

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

10811 International Drive
Rancho Cordova, CA 95670

**MINUTES
APRIL 5, 2007**

ADVISORY COMMITTEE MEMBERS	COMMISSION STAFF
Mary Lindsey, Chair, PI	Diana Fuentes-Michel, Executive Director, California Student Aid Commission
Kate Jeffery, UC	Catalina Mistler, Chief, Program Administration & Services Division
Ricardo Tejeda, AICCU	Janet McDuffie, Chief, Management Services Division
Tim Bonnel, CCCCCO	Steve Caldwell, Chief, Governmental & Public Affairs
Susan Gutierrez, CSU	John Bays, Chief, Information Technology Services
Noelia Gonzalez, CASFAA	Tom Mays, Manager, Public Affairs Branch
Sally Mae Pace, K-12	Charles Wood, Manager, Program Compliance Unit
Mary Robinson, CSU	Bryan Dickason, Manager, School Support Services Branch
Veronica Villalobos, AICCU	Despina Costopoulos, Coordinator, Cash for College
Laura Cunha, PI	Lori Nezhura, Staff, School Support Services Branch
Catherine Graham, AICCU	Drew Schrepel, Staff, School Support Services Branch
Sharon Bowles, High School	Jorge Cortez, Staff, School Support Services Branch
Marco De La Garza, CCC	Tae Kang, Staff, Cal Grant Operations Branch
	Irene R. Klauer, Staff, School Support Services Branch
	Sue Pierson, Staff, School Support Services Branch
	Wendy Christensen, Staff, Program Administration & Services Division
	ALSO PRESENT
	Daniel Friedlander, Commissioner

Tab 1: Discussion of Institutional Participation Agreement (IPA) Public Comments

This discussion was part of the workgroup portion from 9:00 a.m. to 12:00 p.m.

Tab 2: Committee's Chair Report

No specific information noted here. Some information may have been combined with discussion in other tabs.

Tab 3: Executive Director's Report

Diana Fuentes-Michel, Executive Director, California Student Aid Commission, welcomed everyone and officially introduced herself to Sally Pace, K-12 representative, noting that Member Pace was last year's Arthur Marmaduke award winner. She commented that she knew Member Pace would be bringing a lot of direct experience with students and ideas on Commission work. Executive Director Fuentes-Michel also thanked Veronica Villalobos, Association of Independent California Colleges and Universities (AICCU) representative, for her work with the committee, noting that she knew she would represent USC in an excellent way.

Executive Director Fuentes-Michel provided the following update information:

1. Roles and Responsibilities- An extended Commission meeting will be held from April 18-20, 2007 to deal with the roles and responsibilities of the Commission and EdFund and the negotiations around the new operating agreement.
2. Budget Hearings- The Commission is set to have its budget hearing in two weeks. California is experiencing financial decline so it is expected that the budget will be cut by a billion dollars, if not more. CSAC needs to meet with new members of the legislators and explain the value of Cal Grant programming.
3. Baseline Data- Cal Grant numbers are still being finalized. Initially, however, CSAC numbers look flat in terms of growth. Some staff view this as the result of having achieved full implementation of the entitlement program, thus reaching a plateau.
4. Switch Proposal- The University of California (UC), anticipating increases, has asked that monies be included in CSAC's budget to ensure that students are able to choose which Cal Grant provides the best value for them.
5. Phase II Real-Time Grant Delivery System- Phase II has the approval of the administration to bring real-time access to CSAC's Grant Delivery System. Approval by the legislature is hopeful.
6. Other issues include potential fee increases, Cal Grant Program expansion, loan assumption programs, taking on another program from the Department of Mental Health, funding outreach efforts (campaign), and preparation for discussion of the Institutional Participation Agreement (IPA) at the next Commission meeting.

Member Robinson asked about the expanded meeting and what would be discussed on October 18th. Executive Director Fuentes-Michel explained that the 18th will cover 1) a request for a contract extension from the Department of Finance (DOF), 2) roles and responsibilities of the organization, and 3) discussion about the operating agreement. Executive Director Fuentes-Michel commented that there was concern about errors on Worksheet C of the Free Application for Federal Student Aid (FAFSA) as possibly impacting the number of awards for Cal Grants. Member Gonzalez commented that staff from her campus has selected students with worksheet issues for verification. If they discover information that needs to be shared with other institutions and/or the Department of Education (DOE), then they will do so. At present, she added, there is nothing that ties the students together other than they all attend CSU, Northridge.

Member Robinson commented that there has been a significant increase in errors, but at present CSU is still in the process of securing facts. Member Gutierrez noted that schools are requesting follow-up documentation for those students who seem to be reporting suspiciously high amounts on their application (worksheet). This process, she added, is a lot of work for staff. Executive Director Fuentes-Michel commented that information of this kind is important in explaining to the DOF a potential anomaly in the preliminary increase in the number of applicants.

Executive Director Fuentes-Michel asked for ideas from the members in looking at factors that may be contributing to the worksheet issue. Members Gutierrez and Bonnel recommended use of existing databases that look at all FAFSA applicants across segments. Chair Lindsey asked when the real-time capability (Phase II) would be in place, thereby alleviating the need for the electronic funds transfer (EFT) process. John Bays, Chief, Information Technology Services Division, explained that real-time capability would not be available for the current year, but potentially available for 2008-09. Executive Director Fuentes-Michel commented on the move of the Grant Delivery System server from the Teale Data Center to Ed Fund, and the challenges involved with that process, and thanked Mr. Bays for all his work on making that happen. This, she added, will most likely allow for Phase II to happen in a quicker fashion because staff has direct access to our delivery system.

Tab 4: Election of Vice Chair

Mary Lindsey, Chair, Grant Advisory Committee (GAC), moved the agenda to start with the election of the Vice-Chair for GAC and asked for nominations. Noelia Gonzalez, California Association of Student Financial Aid Administrators (CASFAA) representative, was nominated by Laura Cunha, Proprietary Institution (PI). Member Gonzalez declined.

Mary Robinson, California State University (CSU) representative, nominated Sharon Bowles, High School representative. Member Robinson moved that she be elected by acclamation since there were no other nominations. Chair Lindsey moved that Member Bowles be elected as Vice Chair. Member Gutierrez seconded the motion. Member Bowles was elected to Vice Chair.

Tab 5: Approval of Minutes

The following minutes were assigned to the following review:

October 14, 2005:	Member Robinson; Chair Lindsey
February 21, 2006:	Member Bowles; Member de la Garza
April 14, 2006:	Member Gonzalez; Member Bonnel
May 26, 2006:	Member Graham; Member Cunha

Tab 6: IPA Workgroup Update

Kate Jeffery, University of California representative, began her discussion noting that she would try an overall recommendation with the expectation that the specifics of could be filled in later. The recommendation read as follows:

1. Extend the current Institutional Participation Agreement (IPA) with the prevailing understanding of how the IPA has been interpreted and enforced and apply that to the 2007-08 year.

2. An extended IPA will allow the California Student Aid Commission (CSAC) and campuses more time to resolve specific issues.
3. Develop and approve a revised IPA for 2008-09 by October 2007. This will allow CSAC and campuses adequate time to make system and administrative by the July 1, 2008 effective date.
4. 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, decentralized and the current hybrid model of the Cal Grant delivery system.

Member Jeffery noted that the above discussion was the recommendation from the Grant Advisory Committee regarding the IPA, but added that there were a number of issues where staff and GAC had not reached an acceptable compromise. In such cases, Member Jeffery asked that GAC's recommendations be heard by the Commission and understood that further discussion and exploration may be needed. Chair Lindsey noted that Member Jeffery may have a recommendation plus some; Member Jeffery agreed that the recommendation might be two different pieces.

Motion 1 for IPA: Member Jeffery moved to extend the current IPA with the goal of having a final IPA by October 2007 for the 2008-09 academic year. Additionally, initiate a comprehensive review of the Cal Grant delivery system to better delineate campus and CSAC responsibilities. Motion seconded by Member Robinson.

Discussion: Tom Mays, Manager, Public Affairs Branch, asked if GAC would be providing the above recommendations to staff for immediate consideration as they move to prepare their final responses to the Commission or will the GAC recommendation go right after public noticing and given to the Commission to coincide with responses that GAC has yet to see. Chair Lindsey explained how collaboration between staff and GAC previously occurred:

1. Staff would formulate their responses/position and bring them to GAC for response.
2. Collaboration between staff and GAC would ensue and a joint response would be taken to the Commission.

Chair Lindsey explained that this model for addressing issues has not occurred in the last couple of years. She asked if Mr. Mays wanted to partner in preparing a presentation to help the Commissioners understand any differences between the two recommendations.

Mr. Mays, while not speaking for management, suggested that staff and GAC collaborate early on; share information on an issue simultaneously in an effort to help with final deliberations. Chair Lindsey asked if Mr. Mays was speaking about the motions. He said yes. Member Robinson commented that she has found it frustrating, during recent Commission meetings, to have GAC present an issue to Commissioners and have staff pretend to be surprised by the recommendations since staff had participated in the discussions.

Chair Lindsey commented that staff used to write up the discussion (motions); the Chair did an oral report, and then the oral report became a written report and GAC coordinated the effort. Now, she added, the GAC Chair is sought to provide information on what occurred at GAC to the Commission and the conference calls the day after the meeting, which allowed staff and GAC to ensure that all points had been secured, no longer occurs. Chair Lindsey asked if Mr.

Mays was interested in going back to the previous process; Mr. Mays responded that would be happy to discuss ways to improve the working relationship between staff and GAC.

Tim Bonnel, California Community Colleges Chancellor's Office (CCCC) representative, found it interesting that CSAC wants GAC's recommendations up front and in writing before the Commission meeting. He commented that GAC comes to the meeting fully expecting to have staff recommendations in writing. He commented that it was hard for GAC to serve as an advisory committee to the Commission when walks into a Commission meeting and sees recommendations, for the first time, that were being made by staff and had not been shared with GAC in order for GAC to react. He continued that with information up front, GAC can discuss issues that they support and present another side on issues that are not supported so that the Commission can have a transparent deliberation.

Mr. Mays commented that he believed Catalina Mistler, Chief, Program Administration & Services Division, shared preliminary deliberations on the key issues for the current meeting. He continued that it would have been ideal to have fully-fleshed out responses on the various issues presented at the meeting, but the nature of the compressed timeline makes it difficult to do so.

Chair Lindsey redirected the group noting two things: 1) she acknowledged the willingness of staff to look at working at a more collaborative partnership process between staff and GAC, and 2) refocus on the motion on the floor. Chair Lindsey asked that Member Jeffery to read the motion again; called for a vote; and proceeded to do roll call.

Motion passed.

Motion 2 for IPA: In response to an impasse between staff and GAC, Member Jeffery asks the Commission to consider the following recommendations:

1. Further discussion on the issue of 1) commingling fun and 2) conflicting information in regards to income and asset ceilings
2. Recognition of negative balances and interest compilation (interest-bearing account)
3. Further exploration of alternatives regarding the new IPA (acceptable compromises) which would include 1) determination of California residency and 2) a process for determining "after the fact" high school graduation

Motion seconded by Member Bonnel.

GAC was asked to vote on the amended motion, that included further discussion on conflicting information as it pertains to income and asset ceilings (see recommendation 1), and the original motion that did not included this component.

Motion passed.

Motion 3 for IPA: In addition to the original and amended motions, Catherine Graham, Association of Independent California Colleges and Universities (AICCU) representative, moved to compliment the revised IPA. She motioned that a complimentary self-audit process be established to assist schools in putting together the plan for the revised IPA and to have it as a tool for subsequent years. This would ensure compliance in administering the Cal Grant

program. Veronica Villalobos, Association of Independent California Colleges and Universities (AICCU) representative seconded the motion.

Motion passed.

Motion 4 for IPA: Member Jeffery, after some discussion with members regarding noting another motion, offered the following: That CSAC staff articulate a definition of California residency for purposes of the Cal Grant program that would apply to all Cal Grant recipients and that the institutional responsibility for implementing that definition be limited to resolving conflicting information.

Discussion: Member Graham wondered if the length of the motion would detract from the goal of having a uniform date that all institutions could use. She asked if all the details in the motion were relevant to having one date. Member Jeffery explained that it appeared Member Graham had a different motion; a different issue. That the goal of the current motion was to get to a definition of what constitutes conflicting information and what institutions, both public and private, need to do to resolve the matter; what their responsibility is in implementing California residency.

Susan Gutierrez, California State University (CSU) representative, asked if it was the intent of the motion to verify that the student who self-reported they were a California resident, truly is a resident or if the idea is for institutions to verify every new recipient for which their last attendance shows a California institution. Member Jeffery explained that institutions would be responsible for comparing the initial California residency determination made by CSAC using the prior school attended (for privates) or with your institutional definition if you're a public institution.

Motion passed with one abstention.

Tab 7: Budget Update

Chair Lindsey explained that in the past, GAC provided input on the guiding principles. She asked that the principles be discussed so that members discuss them and possibly make recommendations at the upcoming Commission meeting.

Janet McDuffie, Chief, Management Services Division, discussed the budget and offered the following:

State Operations:

1. CSAC received funding to move into phase two of the Grant Delivery System
2. CSAC asked for increased funding for the Program Compliance Unit to do additional reviews at the school level.

Local Assistance:

CSAC did not ask for anything out of the ordinary. Using an existing modeling system that looks at different factors, staff projects the growth rate of the programs and presents it to the Department of Finance (DOF) for consideration. Ms. McDuffie noted that only baseline adjustments are being completed for this budget and that is driven by the Governor's current

budget policy. At present, the message is for departments not to bring forward general fund increases unless an item in the general fund will be decreased.

Ms. McDuffie explained that CSAC is grateful that members of the legislature and the Governor's Office recognize the benefit of CSAC programs (Cal Grants and Assumption Program of Loans for Education (APLE), in helping students, and are willing to at least fund the baseline increase.

Ms. McDuffie answered questions on the following:

1. Member Jeffery asked how much cushion CSAC maintained for the baseline adjustments. Ms. McDuffie explained that CSAC does not maintain a cushion, but instead look at the "take rate" which is based on historical data. In the past few years, after some adjustment to the entitlement program, Ms McDuffie explained that the cushion has been at about 2%.
2. Member Bonnel, in discussing the Chafee Foster Youth Program, asked if the extra five million dollars was in the governor's budget. Ms. McDuffie said yes.
3. Chair Lindsey asked about the decrease in the Cal Grant C allocation. Ms. McDuffie noted that there had been no change in number of awards, but thought any change would be tied to the historic take rate or the renewal rate.
4. Chair Lindsey asked if there was an increase for Cal Grant C awards. Ms. McDuffie said no.

Ms. McDuffie commented that the Commission has had guiding principles for the budget discussions in the past, but for the past couple of years, there has been a general fund shortage and the Commission was simply trying to maintain and preserve what could be saved in both the entitlement and competitive programs. This year, she added, the Commission seeks maintenance and expansion of certain programs and therefore discussion of principles for the budget will ensure.

Tab 8: Cal Grant/Outreach Update

No specific information noted here. Some discussion mixed with Tab 9.

Tab 9: State and Federal Legislation Update

Steve Caldwell, Chief, Governmental & Public Affairs Division, discussed the following:

1. Initial budget hearing to start the following week.
2. Bill hearings to start next week. CSAC has two bills in the Appropriations Committee.
3. Personal income tax amounts being counted now. The Governor's May revise set to come out on the 15th. Once the May revision is over, budget hearings will take on a more serious tone.
4. Support from the Commissioners will be sought for AB 175 (Cal B excess costs), AB 1551, AB 302 (entitlement, Cal B; tuition and fees for the first year), AB 1578 (foster youth), AB 1540 (Cash for College), SB160 (Dream Act for undocumented students).

5. The APLE Program, along with other assumption programs, are liked by the legislature because payment to the student comes after they've provided the service.

Member Gonzalez asked if the Dream Act also applied to students who were considered under AB 540 (residency issue). Mr. Caldwell said he'd have to look at the issue again because 540 wasn't just for the undocumented students. Authors of the Dream Act had concerns about students not filing their FAFSAs because they have no Social Security Number (SSN). CSAC will be looking to see if an additional form can be used for this cohort of students (undocumented).

Member Robinson asked if a provision was still in statute that only allowed use of the FAFSA. Mr. Caldwell explained that the provision calls for the completion of an application approved by CSAC regulations. Member Jeffery commented that they could still use the FAFSA application, just not submit through the processor. Mr. Caldwell noted that in Texas, the process is a manual one (submit the application by hand).

Chair Lindsey asked about AB 1329 (technical changes to CSAC's membership). Mr. Caldwell explained that the bill is a "spot fill." It's a bill that is sitting out there anticipating some other component of the issue; waiting to see what happens with the particular issue or subject area. The same applies to SB 337. The bill, he added, is sitting in the Rules Committee and has not been assigned to a Policy Committee. Member Bonnel also mentioned AB 1540, which would take 3 million dollars from Ed Fund's operating fund. Mr. Caldwell agreed that this bill is proposed, but not sure it will remain this way.

Mr. Caldwell noted that federal bills are focusing on increases to the Pell Grant and lowering of student interest rates. But, he added, staff is unclear of what will happen until October when the President's budget gets more solidified and passed and the bills start to move in conjunction with the President's budget. Mr. Caldwell listed the following federal bills:

1. HR 5, the Student Relief Act, would temporarily lower the student interest rates to 3.4%, but would expire in 2011.
2. HR 990, the Pell Grant Equity Act, addresses tuition costs for Community College students.
3. HR 1608, The FAFSA Act, seeks to take tax data (Internal Revenue Service-IRS) and mesh it with the data on the FAFSA so that students don't have to fill out the income data and instead, get it directly from the IRS. Member de la Garza expressed concern about the timing and implementation of the changes, noting that changes may come in May. Mr. Caldwell said he'd heard that.

In response to a question from Member Graham regarding the IPA, Mr. Mays explained that institutions will receive their IPA notification through memos, the Fast Blast notification, and having information on the internet. Catalina Mistler, Chief, Program Administration & Services Division, explained that staff will keep communications open should there be any delays, extensions or new developments from the Commission meeting. Member Graham commented that having IPA information earlier would be better. Mr. Mays offered to have a special edition Fast Blast to address IPA issues.

Chair Lindsey acknowledged Member Villalobo's departure from GAC to assume the position of Director of State Government Relations for the University of Southern California (USC). She

thanked her for valuable contribution to the efforts of the committee. Commissioner Friedlander, on behalf of the Commission, presented Member Villalobos with a certificate of appreciation for her expertise and service to the Committee, the Commission, and the state's students. Member Villalobos thanked the group for their support and friendship in doing the work of committee for the past six years.

The meeting adjourned at 3:53 p.m.

Mary Lindsey, GAC Chair