

Grant Advisory Committee Chair's Report
Mary T. Lindsey, Chair
Major Contributions from Kate Jeffrey, UC Representative on GAC
April 2007

The Grant Advisory Committee (GAC) met two weeks ago, April 5, 2007.

GAC elected a new Vice Chair, Sharon Bowles, who serves as the High School Counselor Representative on GAC.

INTEREST-BEARING ACCOUNTS AND THE "JUST-IN-TIME" FUND PROCESS:

CSAC staff announced that they expect phase II of the Grant Delivery System to be on-line in time for the 2008/09 award year. Included in this phase is a "just-in-time" draw down of funds. This "just-in-time" process, scheduled for next year, should eliminate the issue of interest earned at the campus level on Cal Grant Funds. CSAC staff also updated staff that the requiring institutions to hold Cal Grant funds in a separate account will not protect those funds in a bankruptcy proceeding. Staff implied that such accounts must be a joint-account with CSAC and the institution in order to protect the funds, and CSAC staff is exploring this option, including cost to CSAC, if this option were implemented.

OPINION FROM THE ATTORNEY GENERAL'S OFFICE AND HIGH SCHOOL GRADUATION CONFIRMATION:

CSAC staff informed GAC that they had received the opinion from the Attorney General's office regarding statutory requirements pertaining the Cal Grant Entitlement program and confirmation of a student's high school graduation. CSAC staff stated that the attorney-client privilege that existed between CSAC staff and the AG's office prevented them from disclosing to GAC what the AG's office had determined that the statute requirement. Consequently, GAC is unable to present a recommendation to the Commission today.

INSTITUTIONAL PARTICIPATION AGREEMENT (IPA):

CSAC staff and GAC have achieved significant progress in developing a revised IPA that delineates a reasonable balance between the responsibilities of students, CSAC, campuses, and high schools for ensuring the awarding and delivery of Cal Grants consistent with the goals of the program and the underlying state statutes governing the program in a cost efficient manner. However, there are a number of issues on which an acceptable compromise has not been reached. For some of the issues further discussion may not contribute to breaking the impasse. In these cases GAC asks that the Commission consider the recommendations and arguments developed by GAC and presented below. On other issues GAC believes further discussion and exploration of alternatives might still lead to the development of acceptable compromises. These include the determination of California residency and what constitutes the process for determining after-the-fact high school graduation.

Recommendation

Extend current IPA for the 2007-08 award year with the existing prevailing understanding of how the IPA has been interpreted and enforced in the past in order to allow CSAC and campuses more time to resolve specific outstanding issues and allow lead time for making necessary changes in campus and CSAC processes.

Recommendation

*Develop and approve a revised IPA for **2008-09 by October, 2007** to ensure adequate lead time for compliance by its effective July 1, 2008 date.*

In light of the broader issues that have surfaced about the overall structure and underlying assumptions of the Cal Grant delivery system, initiate a comprehensive review of the Cal Grant delivery system to better delineate campus and CSAC responsibilities for determining Cal Grant eligibility requirements. This review should encompass exploration of a fully centralized model, a fully decentralized model, and modifications to the current hybrid model. (See GAC recommendations presented at the Commission's February 2007 meeting for additional detail.)

INSTITUTIONAL SELF-AUDIT TOOL

Recommendation

Establish a complementary self-audit tool to the revised IPA to assist campuses with the implementation of the IPA.

CALIFORNIA RESIDENCY:

Recommendation

In regards to the statutory requirement that students receiving Cal Grant awards are California (CA) residents, GAC recommends the following”

- CSAC continue to use a single definition of CA residency that applies to all Cal Grant recipients and is consistent with the Ed Code provisions on residency.
- CSAC work to GAC to develop a more articulated definition of CA residency that covers special situations, as well as the details of the core standard (e.g., the date applicable to the one-year physical presence test).
- CSAC continue to make an initial determination of CA residency for Cal Grant purposes from information on the FAFSA but that CSAC refine their initial determination to include additional relevant FAFSA data elements that would improve the accuracy of their initiation determination.

Conflicting information requirements as they pertain to CA residency:

Campuses would be expected to resolve conflicting information with respect to the determination of CA residency according to the following standards:

- **The public institutions** that make residency determinations for tuition purposes based on their segment's interpretation of the Ed Code statutory provisions should compare the initial CSAC determination of residency with the outcome of their campus determination of residency for tuition purposes. If the two outcomes are the same (i.e., both CA resident or both nonresident), the campus has met the standard for resolving conflicting information and need take no action. If the two outcomes differ, the campus must either
 - (1) notify CSAC of the difference so that CSAC can follow-up or;
 - (2) follow-up on their own to determine which outcome meets the actual CSAC definition and then adjust the student's Cal Grant eligibility as appropriate.
- **Independent and proprietary institutions** (plus any public segment programs that do not determine CA residency for tuition purposes) should check any information available on campus to determine whether the last institution (high school or college) the student attended was in or outside of California. If the location of the prior institution is consistent with the initial CSAC residency determination (e.g., CA resident plus prior school in CA) the campus has met the standard for resolving conflicting information and need take no action. If the location of the last prior school is not consistent with CSAC's initial residency determination, the campus has conflicting information that requires follow-up as described above.

Campuses are *not* required to make a residency determination or collect (*additional*) information regarding the location of the last school of attendance. In cases information where that information is not already present on the campus in some location (not necessarily the financial aid office), there is no conflicting information that must be resolved. Conversely, if the information is available on campus, the campus is responsible for resolving differences between CSAC's information and the campus' information or forwarding the question of student residency to CSAC. Additionally, campuses always have the option of collecting and/or reviewing additional information and adjusting a student's Cal Grant eligibility in accordance with it.

CALCULATION OF INTEREST

Recommendation

The GAC continues to recommend that the calculation of interest on Cal Grant funds held on the campus recognize both positive and negative balances. (Note: this calculation of interest is up to a "zero" balance, and is not intended to place CSAC in a position of owing interest funds to the campuses.)

The calculation of interest owed to CSAC should be based on the net balance in the account (recognizing both positive and negative balances). Such an approach recognizes the loss of interest/investment revenue to the institution when institutions create a negative balance by advancing institutional funds to Cal Grant recipients rather than waiting for State funds. *It also recognizes that the State is holding funds and thus already earning interest on the funds that the institution would otherwise be advancing to recipients.* It is noted that when CSAC implements a “just-in-time” process for campuses to draw down Cal Grant funds, predicted for the 2008/09 award year, both positive and negative balances should decrease to almost zero.

CO-MINGLING FUNDS

Recommendation

The GAC recommends that the commingling option be available to campuses in all segments.

GAC recommended that any requirement for holding Cal Grant funds in an interest bearing account follow the options provided by the federal government for federal student financial aid. Federal regulations permit commingling federal funds with funds from other sources if the institution’s accounting records (e.g., subsidiary ledger) can track the federal funds as readily as if those funds were in a separate account. The commingling option is in recognition that it is a more efficient way for large institutions to handle funds and allows for higher yielding investment practices. The federal regulations also provide that a separate bank account can be required if institutions do not meet certain standards. The federal regulations apply equally to all five segments of higher education.

CSAC staff informed GAC that holding funds in a separate account did NOT protect the funds in bankruptcy.

CAL GRANT GPA

Recommendation

The GAC continues to recommend and support the exclusion of the confirmation of the Cal Grant GPA from the list of campus responsibilities.

HIGH SCHOOL GRADUATION

Recommendation

GAC was unable to formulate a recommendation:

At the last meeting of the Commission (February 2007) GAC reported that the proposed IPA did not include high school graduation in the list of eligibility requirements that

institutions are required to confirm. A final decision about statutory requirements regarding high school graduation self-reporting/confirmation from the Attorney General's review of the current process was pending at that time. *The GAC's recommendation regarding high school graduation was pending until a final decision is received.*

At GAC's April 5 meeting, staff informed GAC that they had received the opinion from the Attorney General's office, but could not make it available to GAC due to attorney/client privilege. In the absence of knowing what statute required, GAC was unable to formulate a recommendation.

At the February Commission Meeting, GAC put forward the following issues related the High School Graduation confirmation:

Campuses should not be required to collect any *new* information (i.e., high school transcripts) to confirm that a Cal Grant recipient has met the high school graduation requirement. Those campuses that do collect transcripts as part of their admission/enrollment process will ensure they do not contain evidence that a Cal Grant recipient has not graduated. Those who do not collect transcripts would not be expected to do so. However, if they have other self-reported information about high school graduation on the FAFSA or their enrollment records, they will ensure that those records do not conflict with CSAC's initial determination that a student is eligible for a Cal Grant if there is no follow-up self-certification process in place. If a follow-up self-certification process, such as the one for 2007-08, is in place, the GAC recommended CSAC clarify that the follow-up self-certifications supercede the campus FAFSA and enrollment records so that a review of the campus self-reported records will not be needed.