Services staff has established a new quality assurance and testing group

CSAC Management Response to Cal Grant Program New Applicant Eligibility Audit

that will be responsible for these testing processes. The Program Administration and Services staff has established a Business Systems Integration Branch that is responsible for User Acceptance Testing and performs testing before modifications are migrated. CSAC staff will begin to perform regularly scheduled testing for the current system as well as during the Phase II Real Time Database Project. This process should be fully implemented by the 2009-2010 academic year at the conclusion of the Phase II Real Time Database Project.

Finding 5: Controls Over System Access Rights Are Inadequate

CSAC Management's Response:

CSAC Management concurs with findings and recommendations. The CSAC staff will review all current employee access roles and assignments and will insure and authorize staff with specific access for those roles. CSAC Management along with the Information Security Officer (ISO) will create role-based-access templates that will assist managers to determine proper access by employees' job duties. The ISO has currently identified and requested several changes in the area of account validations and account expirations, including immediately halting access for exiting employees.

CSAC staff will establish and document new procedures and processes that will clarify roles and processes for approval, validation, and expiration of system access.

Finding 6: Administrative Internal Control Needs Improvement

CSAC Management's Response:

CSAC Management concurs with the finding and recommendation. CSAC staff is in the process of documenting the existing business procedures and policies through the Business Improvement Process (BIP). CSAC staff has identified the areas where cross-training is necessary and has provided cross-training to minimize key-person dependency. CSAC Management has assigned a timeline for establishing desk manuals for all staff to allow all employees, including new staff, to perform those desk responsibilities. CSAC staff will identify and implement a secondary review process for critical operating activities.

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Information Item

GRANT ADVISORY COMMITTEE

Program Administration and Services Division Updates

The Commission will provide oral reports on the following areas:

- 9.a Cal Grant Operations
- 9.b Specialized Programs
- 9.c School Support Services
- 9.d Student Support Services
- 9.e Program Policy and Development
- 9.f Business Systems Integration

Recommended Action: No action required.

Responsible Staff:

- Bryan Dickason, Manager
Cal Grant Operations Branch

- Linda Brown, Manager
Specialized Programs Branch

- Yvette Johnson, Manager
School Support Services

- Thea Pot-Van Atta, Manager
Student Support Services

- Glora Falcon, Manager
Policy Program & Development Branch

- Joe Lopez, Manager
Business Systems Integration Branch

Information Item

GRANT ADVISORY COMMITTEE

Public Affairs Update

The Commission will provide an oral report on our Public Affairs Branch.

Recommended Action: No action required.

Responsible Staff: Tom Mays, Manager
Public Affairs Branch

Despina Costopoulos, Statewide CCFC
Coordinator
Public Affairs Branch

Information Item

GRANT ADVISORY COMMITTEE

Grant Delivery System (GDS) Phase II Update

Phase I has been implemented and the Phase II current scheduled completion date is October 4, 2008. The impact of the transition, moves, absorption of EDFUND civil servants and budget reductions all have high potential to adversely impact the project scope, schedule, and resources. We are engaged in planning to deal with these risks when and if they pose an risk to the project using resource reallocation, requesting schedule extensions, or reducing the scope of services provided initially by the project.

Recommended Action: No action required.

Responsible Staff: John Bays, Chief
Information Technology Services Division

Debi Jackson, Project Manager
Information Technology Services Division

Status on the Real Time Database (RTDB) Project – Phase II

Under the Feasibility Study Report and Budget Change Proposal approved by the Department of Finance and the Legislature, the Commission was authorized to begin the Grant Delivery System (GDS) Service Oriented Enhancements (RTDB) Project in fiscal year 2005-06. These enhancements were to be accomplished in two phases that corresponded roughly with their respective fiscal year of implementation. Phase I covered the restructuring the database and providing some real time transactions which is currently in production. Phase II covers system improvements that use the real time changes that were implemented in Phase I, modularization of code to support WebGrants transactions and five scalable Web Services so that we may better serve our students, institutions and staff.

Phase II of the approved project will provide all schools with an enhanced capability to acquire, update, and reconcile grant information in real time using WebGrants. It will also provide real time information to students on awards and payments. It also includes real time updates and information retrieval using up to 5 scalable Web Services that will provide a new generation interface for data exchange between systems. Commission staff is working with a project Advisory Committee formed from all segments to align the Commission with the Federal systems by utilizing newer technology and identify needed enhancements and Web Services interfaces specifications.

The GDS system will continue to support the current services such as the batch uploads and down loads via WebGrants. The project is intended to provide an application that meets the wide diversity of technology needs presently existing at schools as well as provide a road map to the future. The Commission's goal for the GDS project is to strategically align our system with the Department of Education who is also moving toward web services technology.

The real time changes to our Grant Delivery System will increase our online flexibility, provide quicker turnaround from inputs to results, and give stakeholders more direct access to their information. For schools and institutions, this means a greater ability to integrate with participating postsecondary financial aid management systems and high school student information systems.

Information/Action Item

GRANT ADVISORY COMMITTEE

State and Federal Issues Update

Enclosed is: 1) a summary of state bills currently being tracked by Commission staff and considered during 2007-08 State Legislative session; and 2) a summary of federal bills and an update on federal activity.

Recommended Action: For information on bills affecting the Commission's programs.

Responsible Staff: Ann Shimasaki, Legislative Liaison
Governmental and Public Affairs Division

STATE ISSUES AND LEGISLATIVE UPDATE

State Budget

On Monday, January 7th, the Legislature reconvened the second year of a two-year legislative session. The following day, Governor Schwarzenegger delivered his fifth State of the State address in the Assembly chambers. On January 10th, the Governor unveiled his proposed 2008-09 budget plan. As anticipated during his press conference, the Governor declared a fiscal emergency and called a Special Session in accordance with Proposition 58 to address a projected current-year budget shortfall of \$3.3 billion and a projected budget year operating deficit of \$11.2 billion, which together total a \$14.5 billion shortfall.

The Special Session gives the Legislature 45 days to act on the Governor's budget proposal to reduce current-year spending and address California's budget deficit estimated to be \$14.5 billion over the next 18 months. The Legislature began holding budget hearings on January 17th to address the fiscal emergency. Once the Special Session requirements are met, the Legislature will begin the regular budget process to address the 2008-09 state budget.

The Governor proposed two actions to close the budget shortfall:

1. The Governor is proposing to reduce spending by implementing a 10 percent across-the-board reduction to nearly every General Fund program, and to have those reductions take effect on March 1st.
2. The Governor is using the authority given to him under Proposition 58 to suspend next year's pre-payments for the Economic Recovery Bonds and to sell the remaining bonds to rebuild this year's budget reserve.

As part of the 10 percent budget balancing reduction for the Commission, the Special Session fiscal emergency proposal includes a \$1.6 million reduction in state operations and a \$637,000 reduction in the Cal-SOAP program.

The Commission programs were not subject to any current year budget reductions, other than to reflect savings associated with revised payment projections. The 2008-09 budget proposes significant changes affecting both students and Commission operations as noted below:

Cal Grant Program:

- The Entitlement program includes funding increases for the growth in new High School Entitlement awards, an increase in new California Community College (CCC) Transfer Entitlement awards, and system wide fee increases for the University of California (UC) and the California State University (CSU).
- The proposed elimination of new Cal Grant Competitive awards will result in a \$57.4 million decrease in funding. Renewal awards would not be affected.

- \$80 million increase for Cal Grants as a placeholder amount in the event the UC and CSU raise fees beyond the segments' anticipated fee levels. This amount is subject to adjustment after the governing boards take final action in context of potential reductions to balance the budget.
- The maximum award amount for non-public institutions remains at \$9,708.

Cal-SOAP Program:

- Reduction of \$637,000 in the California Student Opportunity and Access Program as part of the 10 percent budget balancing reduction. The proposed 2008-09 appropriation for Cal-SOAP is \$5.7 million.

APLE Programs:

- The number of Assumption Program of Loans for Education (APLE) awards is reduced by 10 percent, or 800 awards, for a revised total of 7,200 new awards in 2008-09.
- 100 new awards for the State Nursing APLE program and 100 new awards for the Nurses in State Facilities APLE program.

Cash For College Program:

- \$200,000 in new Federal fund authority for the Cash for College Program. This amount reflects funds anticipated from the new College Access Challenge Grant Program authorized in HR 2669 for the 2008-09 and 2009-10 federal fiscal years.

Commission's Operations:

- Impact from the anticipated sale of EDFUND.
 - Increase of \$2 million and 11 positions to enable the Commission to reestablish essential core business and technology services previously provided by EDFUND.
 - Elimination of a total of 56.8 civil service positions assigned to the Commission's Federal Policy and Programs Division (6) and EDFUND (50.8).
- Reduction of \$1.6 million to Commission operations as part of the 10 percent budget balancing reduction.
- \$130,000 in new Federal fund authority for the Cash for College Program. This amount reflects funds anticipated from the new College Access Challenge Grant Program authorized in HR 2669 for the 2008-09 and 2009-10 federal fiscal years.

EDFUND Sale:

- The anticipated revenue from the sale of EDFUND has been reduced from \$1 billion to \$500 million.

In accordance with Article IV, Section 12 of the California Constitution, the Governor submits the Governor's Budget to the Legislature in January, it is revised in May, and the fiscal year begins July 1.

Legislation

During the first half of the 2007-08 legislative session, the Governor signed 750 bills and vetoed 214. January 31st was the last day for the Legislature to pass bills introduced in 2007; any bill that does not pass out of its house of origin is considered a dead bill. The Legislature has until February 22nd to introduce 2008 bills.

At the April 19th Commission meeting, the Commission took positions on five bills: SB 160, AB 175, AB 302, AB 1540, and AB 1578. One of these bills, AB 1540 (Bass, Chapter 741, Statutes of 2007) – The Cash for College Program – was signed by the Governor on October 14, 2007. Commission staff is working with the State Controller's office to create the Cash for College Fund in the State Treasury's office as authorized by AB 1540.

To follow progress on state bills, log on to www.leginfo.ca.gov, click on the "Bill Information" link and enter the bill number in the search box. Statutes take effect on January 1, 2008, unless otherwise indicated. Below is a brief description of chaptered bills and two-year bills that were introduced during the first half of the legislative session.

Chaptered Bills

AB 1540

AUTHOR: Bass (D)

TITLE: Student Financial Aid: Cash for College Program

INTRODUCED: 02/23/2007

ENACTED: 10/14/2007 Chapter 741

Summary: This law expresses the intent of the Legislature that California students with financial need be made aware of the opportunities afforded to them through the various state and federal financial aid programs. This law establishes the Cash for College Program under the administration of the Student Aid Commission.

Status: 10/14/2007 Signed by the Governor.

Commentary: 06/01/2007 amendment removed the appropriation language.

Commission Position: SUPPORT IF AMENDED to move funding from the Student Loan Operating Fund to the General Fund (based on the March 23rd version).

SB 45

AUTHOR: Perata (D)

TITLE: Private Postsecondary Education

INTRODUCED: 12/22/2006

ENACTED: 10/13/2007 Chapter 635

Summary: This law extends the provisions of the Private Postsecondary and Vocational Education Reform Act of 1989 until July 1, 2008. Each matter, pending

before the Bureau for Private Postsecondary and Vocational Education is deemed to remain pending before the bureau or a successor agency as of a specified date, irrespective of any applicable deadlines. This law continues the Private Postsecondary and Vocational Education Administration Fund and the Student Tuition Recovery Fund. This law also establishes the Bureau of Private Postsecondary Education in the Department of Consumer Affairs.

Status: 10/13/2007 Signed by the Governor.

Commentary: SB 45 law extends the provisions of AB 1525 (Cook, Ch. 67, Stats. 2007). AB 1525 provisions were to be repealed on February 1, 2008. Extending the repeal date by five months would allow the Legislature to pass the Private Postsecondary Education Act of 2007 (either SB 823 Perata or AB 1182 Niello) that replaces the Private Postsecondary and Vocational Education Reform Act of 1989.

SB 89

AUTHOR: Senate Budget & Fiscal Review Committee

TITLE: Student Aid and Loan Guarantee Program

INTRODUCED: 01/17/2007

ENACTED: 08/24/2007 Chapter 182

Summary: This law authorizes the Director of Finance to act as the state's agent in the sale of the student loan guarantee portfolio and certain related assets and liabilities of the program not retained by the Student Aid Commission. This law authorizes the director to consummate other transactions to maximize the value of the program to the state. This law requires sale funds to be deposited into the General Fund. This law appropriates funds to the director for obtaining professional advice and counsel related to the sale.

Status: 8/24/07 Signed by the Governor.

SB 91

AUTHOR: Senate Budget & Fiscal Review Committee

TITLE: Student Financial Aid

INTRODUCED: 01/17/2007

ENACTED: 08/24/2007 Chapter 184

Summary: This law repeals provisions of existing law relating to the establishment and operation of the auxiliary organization and the state's participation in the federal Family Education Loan Program. The provisions of this law would only be effective if the Director of Finance makes a notification that specified occurrences related to either the sale of the state Student Loan Guarantee Program assets or a transaction with a transferee guarantee program operator have been consummated and 30 days have lapsed after the receipt of the notice.

Status: 08/24/2007 Signed by the Governor.

SB 139

AUTHOR: Scott (D)

TITLE: Nursing Education

INTRODUCED: 01/25/2007

ENACTED: 10/12/2007 Chapter 522

Summary: This law disallows a person who is currently employed as a registered nurse in a state-operated 24-hour facility from entering into an agreement for the State Nursing Assumption Program of Loans for Education (SNAPLE). This law also establishes additional criteria for nurses under SNAPLE and State Nursing Facilities APLE.

Status: 10/12/2007 Signed by the Governor.

Two-Year Bills

AB 111

AUTHOR: Blakeslee (R)

TITLE: National Guard Assumption Program of Loans for Education

INTRODUCED: 01/08/2007

LAST AMEND: 08/30/2007

LOCATION: Senate Appropriations Committee

Summary: This bill would change the sunset date for the National Guard Assumption Program of Loans for Education from July 1, 2007 to July 1, 2010 and would repeal the program on January 1, 2011. This bill deletes a condition for eligibility for loan assumption that the applicant be enrolled in an institution of higher education or a vocational diploma program that participates in the program. This bill provides financially needy are not given priority when funding is insufficient. This bill has an urgency clause to make the provisions effective immediately upon enactment.

Status: 07/02/2007 In Senate Appropriations – Held under submission.

AB 171

AUTHOR: Beall (D)

TITLE: Assumption Program of Loans for Education for Public Interest Law

INTRODUCED: 01/23/2007

LAST AMEND: 08/20/2007

LOCATION: Senate Appropriations Committee

Summary: This bill would establish the Assumption Program for Loans for Law in the Public Interest as a loan assumption program for licensed attorneys who meet certain eligibility criteria. This bill would create a program account in the State Treasury that would consist of funds appropriated by the Legislature and private contributions to the program. This bill would require an annual report on the program.

Status: 08/30/2007 In Senate Appropriations.

Commentary: The 2007-08 Budget Bill contains an appropriation for \$100,000 and one position for the Commission to implement the program.

AB 359

AUTHOR: Karnette (D)

TITLE: Student Financial Aid: Assumption Program

INTRODUCED: 02/14/2007

LAST AMEND: 06/01/07

LOCATION: Senate Education Committee

Summary: This bill specifies that persons who are pursuing service credentials utilized in special education, or who participate in specialist speech-language pathologist trainee programs, or become employed as speech-language pathologists, are eligible to receive loan assumption benefits under the Assumption Program of Loans for Education.

Status: 07/11/2007 in Senate Education Committee

AB 1059

AUTHOR: De Leon (D)

TITLE: Child Development Teacher and Supervisor Grant Program

INTRODUCED: 02/23/2007

LAST AMEND: 06/01/2007

LOCATION: Senate Education Committee

Summary: This bill would establish the Prekindergarten Assumption Program of Loans for Education (P-APPLE) to be administered by the Student Aid Commission, and would be similar to APPLE. The bill expresses the intent of the Legislature that up to 400 new grants be awarded under the Child Development Teacher and Supervisor Grant Program each year. It raises the maximum level of the grants for each academic year if the participant is enrolled in a 4-year institution, and a specified amount for each academic year if the participant is enrolled in a community college. In addition, the bill deletes a provision that limits eligibility for the program.

Status: 06/14/2007 Held in Senate Education.

Commentary: Under P-APPLE, a person who has obtained a bachelor of arts or a bachelor of science degree could receive up to \$11,000 of loan assumption benefit after 4 consecutive years of working at a public preschool that is located within the attendance area of a public.

AB 1578

AUTHOR: Leno (D)

TITLE: Foster Youth Higher Education Preparation Act

INTRODUCED: 02/23/2007
LAST AMEND: 08/20/2007
LOCATION: Senate Appropriations Committee

Summary: This bill would establish the Competitive Grant Program for the purpose of providing comprehensive support on college and university campuses to students who are former foster youth. This program will be administered by the Superintendent of Public Instruction.

This bill also would allow new Cal Grant B recipients that are former foster youth to be awarded tuition and fees in their first year of attendance at a postsecondary institution.

Status: 07/12/2007 In Senate Appropriations- Held under submission.

Commission Position: SUPPORT

SB 361
AUTHOR: Scott
TITLE: State Postsecondary Education Commission
INTRODUCED: 02/20/2007
LAST AMEND: 01/07/2008
LOCATION: Assembly Rules

Summary: This bill would delete certain review and reporting requirements of the Postsecondary Education Commission. This would delete the requirement that CPEC to review and evaluate the Student Opportunity and Access Program (Cal-SOAP).

Status: 01/30/2008 In Assembly rules – Held at desk.

SB 673
AUTHOR: Scott (D)
TITLE: Assumption Program of Loans for Education
INTRODUCED: 02/23/2007
LAST AMEND: 07/11/2007
LOCATION: Senate Rules

Summary: This bill provides that a credentialed teacher teaching in a public school that has been ranked in decile 1 or 2, as measured by the Academic Performance Index, and who has not otherwise participated in the Loan Assumption Program, is eligible to enter into an agreement for loan assumption. This bill requires the Commission to develop and adopt regulations for the implementation of this provision.

Status: 08/30/2007 In Senate Rules - Held under submission.

SB 823
AUTHOR: Perata (D)
TITLE: Private Postsecondary Education
INTRODUCED: 02/23/2007

LAST AMEND: 08/20/2007

LOCATION: Assembly Appropriations Committee

Summary: This bill would recast, revise, and reenact the provisions of the Private Postsecondary and Vocation Education Reform Act of 1989 as the Private Postsecondary Education Act of 2007. This bill would establish the Board for Private Postsecondary Education in the Department of Consumer Affairs. This bill would also continue the existence of the Private Postsecondary and Vocational Education Administration Fund and the continuously appropriated Student Tuition Recovery Fund.

Status: 08/30/2007 In Assembly Appropriations.

Commentary: This bill does not contain provisions that require financial aid directors or officers to possess a certification of completion of financial aid training certified by the Commission. The Commission training ensures that the disbursement of federal and state student financial aid is administered appropriately.

SB 890

AUTHOR: Scott (D)

TITLE: Pupils: Early College Commitment Program

INTRODUCED: 02/23/2007

LAST AMEND: 08/20/2007

LOCATION: Assembly Appropriations Committee

Summary: This bill establishes the Early College Commitment Program. This bill relates to pupils who are eligible for free and reduced price meals. This bill requires participating school districts to provide college information and college preparation events targeted towards pupils who sign pledge cards.

Status: 08/30/2007 In Assembly Appropriations.

Commentary: This bill would require the Commission to provide support services as needed in coordination with local school districts and work in consultation with the Superintendent of Public Instruction to develop materials for the program.

Because this bill does not directly impact the Commission's programs and operations, Commission staff is watching this bill as it moves through the Legislature.

FEDERAL ISSUES AND LEGISLATIVE UPDATE

Congress reconvened in January for the second session of the 110th Congress. The House of Representatives reconvened Tuesday, January 14, 2008 while the Senate returned on January 22nd. President Bush gave his last state of the union address on January 28th.

Congress returned to business with an agenda dominated by the economy as leaders from both houses hope to collaborate with the Administration to pass a bipartisan economic stimulus package. This issue along with health care, energy, the environment and education are expected to be top issues in Congress as well as at the forefront of the presidential campaign this year.

On February 4th President George Bush unveiled a budget proposal of more than \$3 trillion for fiscal year 2009 that begins on October 1st. The President's budget request staged a new round of spending priorities with the democratic-led Congress.

A few budget highlights for the 2009 fiscal year proposes to increase funding for the Pell Grant program discretionary funding by \$2.6 billion over the 2008 level, setting the maximum Pell grant at \$4,310. When combined with the \$490 in new mandatory funds provided for Pell through the College Cost Reduction and Access Act (CCRAA) the maximum award would be \$4,800.

The proposal eliminates 47 Education Department programs including the Perkins Loan program, Byrd Honors Scholarships, Federal Perkins Loans Cancellations, and Federal Supplemental Educational Opportunity Grants (FSEOG). Previous attempts by the Administration to eliminate these programs have failed.

The budget proposes to limit eligibility for the public-sector employee loan forgiveness programs to those with loans originated on or after July 1, 2009. Under current law this loan forgiveness is available for all borrowers, regardless of when their loans were originated. The budget request also proposes to eliminate the interest subsidy under the income-based repayment plan.

The budget promotes savings for college by providing a 50 percent tax credit for the first \$2,000 that moderate- and low-income parents invest annually in a 529 tuition-savings account. The credit ranges between 10 and 50 percent of the amount contributed, depending on the taxpayer's filing status and adjusted gross income (adjusted for inflation).

For complete details on President Bush's budget proposal for education, log on to <http://www.ed.gov/about/overview/budget/budget09/summary/edlite-section1.html>.

Leaders of the House Education and Labor Committee announced that they expect the House to vote on College Opportunity and Affordability Act (H.R. 4137) on Thursday,

February 7. The legislation reauthorizes the Higher Education Act (HEA), which sets financial aid policy for the next five years. The bill clarifies appropriate financial aid professional/lender relationships, simplifies the financial aid application process, provides loan forgiveness for national need occupations, attempts to slow rising college costs, and creates a host of reporting requirements for higher education institutions.

If H.R. 4137 is approved by the House, negotiators from the House and Senate would then hash out the differences between the two chambers' versions of the bill. The House and Senate must then approve the negotiated version of the bill and send the bill to the president to be signed into law.

To view the bill summary of H.R. 4137 by Congressman George Miller, the author, log on to:

<http://edlabor.house.gov/publications/20080205COAASummary.pdf>.

The following are brief summaries of pending legislation that affect financial aid programs. Many bills have been assigned to committees but have had insignificant activities since they have been introduced.

US HR 5

SPONSOR: Miller, George (D)

TITLE: College Student Relief Act

INTRODUCED: 01/04/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: This bill creates the College Student Relief Act of 2007. It amends the Higher Education Act of 1965 to phase-in cuts in the interest rate for student borrowers under the Federal Family Education Loan (FFEL) and Direct Loan (DL) programs, thereby reducing such rate from 6.8 percent in July 2006 to 3.4 percent in July 2011.

STATUS: 01/17/2007 In HOUSE. Discharged from HOUSE Committee on EDUCATION AND LABOR.

US HR 472

SPONSOR: McKeon (R)

TITLE: Higher Education Act

INTRODUCED: 01/16/2007

LOCATION: House Education and Labor Committee

SUMMARY: This bill amends the Higher Education Act of 1965 to address the issues of college affordability and transparency. It is intended to assist families and students with easy to use web tools to search and compare colleges, make college costs and financial aid transparent, and raise awareness about college opportunities especially for low-income families, non-traditional students, and first in the family to attend college.

STATUS: 01/16/2007 To HOUSE Committee on EDUCATION AND LABOR.

US HR 722

SPONSOR: Bilirakis (R)

TITLE: Maximum Pell Grant

INTRODUCED: 01/30/2007

LOCATION: House Education and Labor Committee

SUMMARY: The bill amends the Higher Education Act of 1965 to increase the maximum Pell Grant award to \$4,810 for each of the academic years 2007-2008 through 2013-2014.

STATUS: 01/30/2007 To HOUSE Committee on EDUCATION AND LABOR.

US HR 890

SPONSOR: Miller, George (D)

TITLE: Requirements for Lenders

INTRODUCED: 02/07/2007

LAST AMEND: 05/09/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: The bill establishes requirements for lenders and institutions of higher education in order to protect students and other borrowers receiving educational loans. Among other provisions, this bill amends the Higher Education Act of 1965 to require each lender entering into an educational loan arrangement with a postsecondary school to: (1) report annually to the Secretary of Education specified information concerning such arrangement; (2) inform borrowers of their loan options under Title IV (Student Assistance) before extending private educational loans for attendance at such school; and (3) be barred by such school from marketing such loans in a manner implying the school's endorsement.

STATUS: 05/10/2007 In SENATE. Read second time.

US HR 1608

SPONSOR: Miller, George (D)

TITLE: Federal Student Aid Application Process Simplification

INTRODUCED: 03/20/2007

LOCATION: House Education and Labor Committee

SUMMARY: Expands college opportunities by significantly simplifying the Federal student aid application process.

STATUS: 06/27/2007 In HOUSE Committee on EDUCATION AND LABOR: Referred to Sub-Committee on HIGHER EDUCATION, LIFELONG LEARNING, AND COMPETITIVENESS.

US HR 1994

SPONSOR: McKeon (R)

TITLE: Transparency in the Student Financial Aid Process

INTRODUCED: 04/23/2007

LOCATION: Multiple Committees

SUMMARY: Provides more transparency in the financial aid process; ensures that students are receiving the best information about financial aid opportunities.

STATUS: 04/23/2007 To HOUSE Committee on EDUCATION AND LABOR. Additionally referred to HOUSE Committee on FINANCIAL SERVICES.

US HR 2465

SPONSOR: Petri (R)

TITLE: Consolidation Of Federal Student Loans

INTRODUCED: 05/23/2007

LOCATION: Multiple Committees

SUMMARY: This bill allows for the consolidation of Federal student loans into a single Direct income-contingent loan repayment program.

STATUS: 07/17/2007 In HOUSE Committee on EDUCATION AND LABOR: Referred to SUBCOMMITTEE on HIGHER EDUCATION, LIFELONG LEARNING, AND COMPETITIVENESS.

US HR 2669

SPONSOR: Miller, George (D)

TITLE: College Cost Reduction and Access Act

INTRODUCED: 06/12/2007

ENACTED: 09/27/2007

LOCATION: Chaptered

CHAPTER #: 110-84

SUMMARY: This bill creates the College Cost Reduction and Access Act and revises the provisions that govern the eligibility and funding for higher education grants and loans.

STATUS: 09/27/2007 Signed by PRESIDENT. Public Law No. 110-84

US HR 3317

SPONSOR: Fattah (D)

TITLE: Higher Education Act

INTRODUCED: 08/02/2007

LOCATION: House Education and Labor Committee

SUMMARY: This bill amends the Higher Education Act of 1965 to improve and enhance the Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP).

STATUS: 08/02/2007 To HOUSE Committee on EDUCATION AND LABOR.

US HR 4137

SPONSOR: Miller George (D)

TITLE: Higher Education Act Amendments

INTRODUCED: 11/09/2007

LOCATION: House Education and Labor Committee

SUMMARY: The bill enacts the College Opportunity and Affordability Act of 2007, which sets financial aid policy for the next five years. The bill would clarify appropriate financial aid professional/lender relationships, simplifies the financial aid application process, provides loan forgiveness for national need occupations, slows rising college costs, and creates reporting requirements for higher education institutions.

STATUS: 12/19/2007 In HOUSE Committee on EDUCATION AND LABOR.

US HR 4344

SPONSOR: Walberg (R)

TITLE: Student Financial Aid Economic Hardship Definition

INTRODUCED: 12/11/2007

LOCATION: House Education and Labor Committee

SUMMARY: This bill amends the Higher Education Act of 1965 regarding the definition of economic hardship; provides an added income standard for eligibility.

STATUS: 12/11/2007 To HOUSE Committee on EDUCATION AND LABOR.

US HRES 65

SPONSOR: Matsui D (D)

TITLE: Higher Education Act

INTRODUCED: 01/16/2007

ADOPTED: 01/17/2007

LOCATION: Adopted

SUMMARY: This bill provides consideration of the bill (H.R. 5) to amend the Higher Education Act of 1965; provides to reduce interest rates for student borrowers.

STATUS: 01/17/2007 In HOUSE. Passed HOUSE.

US HRES 81

SPONSOR: Wu (D)

TITLE: Pell Grant Increase

INTRODUCED: 01/19/2007

LOCATION: House Education and Labor Committee

SUMMARY: This bill expresses the sense of the House of Representatives that the maximum Pell Grant should be increased to \$5,800.

STATUS: 01/19/2007 To HOUSE Committee on EDUCATION AND LABOR.

US S 7

SPONSOR: Reid (D)

TITLE: Higher Education Act

INTRODUCED: 01/04/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: This bill amends Title IV of the Higher Education Act of 1965 and other laws and provisions and urges Congress to make college more affordable through increased Federal Pell Grants and providing more favorable student loans and other benefits, and for other purposes.

STATUS: 01/04/2007 To SENATE Committee on HEALTH, EDUCATION, LABOR AND PENSIONS.

US S 282

SPONSOR: Durbin (D)

TITLE: Undergraduate Student Loans

INTRODUCED: 01/12/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: This bill amends the Higher Education Act of 1965 to reduce over a 5-year period the interest rate on certain undergraduate student loans. This bill proposes to phase-in cuts in the interest rate charged undergraduate student borrowers of subsidized loans under the Federal Family Education Loan (FFEL) program, thereby reducing such rate from 6.8 percent in July 2006 to 3.4 percent in July 2011.

STATUS: 01/12/2007 To SENATE Committee on HEALTH, EDUCATION, LABOR AND PENSIONS.

US S 301

SPONSOR: Clinton (D)

TITLE: Higher Education Assistance

INTRODUCED: 01/16/2007

LOCATION: Senate Finance Committee

SUMMARY: The bill provides higher education assistance for nontraditional students, and for other purposes. It authorizes and appropriates specified funds for Federal Pell Grants under the Higher Education Act of 1965 (HEA) and increases yearly maximum

grant amounts and revises requirements for the allowance of two Pell grants during a single award year.

STATUS: 01/16/2007 To SENATE Committee on FINANCE.

US S 359

SPONSOR: Kennedy (D)

TITLE: Higher Education Act of 1965 Amendment

INTRODUCED: 01/22/2007

LOCATION: Senate Finance Committee

SUMMARY: The bill amends the Higher Education Act of 1965 to provide additional support to students. It proposes to extend the Pell Grant program through FY2012 and increase yearly maximum Pell Grant amounts. Authorizes and appropriates specified additional annual funding for such grants.

STATUS: 01/22/2007 To SENATE Committee on FINANCE.

US S 454

SPONSOR: Collins (R)

TITLE: Funding Increase for Federal Pell Grants

INTRODUCED: 01/31/2007

LOCATION: Senate Finance Committee

SUMMARY: This bill amends the Higher Education Act of 1965 to increase the maximum Pell Grant award to \$5,100 for the 2007-2008 academic year and raises the minimum Pell Grant award from \$400 to \$500.

It amends the Internal Revenue Code to raise: (1) the maximum student loan interest deduction to \$3,750; and (2) the modified adjusted gross income level where such deduction begins to be phased-out.

It exempts from the sunset provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA): (1) the elimination of the 60-month limit on the period of such deduction; and (2) the increase in the income limitation on such deduction.

It also increases the maximum annual contribution limit for Coverdell education savings accounts from \$2,000 to \$3,000, and makes such increase permanent and repeals the EGTRRA sunset on the tax exclusion of employer-provided educational assistance.

STATUS: 01/31/2007 To SENATE Committee on FINANCE.

US S 486

SPONSOR: Kennedy (D)

TITLE: Student Educational Loan Requirements for Lenders

INTRODUCED: 02/01/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: This bill establishes requirements for lenders and institutions of higher education in order to protect students and other borrowers receiving educational loans. Among other provisions, this bill amends the Higher Education Act of 1965 to require each lender entering into an educational loan arrangement with a postsecondary school to: (1) report annually to the Secretary of Education specified information concerning such arrangement; (2) inform borrowers of their loan options under Title IV (Student Assistance) before extending private educational loans for attendance at such school; and (3) be barred by such school from marketing such loans in a manner implying the school's endorsement.

STATUS: 02/01/2007 To SENATE Committee on HEALTH, EDUCATION, LABOR AND PENSIONS.

US S 511

SPONSOR: Clinton (D)

TITLE: Student Borrowers

INTRODUCED: 02/07/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: This bill provides student borrowers with basic rights, including the right to timely information about their loans and the right to make fair and reasonable loan payments. It also urges the Department of Education to enforce vigorously rules requiring lenders to complete lender verification certificates in a timely manner for borrowers seeking to consolidate loans. This bill amends the Higher Education Act of 1965 to require specified loan participants under the Federal Family Education Loan (FFEL) and Federal Perkins Loan programs to disclose to each national credit bureau organization any on-time payments made for such loans and their status as student loans.

STATUS: 02/07/2007 To SENATE Committee on HEALTH, EDUCATION, LABOR AND PENSIONS.

US S 899

SPONSOR: Dodd (D)

TITLE: Federal Pell Grant Maximum Amount

INTRODUCED: 03/15/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: This bill amends section 401(b)(2) of the Higher Education Act of 1965 regarding the Federal Pell Grant maximum amount.

STATUS: 03/15/2007 To SENATE Committee on HEALTH, EDUCATION, LABOR AND PENSIONS.

US S 938

SPONSOR: Reed (D)

TITLE: College Access and College Persistence

INTRODUCED: 03/20/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: This bill expands college access and increase college persistence; relates to other purposes.

STATUS: 03/20/2007 To SENATE Committee on HEALTH, EDUCATION, LABOR AND PENSIONS.

US S 939

SPONSOR: Reed (D)

TITLE: Applying for Student Assistance Process Improvement

INTRODUCED: 03/20/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: The bill amends the Higher Education Act of 1965 to simplify and improve the process of applying for student assistance, and for other purposes.

STATUS: 03/20/2007

To SENATE Committee on HEALTH, EDUCATION, LABOR AND PENSIONS.

US S 1262

SPONSOR: Enzi (R)

TITLE: Student Loans

INTRODUCED: 05/02/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: The bill protects students receiving student loans; provides for loan accountability and rates disclosure reform; relates to insurance program agreements; restricts inducements, payments, unsolicited mailings, collections and fraudulent advertising; and relates to debt counseling.

STATUS: 05/02/2007 To SENATE Committee on HEALTH, EDUCATION, LABOR AND PENSIONS.

US S 1399

SPONSOR: Biden (D)

TITLE: Pell Grant Commitment Demonstration Program

INTRODUCED: 05/15/2007

LOCATION: Senate Finance Committee

SUMMARY: This bill amends the Internal Revenue Code of 1986 to combine the Hope Scholarship Credit and the deduction for qualified tuition and related expenses into a

refundable college affordability and creating chances for educational success for students (ACCESS) credit; establishes an Early Federal Pell Grant Commitment Demonstration Program; increases the maximum Federal Pell Grant Award.

STATUS: 05/15/2007 To SENATE Committee on FINANCE.

US S 1400

SPONSOR: Enzi (R)

TITLE: Higher Education Act

INTRODUCED: 05/15/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: This amends the Higher Education Act of 1965 to improve the information and repayment options to student borrowers, and for other purposes.

STATUS: 05/15/2007 To SENATE Committee on HEALTH, EDUCATION, LABOR AND PENSIONS.

US S 1401

SPONSOR: Enzi (R)

TITLE: National Student Loan Data System

INTRODUCED: 05/15/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: This bill improves the National Student Loan Data System.

STATUS: 05/15/2007 To SENATE Committee on HEALTH, EDUCATION, LABOR AND PENSIONS.

US S 1467

SPONSOR: Biden (D)

TITLE: Pell Grants

INTRODUCED: 05/23/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: This bill establishes an Early Federal Pell Grant Commitment Demonstration Program.

STATUS: 05/23/2007 To SENATE Committee on HEALTH, EDUCATION, LABOR AND PENSIONS.

US S 1513

SPONSOR: Obama (D)

TITLE: Higher Education Act

INTRODUCED: 05/24/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: This bill amends the Higher Education Act of 1965 to authorize grant programs to enhance the access of low-income African-American students to higher education.

STATUS: 05/24/2007 To SENATE Committee on HEALTH, EDUCATION, LABOR AND PENSIONS.

US S 1642

SPONSOR: Kennedy (D)

TITLE: Higher Education Programs

INTRODUCED: 06/18/2007

LAST AMEND: 07/23/2007

LOCATION: HOUSE

SUMMARY: This bill extends the authorization of programs under the Higher Education Act of 1965 and provides for protection of student speech and association rights, accreditation and institutional quality, drug and alcohol prevention, transparency in college tuition, prohibition of database of student information, state higher education information system pilot programs, institution and lender reporting and disclosure requirements, foreign students and foreign medical schools, teacher quality and educational institutional aid.

STATUS: 07/24/2007 In SENATE. Passed SENATE. *****To HOUSE.

US S 1720

SPONSOR: Brown (D)

TITLE: Federal Supplemental Loan Program

INTRODUCED: 06/27/2007

LOCATION: Senate Health, Education, Labor and Pensions Committee

SUMMARY: This bill amends the Higher Education Act to establish a federal supplemental loan program.

STATUS: 06/27/2007 To SENATE Committee on HEALTH, EDUCATION, LABOR AND PENSIONS.

US S 2258

SPONSOR: Kennedy (D)

TITLE: Third Higher Education Extension Act

INTRODUCED: 10/30/2007

ENACTED: 10/31/2007 Chaptered 110-109

SUMMARY: This bill creates the Third Higher Education Extension Act of 2007; provides a temporary extension of the programs under the Higher Education Act of 1965 through March 31, 2008; and amends the definition of an eligible not-for-profit holder; relates to student loans.

STATUS: 10/31/2007 Signed by PRESIDENT. Public Law No. 110-109
