

Grant Advisory Committee (GAC) Report

Submitted by Mary T. Lindsey, Chair

The Grant Advisory Committee (GAC) met on July 19 and August 16, 2007. Additionally, two GAC workgroups, the Non-term, Non-standard-term Workgroup and the Competitive Cal Grant Selection Criteria Workgroup, met on July 18 and August 16 respectively. The following written report on the actions taken by GAC will be supplemented by an oral report at the Commission's September 6-7, 2007 meeting.

At the July 19, 2007 meeting, GAC continued its work on recommendations regarding the Institutional Participation Agreement. Three issues remained outstanding at that time:

1. The issue of interest-bearing/investment accounts in regards to whether or not an institution could co-mingle the funds with other funds, while maintaining a subsidiary ledger tracking Cal Grant Funds, or whether Cal Grant Funds must be maintained in a separate account.
2. The issue of the definition of California State Residency for purposes of determining a student's initial eligibility for a Cal Grant award.
3. The issue of confirmation of high school graduation in regards to students receiving a Cal Grant Entitlement award.

At the August 16, 2007 meeting, GAC developed recommendations regarding Budget Change Proposals for the 2008-09 year.

INSTITUTIONAL PARTICIPATION AGREEMENT (IPA):

- 1. The issue of interest-bearing accounts in regards to whether or not an institution could co-mingle the funds with other invested funds, while maintaining a subsidiary ledger tracking Cal Grant Funds, or whether Cal Grant Funds must be maintained in a separate bank account.**

IPA Recommendation #1:

In regards to maintaining interest-bearing accounts, GAC makes the following recommendations to the Commissioners:

GAC endorsed the inclusion in the IPA of (staff's) language which indicates that the cash advances made to the institutions are State funds. GAC has concerns about the (new) legal interpretation that permits commingling of funds at public institutions but precludes commingling funds at private institutions. GAC concerns are two-fold: (1) there is disparate treatment between the public and private segments, and (2) separate bank accounts are not the most effective way to protect state funds. Other, more effective, strategies and mechanisms for determining at-risk institutions should be developed, and protective (and alternative) payment mechanisms for advancing funds to those institutions should be developed and implemented.

IPA Recommendation #2:

In regards to the calculation of interest that is required to be returned to the State, GAC recommends that the Commission seek the following statutory changes:

- *Allow institutions to deduct the costs incurred from establishing and maintaining interest-bearing/investment accounts for Cal Grant funds from the interest accrued on those funds.*
- *Allow institutions to calculate the return of interest due to CSAC from Cal Grant funds (held/invested by the campuses) based on a formula which includes negative Cal Grant fund balances as well as positive balances.*

2. The issue of the definition of California State Residency for purposes of determining a student's initial eligibility for a Cal Grant award.

IPA Recommendation #3:

GAC endorsed, with recommended modifications, the staff proposal identifying the definitions for California residency for purposes of Cal Grant eligibility:

- *Students attending The University of California, the California State University and the California Community Colleges would have their state residency for Cal Grant eligibility determined by the (respective) system's state residency definition and the non-public institutions would use a single definition as defined for the Community College System in the 5 CCR §§ 54020-52024 or adopt their own policy which is not inconsistent with the 5 CCR §§ 54020-52024 and Ed Code §§ 68060-68062; with the following modification:*
- *that the residency determination date used at the non-public institutions be flexible in that either the date used by CSAC for their preliminary determination of student eligibility for a Cal Grant,, or the first date of instruction (at the institution) may be used; (and with the additional) with the following modification:*
- *that in the interest of maintaining portability (of the Cal Grant), once a student has been determined a resident and received a Cal Grant payment at an institution, should the student move to another school, on other residency determination for a Cal Grant, no other state residency determination for Cal Grant eligibility purposes shall be required.*

3. The issue of confirmation of high school graduation in regards to students receiving a Cal Grant Entitlement award.

IPA Recommendation #4:

GAC endorsed staff's proposal that CSAC be the central repository for collecting student's post- high school graduation confirmation data.

BUDGET CHANGE PROPOSALS (BCP)

At the August 16, 2007 Meeting, GAC adopted the following recommendations in regards to Budget Change Proposals (BCPs) for the 2008-09 budget year.

BCP RECOMMENDATION: GAC approved two recommendations, the first being an overall recommendation and the second supporting the first recommendation while adding a specific recommendation regarding the prioritization of the BCP proposals:

BCP Recommendation #1:

GAC expressed its support for the Commission's efforts to seek increased budgetary support for the Cal Grant local assistance programs.

BCP Recommendation #2:

GAC endorsed pursuing additional funding for the Cal Grant Program and specifically recommended that the pursuit be based on a balanced approach among the five funding increase proposals as presented by staff the Cal Grant Programs, with the exception of BCP #5 – Cal Grant C increases - in which GAC recommended limiting the focus to seeking an increase in the amount of the Cal Grant C books and supply allowance component of the award.

GAC WORKGROUPS:

GAC workgroup members are continuing to work with staff and have not submitted recommendations to GAC for its consideration. Therefore there are no recommendations to forward to the Commission at this time.