MEETING #399
OREGON STUDENT ASSISTANCE COMMISSION
Friday, June 25, 2010

Office of the Commission – Columbia Room
Eugene, OR

COMMISSIONERS
Brian Lemos, Chair (by phone)
Cap Sharples
Bart Howard
Glenda Melton
Alethia Miller
Ben Eckstein (by phone)

STAFF
Mike Marsh, Interim Executive Director
Beverly Boyd, Executive Assistant
Susan Degen, Opportunity Grant Administrator
Cheryl Connolly, Operations Assistant
Alan Contreras, ODA Administrator
Vicki Merkel, Scholarship & Access Program Director
Peggy Cooksey, OOG Program Analyst
Anna Houpt, Fiscal Services
Carrie Matsushita, Marketing and Development Specialist

GUESTS
Philip Shilts, Oregon Student Association
Bob Kieran, Oregon University System
Emily McLain, Oregon Student Association
Gary Andeen, OR Independent Colleges Association
Brett Rowlett, Lane Community College
Bill Graves, The Oregonian

CALL TO ORDER
Commissioner Bart Howard facilitated the meeting; Commission Chair Brain Lemos participated by phone. Chair Lemos called the meeting to order at 9:31 am. Having a quorum, the meeting proceeded. Commissioner Bridget Burns was unable to attend.

CHAIR/OTHER COMMISSIONER'S REPORT
Chair Lemos asked the Commissioners to report on any activities, including the June 22nd Steering Committee meeting.

Commissioners Glenda Melton, Ben Eckstein, and Howard attended the Steering Committee meeting. Interim Executive Director Mike Marsh stated that the Legislative Concept is moving forward in clarifying the use of loans in the calculation of Oregon Opportunity Grant awards for students. Initially, the proposed change considered by the Steering Committee would have removed loans from the student share for the first two years of college for all students and included loans for the last two years of OOG eligibility for all students. The Steering Committee also discussed whether community college students would continue to have the same protections that currently exist in statute. The Steering Committee voted unanimously to remove altogether language that addresses loans in the student share; this would give the Commission more flexibility when considering the makeup of the student share. The Steering Committee stated that they did not want this change to reduce the amount of aid that goes to community college students. Fairness and equity would need to be retained between the sectors.

The Steering Committee discussed funds available for 2010-11 Opportunity Grants. The Oregon University System (OUS) will offset its portion of the $4.2 million 2009-11 allocation reduction for the Oregon Opportunity Grant. The OUS will also offset their share of the OSAC Emergency Board (E-Board) request. This will reduce the request for funds from the E-Board in September to about $3 million. OUS will be paying a total of $4.3 million, paying for a portion of the OUS share of OOG

awards. This is only a fund shift for the 2010-11 award year; it will not change how the OOG is administered. The Steering Committee also discussed the 2011-13 agency request budget for the OOG.

As part of the budget development process for 2011-13, OSAC must propose reductions of up to 25 percent. The Steering Committee recommends reducing the number of students to receive an award but maintaining the dollar amount of the award.

Commissioner Howard asked if the funds paid to the OOG from OUS will need to be paid back to OUS at some time in the future. Mr. Marsh confirmed that the funds will not be paid back to OUS. Mr. Marsh thanked OUS for stepping forward as a partner and helping with this issue.

Commissioner Howard reported on the progress of the Executive Director position. The search has been narrowed to five finalists. Interviews will take place Tuesday, June 29. Two finalists will be selected to continue.

EXECUTIVE DIRECTOR'S REPORT

Mr. Marsh will work with the selection committee to identify stakeholders to join the committee in the selection process. OSAC staff members will also be included.

The consent agenda policy will be put on the July meeting agenda and action will need to be taken.

Unfilled staff vacancies, along with other small reductions, are included in the $132,000 operational budget reductions. These reductions have taken away all flexibility within the agency operating budget and we will need to manage the budget closely.

The Legislative Emergency Board

In May, Mr. Marsh went before the E-Board to request the $5 million special purpose appropriation approved during the February 2010 Special Session. The E-Board supported the importance of scholarships and grants for students. Mr. Marsh could not guarantee the Legislature that OSAC would not overspend grant funds due to the number of students arriving in September. However, the controls implemented by the Commission were discussed. The Steering Committee has supported reporting of pre-enrollment estimates from all three sectors by September 1, 2010. OSAC will present these estimates at the E-Board meeting on September 22, 2010. Mr. Marsh also noted that remaining funds available for 2010-11 may not be sufficient for OSAC to meet Maintenance of Effort requirements for the federal LEAP and SLEAP programs.

Commissioner Eckstein asked for the definition of "Maintenance of Effort (MOE)". Mr. Marsh explained that MOE is a requirement for some federal programs that requires grant recipients to maintain a certain level of state/local fiscal effort to be eligible for full participation in federal grant funding. Grant recipients not meeting MOE requirements face loss of related federal funds.

Commission Liaison

Mr. Marsh proposed to have each Commissioner, with the possible exception of the Chair and Vice Chair, become a liaison to a department/section within OSAC. Commissioners would voluntarily choose their section such as ASPIRE, OOG or IT and budget management. Closer contact and communication would occur between these programs and their liaisons. Commissioner Howard compared this proposal to Commissioner Sharples being the liaison with ODA. The Commissioners volunteered for the positions as follows:

- Commissioner Lemos: ASPIRE

- Commissioner Howard: IT and Budget Management
- Commissioner Melton and Miller: Steering Committee and OOG
- Commissioner Eckstein: Scholarships
- Commissioner Sharples: ODA

ODA ADMINISTRATOR'S REPORT

Program Activity

Alan Contreras, ODA Administrator, stated that June has been a very busy month; there have been 13 inquiries from potential applicants or schools with renewals. Mr. Contreras will present a series of short rule hearings at the July Commission meeting.

The recruitment for the ODA program evaluator position closed on May 25. Interviews will begin June 29. Mr. Contreras would like to have the successful candidate in the office by mid July. Mr. Contreras would like to make ODA's operation more structured; this will be his goal during his remaining year. Commissioner Lemos asked Mr. Contreras to present a proposal to address these issues. Mr. Contreras stated that after the program evaluator position is filled, ODA will no have to use contractor's much to fill reviewing needs as broad use of contractors does not work very well in this function.

Gary Andeen, Executive Director, Oregon Independent Colleges Association, asked Mr. Contreras what his thoughts were on how Oregon handles the proprietary sector. Mr. Contreras stated that the proposed regulations came from the Department of Education last week. The rules that have been drafted to deal with the State authorization are excellent. There will be an increase in regulation of proprietary providers. As to who will be doing the regulating, DOE would like the accrediting bodies to do it; the accrediting bodies do not have a regulatory set up. The main issue is to divide the regulatory oversight between the Feds and the accrediting bodies. He stated that the accreditors do not want to suddenly discover that they have to do things that they were not prepared to do. They also do not want the federal government telling them how to do their business. The policy issues that are being looked at are cost of degrees issued at for-profit institutions, recruiting practices, practices regarding claims made about jobs and job placement, loan default issues and if they are greater at proprietary schools than in other institutions. The gainful employment provision is also being looked at. Mr. Contreras believed that there would be some additional regulatory oversight and expectation of for-profit providers. This could be along the line of admissions and recruitment. Oregon does not allow multi-term contracts, multi-term tuition billing and multi-term commitments to draw on federal financial aid. Many states do not have a provision like this.

PUBLIC COMMENT

No public comment

SCHOLARSHIP & ACCESS

Vicki Merkel, Scholarship and Access Program Director, reported that scholarship award processing is 99.9 percent complete. Ms. Merkel reviewed the donor training packet that was distributed at the May Commission meeting and provided answers to the quiz covering the Scholarship Program. Carrie Matsushita, Marketing and Development Specialist, presented an overview of the eligibility criteria worksheet which establishes the specific intent of the donor; OSAC does have Administrative Rules that govern their ability to make scholarship awards. Ms. Matsushita announced her retirement effective September 1, 2010.

ASPIRE update

Ms. Merkel announced the renewal of the TG Public Benefit Grant program from Texas. ASPIRE will be awarded funds for 33 partnership grants, and a part-time training position. ASPIRE is currently participating in the federal College Access Challenge Grant application for 2010-11; OUS will be the Governor's designated administrator for the grant. When received, this grant will fund 45 to 50 new ASPIRE sites and two FTE. A second year grant from the Oregon Community Foundation is also a possibility, which would also be used for partnership grants.

ELECTIONS

Chair Lemos asked for the elections to be advanced on the agenda due to a low phone battery. Commissioner Howard opened the floor for nominations for Commission Chair. Commissioner Alethia Miller nominated Commissioner Howard for the Chair position. Commissioner Howard accepted the nomination. Commissioner Lemos seconded the motion. The motion passed unanimously.

Commissioner Howard nominated Commissioner Lemos for the Vice Chair position. Commissioner Lemos accepted the nomination. Commissioner Sharples seconded the motion. The motion passed unanimously.

OREGON OPPORTUNITY GRANT UPDATE

Susan Degen, Opportunity Grant Administrator, requested that the Commission approve actual wording for the legislative concept, or withdraw the concept. The final deadline for submission of language for placeholder legislative concepts is July 14, 2010. The Steering Committee at the April meeting discussed making adjustments to the loan consideration portion of the student share as it currently exists in ORS 348.205(4). The student share currently outlines what the student share for a community college student would be; in section D it adds a consideration of a loan component to the student share for post-secondary institutions that are not a community college. The Steering Committee discussed having potentially no loan component for all students during their first two years of eligibility for the OOG grant regardless of the institution they attend. The loan component would be added to all students for their third and fourth years of eligibility. Ms. Degen presented wording representing this discussion at the May Steering Committee meeting; this was not received well by the Steering Committee. They requested running a scenario that would look at the student share being the same for students regardless of the type of institution they were attending. The result for the 2010-11 award year would have eliminated OOG eligibility for all but five community college students. Under this scenario, the student share would have been $8,400 for all students; it is currently $5,400 for community college students.

This triggered a long discussion at the Steering Committee which included arguments that community college students have loans just the same as other institution students, but the Shared Responsibility Model (SRM), as it currently exists in statute, specifically seeks to protect community college students from being burdened with loans. The discussion ended with an agreed proposal to remove paragraphs (c) and (d) from 348.205(4), and defer to the Commission to determine the extent to which the student share should or should not include an assumption of borrowing at some level. It would give the Commission complete flexibility to determine loan levels for students at different institutions. Verbiage would not be included to guarantee community college students a different loan burden than students at four-year institutions. The second proposed revision was to extend the sunset date for the Steering Committee from 2012 to 2016, adding an additional four years to the Steering Committee commitment.

Commissioner Howard asked for staff recommendation on these changes. Ms. Degen responded that eliminating the loan language does not mean that follow-up issues would not be taken to the Steering Committee. The Steering Committee is in statute, and it is their job to advise the Commission on how

the formula is structured. Mr. Marsh informed the Commission that guidance from the Commission is needed if the Legislative concept is to move forward.

Commissioner Sharples was surprised that the Steering Committee agreed to give more flexibility rather than keeping protection for each sector in statute. Mr. Marsh responded that the sectors were trying to think about it in a context other than sector by sector. Instead of adding words to the statute they felt it was better to remove paragraphs (c) and (d).

Gary Andeen, Oregon Independent College Association, commented that having a no loan assumption at community colleges is a very large and expensive protection in a time of shrinking resources. A small loan expectation may need to be in place. Several scenarios will need to be run to maintain balance between the sectors. Leaving the $3,000 protection in place for community college students is an incentive for Oregonians to attend community colleges and not to attend four-year institutions.

Brett Rowlett, Lane Community College, stated that he has spoken to several community college presidents who are discouraged by this language. This could be a breaking point that would put them in opposition to the policy package if it makes it to the Legislature. In the April Steering Committee meeting, it was stated that the community college sector would be open to the discussion of language that would bring a loan expectation to students in their third and fourth years. Mr. Rowlett believes the Legislature set this policy in statute to say that they would guarantee the first two years at a community college. He felt the proposal that came together at the May Steering Committee was a completely different policy than what the community college sector was open to. If this is the language that is settled on, the community college sector will spend its time before the Legislature fighting this policy, which they feel is a step backwards. He feels it is asking the state to change its policy of guaranteeing two years beyond high school for all Oregonians. If we ask them to take it out of state statute, we will not get it back. Mr. Rowlett encouraged the Commission to look at the proposed language.

Mr. Marsh explained that the Commission would submit their version of the wording to Legislative Council and the Department of Justice; in return they would come back with suggestions and changes. This leaves an opportunity for the Commissioners to adjust the wording at that time. The review process needs to be final and submitted by November 1, 2010.

Commissioner Sharples feels like the Commission would be tinkering with the model, he would rather see the model left unchanged and avoid unintended consequences.

Bob Kieran, Oregon University System, stated that the discussion and agreement by the community college voters on the Steering Committee was an attempt to give the Commissioners the ability to look at the structure of the model and have flexibility, rather than endorse any specific behavior.

Commissioner Howard stated that even after this was adopted, the Commission could change the policy about how they administer the program; it gives the flexibility to look at all the scenarios. The Commission would not want to do anything that would hurt one sector more than the others. Commissioner Howard would accept the recommendation.

Commissioner Melton believed that more discussion needed to take place before changing the model.

Commissioner Howard suggested a vote in favor, and then continuing the discussion concerning the verbiage between now and the July Commission meeting. Commissioner Melton would like to see the discussion continue without a vote.

Brett Rowlett stated that the Commission has already put cost controls in place to ensure the community college sector only receives 47 percent of funds. This does not need to be changed.

Gary Andeen stated that the change would equalize the program for all students; the SRM was not intended to give two year's free college education. It was intended to share the responsibility between the public dollar, the private dollar, the family dollar and the student dollar. He felt the reason the community college loan expectation was not part of the formula was because of the opinion that students who graduated from community colleges could not make as much money and should not have to assume as much debt. This is an opportunity to revisit those opinions, to balance the SRM between students and sectors, and to focus on students not sectors. It gives the Commission the opportunity to talk about it, which they cannot do under the current statute.

Philip Shilts, Oregon Student Association, suggested delaying the decision until the Commissioners could speak with Steering Committee members. Commissioners could hold a conference call meeting to make a decision before the July deadline. Mr. Marsh stated that it could be done.

Commissioner Eckstein requested data on different scenarios that could be the result of this change. Mr. Marsh stated that the challenge of running scenarios is the wording creates flexibility in many ways, and there would be too many possible scenarios to create all of them, but they could come up with a few.

Mr. Rowlett stated that if the Commission moved ahead with this proposal, the community college presidents would react immediately. This will be a major concern at the next statewide board meeting, even if the intent was to come back at a later date and scale it back. The presidents will react to the verbiage as it reads now.

Commissioner Sharples asked if the language could be changed to add a loan component for years three and four as opposed to giving the Commission flexibility. Ms. Degen stated that it could be done.

Commissioner Howard asked the Commissioners if they were ready to vote today or if a July phone conference is needed. The Commissioners will conduct a conference call meeting in July to better address the issues involved.

2011-13 AGENCY REQUEST BUDGET

Policy Packages

Anna Houpt presented a summary of the Policy Packages for the 2011 Legislative Session. The figure for the OOG is tied into Legislative intent. The OOG portion of the package has been broken into two packages totaling an additional $30.9 million of General Fund. The first package is the amount needed to meet inflation and related issues that deal with the award amounts, totaling an additional $6 million in General Fund. The second package would be for about $24 million to meet legislative intent by recognizing some of the growth in numbers of students that has occurred. The remaining Policy Package has not changed since being presented at the May Commission meeting. The priority of the Policy Package will be as they are numerically stated in the package.

Commissioner Sharples made the motion to accept the Policy Packages. Commissioner Melton seconded the motion. The motion passed unanimously.

GOVERNOR'S RESET PLAN

A brief overview of the education portion of the Governor's Reset Report was presented by Mr. Marsh, who summarized this part of the just-released report. No organizational changes have been recommended for the OOG. The state will continue to build upon its successful efforts to increase access and affordability using the SRM. The state needs to find ways to fund effective services that increase college graduation rates; doing both is critical to student's success at the individual level as well as a collective level. The reset report recommends that the state build on Oregon's SRM for need-based aid to better manage affordability by connecting pieces that affect student cost but are now handled and budgeted separately.

The press release talks about building on the SRM for student aid. There is no recommendation to change the OSAC organization. The Governor wanted these recommendations to be a discussion item for the campaign. A link to the report will be sent to the Commissioners by email.

APPROVAL OF MINUTES

Commissioner Melton made the motion to approve meeting minutes #398 May 21, 2010. Commissioner Sharples seconded the motion to approve meeting minutes #398. The minutes were approved by majority vote.

OTHER BUSINESS AND ADJOURNMENT

There being no other business, Commissioner Sharples moved to adjourn the meeting. Commissioner Miller seconded the motion. The meeting was adjourned at 12:43 pm.

Respectfully submitted,

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Mike Marsh, Interim Executive Director

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Brian Lemos, Chair

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Cap Sharples, Commissioner

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Bridget Burns, Commissioner

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Bart Howard, Commissioner

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Glenda Melton, Commissioner

Alethia Miller, Commissioner

Ben Eckstein, Commissioner