

MEETING #405
OREGON STUDENT ASSISTANCE COMMISSION
Friday, January 28, 2011
Office of the Commission – Columbia Room
Eugene, OR

COMMISSIONERS

Bart Howard, Chair
Cap Sharples, Vice Chair
Glenda Melton (phone)
Alethia Miller
Ben Eckstein
Gary Weeks
Mike Holland

STAFF

Josette Green, Executive Director
Alan Contreras, ODA Administrator
Vicki Merkel, Scholarship & Access Program Director
Susan Degen, Opportunity Grant Administrator
Anna Houpt, Fiscal Services
Beverly Boyd, Executive Assistant
Cheryl Gallagher, Research Analyst
Gayle Yamasaki, ASPIRE Region Supervisor
Peggy Cooksey, OOG Policy Analyst
Jennifer Diallo, ODA Program Evaluator

GUESTS

Brett Rowlett, Lane Community College
Gary Andeen, Oregon Independent Colleges
Colin Wallace, Moss Adams
Gena Wikstrom, NW Career Colleges Federation
Randy Choy, Oregon Community Foundation
Doug Severs, Oregon State University

John Wykoff, Oregon Community College Association
Emma Kallaway, Oregon Student Association
Amelie Rousseau, University of Oregon
Robert, University of Oregon
Mario Parker-Milligan, Lane Community College
Tracy Reisinger, Marylhurst University

CALL TO ORDER

Commission Chair Bart Howard called the meeting to order at 9:30 am. Having a quorum present, the meeting proceeded.

CHAIR'S/OTHER COMMISSIONER'S REPORT

Chair Howard suggested reordering of agenda items. Commissioner Ben Eckstein made the motion to make the changes to the agenda; Commission Vice Chair Cap Sharples seconded the motion. The motion passed unanimously.

Chair Howard stated that he had been meeting with legislators to better understand the impacts of Senate Bill 242 and meeting with OSAC staff and members of the financial aid community regarding the Oregon Opportunity Grant (OOG). He would be meeting with Josette Green, Oregon Student Assistance Commission's (OSAC) executive director, to complete a three month review. Chair Howard and Commissioner Ben Eckstein had attended OSAC's Town Hall meeting, a regular meeting of OSAC staff.

Commissioner Eckstein helped with OSAC's Operation Clean Out, an effort to better organize the OSAC office space.

EXECUTIVE DIRECTOR'S REPORT

Ms. Green discussed the upcoming legislative session and the importance of OSAC being prepared as the legislative process opened up February 1. She noted that OSAC had sorted through approximately 1,600 bills and acknowledged the work of Alan Contreras and Susan Degen in identifying the bills that have the greatest impact on OSAC. The next item of importance was the Governor's budget to be released February 1, which would be based on the Legislatively Approved Budget from 2009-11 minus allotment reductions. Ms. Green had met with Mary Spilde, the Governor's transition staff person for budget and higher education. The Governor's budget proposes \$94 million for OOG. Governor Kitzhaber had additional funding that he would be using to put in place his priorities. OSAC had been asked to estimate how many additional students could be served with an

additional \$5 million. She noted that the transition team had proposed an additional \$56 million, for a total of \$150 million in total for OOG. She would be attending a meeting with all agency heads and Governor Kitzhaber on February 1 and would know more at that time regarding OSAC's budget.

Ms. Green noted the trend in the increase in FAFSA and scholarship applications. Nationally, a 10 percent increase was expected in FAFSA applications; in Oregon applications were up 53 percent over the same time last year and 112 percent over the prior year. Scholarship applications were up over 15 percent over last year and 83 percent over the prior year.

The final internal audit report was released on December 20, 2010. There were ten items, three of which were high risk and seven at medium. Ms. Green has set an April 1 deadline for completion of the audit items. Currently, four are complete, one is in process, and the remaining five have been delegated to staff for completion.

OSAC has been very active, as Chair Howard had noted, on legislative visits. Ms. Green has been meeting with legislators and will continue to do so over the next few months. She has also met with the Oregon Community Foundation and The Ford Family Foundation, visited various ASPIRE sites, and attended the Oregon Association of Student Financial Aid Administrators (OASFAA) Executive Council meeting; she will be attending the OASFAA conference in early February.

ODA ADMINISTRATOR'S REPORT

Alan Contreras, ODA Administrator, gave a brief report on overall ODA activities.

Mr. Contreras provided the Commission with his retirement date of July 1, 2011. He thanked all the commissioners and their predecessors for the support they have given him over the past twelve years. He has been revising the position description, along with the help of the commissioners to prepare for the recruitment of his replacement.

PLACEMENT AND REPORTING STATUS OF ODA

Mr. Contreras discussed House Bill 2117, which originated in part for the state to respond to the new federal regulation issued by the U.S. Department of Education, effective July 1, 2011, which states that a state that wanted to exempt certain schools from its postsecondary evaluation process, could no longer do so by category, but had to name the institutions. Institutions that already had a legislative charter were fine, but institutions that did not have a charter but were exempt under ORS 348.597, were no longer exempt. HB 2117 would also merge ODA with the private career schools unit of the Oregon Department of Education.

Ms. Green discussed the statute that indicates ODA reporting to the OSAC Commissioners. In the current organizational structure of OSAC, the reporting structure for ODA is not very clear. The ODA administrator position reports to the commissioners, but within the OSAC budget, including facilities and other office operations, are the ODA expenses. They are proposing to align the budget responsibilities along with the reporting structure into the OSAC executive director role. Mr. Contreras stated that it would simply require deleting one sentence from ORS 348.599, and an amendment to HB 2117 could achieve this.

There were concerns about time being spent on HB 2117 if Senate Bill 242 would move forward. Commissioner Gary Weeks stated that it would be important to have amendments prepared for both HB 2117 and SB 242, to make sure the new federal language was in place. Commissioner Mike Holland suggested moving HB 2117 forward dealing with the federal language and to include the governance issues in SB 242. This would keep the housekeeping issues from getting caught up in the political battle over SB 242. Commissioner Weeks said if HB 2117 was not heard, the housekeeping would not be completed, making it important to have the amendments ready for both bills. Mr. Contreras stated that if the merger section was removed from HB 2117, it would not conflict with SB 242.

Mr. Contreras reviewed four items that need attention in HB 2117:

1. The first item is the current bill deals with the federal issue by including a long list of colleges by name, there are two errors that need to be corrected. If the list approach is used, it creates disadvantages as it will require going back to the legislature every couple of years to update the list. He said that Jennifer Diallo, ODA Program Evaluator, suggested revising ORS 348.597 to require ODA to issue a license to operate by name to any school that met the statutory exemptions standards. This would meet the federal requirements and anytime a school's status changed, ODA could handle it internally without having to go before the legislature with updates. The federal requirement is that in order to be eligible for Title IV dollars, a school must have the approval to issue college degrees given to it by name by a state government or state authorizing agency and expressly forbids the authorization by category. This rule came out in November 2010 and will go into effect July 1, 2011. Commissioner Weeks suggested that the Commission give Mr. Contreras authorization to move forward with drafting this amendment and submitting to the Department of Justice for review. Chair Howard agreed. No vote was needed at this time.
2. Mr. Contreras recommended deleting the entire section of HB 2117 that would merge ODA into the Private Career School unit of the Oregon Department of Education (ODE). This language was proposed by staff of the former governor and ODE has made it very clear that they do not want ODA merged into that unit. He believes the future of ODA will be with OSAC or as changed in the SB 242 plan. He sees no reason to pursue this portion of the bill.
 - *Commissioner Cap Sharples moved to propose an amendment removing the section of HB 2117 that merges ODA with ODE. Commissioner Ben Eckstein seconded the motion. The motion was passed unanimously.*
3. Propose an amendment to HB 2117 and SB 242 that the reporting relationship of the ODA Administrator be moved under the OSAC Executive Director. Commissioner Sharples clarified with Ms. Green that the current reporting relationship works personally but not structurally. Ms. Green agreed and stated that it works personally because the personalities work. The structural concerns are that the majority of the ODA budget is under her responsibility but personnel is not. She thinks it makes sense to align personnel, as well as all financial aspects. Currently she approves the ODA budget but Mr. Contreras could choose not to work that way but she would still have responsibility for ODA's budget. Structurally it makes more sense to make this change. Mr. Contreras said the statute says the Commission shall appoint the ODA Administrator. Nothing else about ODA is separated. The budget, the personnel regulations, facilities are all merged with OSAC. He said that Ms. Diallo's position reports to him but it really is part of OSAC. Commissioner Sharples asked how ODA stakeholders would feel about this change. Mr. Contreras' sense was that the schools that ODA works with like to have a sense that they have some kind of direct access to the Commissioners through him. His impression is that there is some mild level of nervousness about the ODA Administrator being melded into an agency where that position could then be assigned additional duties that have nothing to do with ODA work and therefore the ability of that person to focus on the original intent of ODA work would be reduced. Mr. Contreras asked Gena Wikstrom, Executive Director of the Northwest Career Colleges Federation, to speak on this. Ms. Wikstrom stated that Mr. Contreras represented the general feel of the schools that are authorized by ODA. She believes it is important to have the liaison, the individual that has the knowledge and consistency to understand the issues and history as well as working with the schools that are merging into a degree authorization arena. She thinks Mr. Contreras has brought to the Commission some of the issues that are important during that transition period for the schools. This is critical to the ongoing authorization and compliance with the ability to continue to offer degrees. Commissioner Weeks said his biggest concern is that if something were to go wrong with ODA, the legislature, media or public will not hold the ODA Administrator responsible, they will go to the OSAC Executive Director, the person who will ultimately be held accountable, responsible and liable for the operation of the organization. This is a problem when that person is not able to directly manage whoever is in the ODA office. Commissioner Holland stated that ODA and the agency's responsibility in regard to adverse inter-segmental impact decisions have some important history. When the Office of Educational Policy and Planning was disbanded, it was important to make a decision about where ODA lived and where the adverse impact

decisions would be made. It was important that they reside in a place that would not be captive of any particular segment. OSAC became the default home and with the reporting relationship to the Commission rather than to the Executive Director was another attempt to make sure that the authorization decisions were not captive to a particular agency administrator but would have a broad public board appeal to them. If a move is made to say the Commission wants the ODA Administrator to now report to the OSAC Executive Director, that is okay as long as they continue to extend the warranties that this is a function that is not going to be captive of any one sector. That becomes hard to do when you talk about changing that reporting relationship in the context of SB 242 which doesn't have a role in it for independent colleges or proprietary schools. He is not sure he would feel the same unless knowing how SB 242 ended up. If he could be guaranteed that they would continue down the path they are on now with the Commission being independent and outside of the overview of what SB 242 ends up being, he would be okay with that. He would have confidence that there would be enough independence in those judgments and decisions. Commissioner Sharples said that his main concern is the independence of ODA and the value it has to the students who purchase an education through these schools and he would hate to see that diminished in any way by this move. He understands the housekeeping part and who is ultimately answerable for someone who is in Mr. Contreras' position. Chair Howard suggested this amendment and also another amendment added to demonstrate that ODA needs to fit into something broader than what is currently in SB 242. Mr. Contreras stated that the basic problem is SB 242 is conceived as a policy board that relates mainly to the activity of public sector institutions. He does not see things in there that has anything to do with governance. In the new board, the people on that board are interested in the needs and interests of public sector institutions and how they serve the greater community. He thinks there is at least a perceived difficulty there if you were to ask such a board to make a completely neutral decision in an adverse impact case where the public institutions are proposing something and the private institutions object. That is why that function is with OSAC now. There would need to be some sort of instructive language in SB 242 to the effect that the board has to treat all the sectors equally. Commissioner Holland said the only thing worse than excluding independent and proprietary schools from SB 242 would be including them. Mr. Contreras stated that at the moment that board takes control over ODA, it has assumed jurisdiction over all of the proprietary degree granters in the state of Oregon. Discussion to be continued under SB 242 agenda item.

4. Mr. Contreras stated that the ODA fee structure is not sensible right now. When it was set up in 1997, when there were very few programs and schools, it was assumed that ODA costs and staff workload would get much higher for masters and doctorate degrees over associate degrees and certificates. The fee structure was set up with this in mind, but what happens is the exact opposite. The workload for associate degrees and certificates is much heavier and more difficult than it is for a doctoral degree. This is partly because by the time somebody is prepared to offer a doctoral program, they have their act together, they haven't made any recent transitions, there are no issues about what a credit hour is, etc. He would like to propose an amendment to HB 2117 to regularize fee structure for all programs at the level that is currently set for bachelor degrees. This would create a much more sensible reality. Chair Howard clarified that this would be an increase in associate degrees and a decrease in doctoral degrees. Mr. Contreras confirmed this and noted that there are more associate degree programs than doctoral degree programs. The cost for an associate degree would go from \$2,750 to \$4,150 and a doctoral degree would go from \$5,500 to \$4,150. This would likely create a net revenue gain for ODA, requiring less General Fund. He would like to propose this as an amendment to HB 2117. There was discussion on the effort this would take and if it was where the focus should be. Ms. Wikstrom speculated that there would be some conversation and opposition to the increase but thinks that if that is the move that the Commission wants to take, the sooner it gets out to the schools and explain what is going on, they can get back to the Commission with what the overall reaction will be. Mr. Andeen stated that ODA was fee driven and didn't require General Fund dollars. Mr. Contreras stated that currently, approximately 50 percent of ODA runs off of General Fund. The fee structure is supposed to cover all of the time ODA spends on program reviews and working with the approved colleges, but it really doesn't because of the tremendous workload for associate degrees relative to what that fee is. He understands Ms. Wikstrom's issues because a lot of her schools operate programs of this kind, but feels they can work out any issues. Ms.

Green stated that George Naughton, Budget Director for the state, specifically said that if you can go the direction of fees, start looking at fees. There is definitely some interest at the state level at looking at fees to help with the impact of reduction in General Fund. Mr. Contreras was not sure of the numbers, but stated that the loss in one place will be offset by the revenue in another. Chair Howard asked Mr. Contreras to look at what has been done over the last biennium and create a simulation to see how those changes would have affected the numbers over the last biennium. Mr. Contreras said they could generate numbers showing what would happen for the schools that they know are coming in for review over the next two years or that have come in for review over the last two years, to see what the fee differential would have been if it was done this way.

- *Chair Howard entertained a motion to proceed with this amendment. Commissioner Sharples moved and Commissioner Alethia Miller seconded the motion. The motion passed unanimously.*

PUBLIC COMMENT

Matthew Smith, a student at Lane Community College and board member of the Oregon Community College Student Association (OCCSA), spoke on behalf of OOG recipients across the state. Last year he was one of the students who only received a partial OOG award. He was without a place to live part of the time because he could not afford rent for three terms. He is taking 14 or more credits a term and is also a single parent who relies on his financial aid, especially the OOG, to keep him afloat as he goes to school. He asked the Commission to develop a proactive approach for the legislative session. During hard economic times Oregon families need the OOG now more than ever. The program cannot afford to take any more cuts. Speaking for him and students across the state, they hope the Commission will join them in their mission to maintain and seek increased funding for this vital grant.

Mario Parker-Milligan, Board Chair of the Oregon Student Association (OSA) and Student Body President at Lane Community College, reported that OSA, which represents over 100,000 students in public postsecondary education has chosen to prioritize funding for the OOG and ASPIRE as part of their legislative advocacy. With him were four other students representing OSA. OSA has lobbied to increase OOG funding year after year. Last year they worked to secure millions in additional funding for OOG, but were disappointed when OSAC chose to not go to the Emergency Board for the additional funds. They understand that original commitments had been met but had hoped OSAC would request additional funds and set a second deadline so more Oregon families could have accessed need-based aid. OSA will lobby for increased funding for OOG. Mr. Parker-Milligan encouraged OSAC's new executive director, as she continually improves the agency's credibility, to be a partner in OSA's work to lobby increased funding for OOG. He noted OSAC's statistics from July 2010 that indicated 85 percent of eligible students would be denied grants in 2011 without additional funding. OSA hopes that OSAC lobbies directly for additional funding this session regardless of the challenging climate. Students across the state rely on OSAC to provide a vital need-based aid. Mr. Parker-Milligan also asked that OSAC to consider carefully any position it takes on pending legislation. He noted, for example, that OSA has taken a stance against SB 599, the University of Oregon's new partnership proposal. Chair Howard asked if OSA had a position on SB 242 and at that time they did not.

COMMISSION'S POSITION ON SB 242

Chair Howard stated that the Commission did not currently have a position on SB 242 and asked Ms. Green to discuss the importance of OSAC taking a position on the bill. Ms. Green discussed provisions of the bill that would change the agency structure by removing the current seven-member, Governor-appointed commission and replacing it with a higher education coordinating commission. All agency employees and programs would transfer to the coordinating commission. The new entity would primarily coordinate policy and budget for public postsecondary institutions (community colleges, OUS, OHSU) However, it does not provide governance, which is the role of OSAC's current board of commission, hence the importance of the Commission taking a position on the bill. Ms. Green stated that without taking a position, the Commission would be unable to help guide the future of OSAC's mission.

John Wykoff, Government Relations Director for the Oregon Community Colleges Association (OCCA), stated that OCCA and some of their board members have some concerns about the abolishment of OSAC. It was not clear to them what the organization of the new commission would be. They have not taken a position on that piece of it yet but have many board members that are very concerned about putting all of the roles that OSAC plays under a coordinating commission. When asked, they are expressing these concerns to legislators. He also discussed how SB 242 changes community colleges and OCCA's concerns with those changes.

Commissioner Holland stated that SB 242 seems to confuse rather than clarify governance for community colleges. It is not clear what the new commission's role would be in setting goals, policies and direction for community colleges. It creates a policy umbrella to discuss higher education issues in Oregon and then grabs OSAC, which is an operational piece, not a policy piece. He wondered if the proposed board would really do the operational work that OSAC needs. He believes the new commission is unifying and consolidating without appreciating the operating requirements of OSAC. Rather than opposing or supporting the bill, OSAC should express concern about SB 242 and help the Senate Education committee understand those operational requirements of managing OSAC. If the committee still decides to put OSAC under this new umbrella, they need to figure out a way to reconcile the work necessary to run OSAC's programs in this state.

Mr. Wykoff agreed with Commissioner Holland that abolishing OSAC simply to be board neutral it not is a good policy decision. Another issue that hasn't been fully embraced is that creating a new commission creates a new agency and that there would be significant fiscal impact in creating a new agency.

Commissioner Weeks also agreed Commissioner Holland. He stated that his problem with SB 242 is in the difficulty of merging a policy board with a program board. OSAC's testimony needs to show what is done —the numbers of applications received, students assisted, checks written, accounts debited. OSAC is an active working agency. A 15-member board of business men and women that meets as few as four times a year will generate the necessary discussions to determine application dates, fair treatment of sectors. He believes OSAC's best avenue to work on SB 242 is to make clear what kind of work actually goes on at OSAC and clearly state the concerns of OSAC.

Commissioner Melton stated that she is concerned that this new commission may not be willing to take on the governance and supervision required of the many other programs or components that OSAC manages, such as ASPIRE.

Chair Howard asked Randy Choy, Program Officer for Education and Special Funds at the Oregon Community Foundation (OCF), if OCF had concerns about the proposed commission, which would take over responsibility OCF's scholarship programs. Mr. Choy stated that he was familiar with the summary of SB 242. OCF supports the concept of having a coordinated effort, but they have not taken a position on SB 242. In earlier discussions with Ms. Green, OCF has stated that the private scholarship partnership could be very affected by this change, hopefully in a positive way. OCF has been on record stating that any movement to change OSAC as it currently exists concerns them because OSAC administers over 90 percent of OCF's scholarship funds. They want to make sure those functions are taken care of, whether it is with a coordinating commission, a council, or OSAC in its current form.

Commissioner Eckstein asked Ms. Merkel if she had anything to add. She stated that when she skimmed SB 242, it appeared that all of their programs that are in statute transfer over, including the program staff.

Chair Howard stated that it becomes more than the logistics of operations. He attended Commission and other meetings, representing OSAC, 22 times over the past year and was out of the country for six weeks.

Emma Kallaway, Legislative Director for the Oregon Student Association, stated that students were concerned that OSAC staff transferring into the new coordinating commission would be taking on additional responsibilities as part of staffing the coordinating commission. This would appear to keep fiscal impacts for the proposed

commission low but would increase the workload on what appears to be staff that is probably already overworked as it is.

Commissioner Sharples also wondered, at the micro level, how the new commission would be staffed. He believes that the staff that transfer would have additional duties and that this would diminish their effectiveness working with OCF, TFFF, OOG and other programs. He can't see how trying to keep the fiscal impact low would not result in staff taking on additional duties.

Commissioner Weeks stated that in her testimony Ms. Green will talk about the scope of OSAC's work and how much is involved. He believes that OSAC needs to make a point that the current commission works at the ground level and needs to show that they are in favor of some level of that same operation. At the current meeting, there were students, representatives of education facilities, foundations, as well as others attending, who get to talk when they want and say what they want, with all working at the ground level trying to figure out the best way to make program decisions. He said that SB 242 would create a commission that would be a notch above the Higher Education Board. There will be no work at the ground level with the people that are impacted either as recipients, partial program administrators, or others. He wondered if the legislature really wanted to get that much further away from the consumer.

Commissioner Eckstein stated that he agreed with Commissioner Weeks. He feels that OSAC has an excellent source of representation for students, not only having two student commissioners, but having an inclusive process where stakeholders can be heard. He would be very concerned about losing that representation.

Commissioner Miller agreed and also thought that OSAC should voice the concerns but not take a stance at this time.

Ms. Green stated the February 1 meeting is a joint meeting of both the House and Senate and that she will be taking the position of the commission. It gives OSAC the opportunity to make a vital, powerful impact. She stated that after a meeting Chair Howard had with Representative Tobias Read, one of the workforce participants and one of the authors of SB 242, it has become clear that there had been very little thought given to OSAC and that they understand there is some tweaking needed. This is OSAC's opportunity to take a position. Ms. Green had the opportunity to speak with the Acting Executive Director of the Higher Education Coordinating Board (HECB) in Washington State, it is a similar board. They have retained their governor-appointed citizen committee. The committee works within and reports to the HECB.

Commissioner Holland stated that it would be important for Ms. Green to say at the hearing that OSAC does not have any concern or objection to becoming part of what they describe as development of state goals and accountability measures. If OSAC states that they see themselves being included in the list of organizations that would be subject to the state goal setting and planning, and that there is real interest in developing a consolidated investment budget for higher education that takes a comprehensive view of where the state is spending its money, it shows that OSAC sees a responsibility to be a part of that budget priority setting discussion, not saying they want to be part of the governance model but want to be part of the conversation and the policy framework.

Ms. Merkel stated that there have been very few policy conversations that the commission has had to weigh in on regarding private awards. There have been Oregon Administrative Rules that have needed the commission's action but they have not been part of developing new scholarship rules and criteria.

Brett Rowlett, Director of Governmental and Community Relations at Lane Community College stated that OSAC is very unique in that they have an expertise of the student perspective and the financial aid community. That expertise is required when running incredibly complex programs that use \$100 million of taxpayer's money. SB 242 doubles the size of the current commission, includes student representation from OUS and community colleges, but not the private sector, basically giving students half the say they have now, with a board that will probably have half the knowledge of the financial aid world that is needed for these programs. He stated that the

Shared Responsibility Model is not easy to understand and the expertise is needed to run this \$100 million program.

Mr. Wykoff stated that OCCA wants to be part of the coordination and that it makes sense for the state to recommend and coordinate investments then set measurements for how well the money is being spent. They do not agree with changing the governance structure.

Jennifer Diallo, ODA Program Evaluator, stated her concerns regarding ODA being dissolved under SB 242 and the future management of the 200 programs that ODA currently manages.

Chair Howard clarified that OSAC should not take a position against or for SB 242, but to carry forward the concerns of OSAC.

Commissioner Sharples said that after listening to everyone, it was clear to him that this is one of the few opportunities where OSAC allows a representative group of knowledgeable people to enter in on the day to day decisions that can affect students. On a micro level, there is a representative group that people who are directly serving students in a very important way, get to weigh in. All of the employees of OSAC always have the best intentions but it is very valuable for the intended group to weigh in on the factors that affect students. If that goes away, he believes this will clearly harm students.

Gary Andeen, President and CEO of Oregon Independent Colleges Association, stated that he would want Ms. Green to represent his sector. He is concerned about OSAC losing its independence and on-the-ground aspects to the agency. He presented a proposed amendment to SB 242 that suggested what the coordinating commission should do, which would be separate from the previous conversations.

Commissioner Weeks stated that he would like to see a letter from OSAC that summarizes the concerns and those impacted by SB 242 that Ms. Green could present to the committee.

Commissioner Eckstein agreed with Commissioner Weeks' suggestion.

Ms. Green asked for a summary of the Commission's position on SB 242.

Commissioner Eckstein stated that he sees the Commission's position as support to keep OSAC as an independent governance structure over the agency. This is a source of protection for students, the work the commission does, bringing stakeholders into the process; those are the reasons why OSAC should remain as it currently is.

Commissioner Sharples stated that the commission oversees at a micro level but the coordinating commission would oversee at a much higher level, creating policy. He is concerned that the micro concerns that affect students would be overlooked.

Chair Howard stated that Representative Read understands the need to keep tweaking SB 242. He doesn't think that as a commission, they can say at this time that they support or oppose SB 242 but that they believe that can be most helpful to the state of Oregon by keeping the commission together as it currently stands.

Ms. Kallaway stated that she could not speak on OSA's stance but that they value and appreciate the commission's due diligence in the necessary small steps that are needed to execute the OOG successfully. They do support the valuable student input that is part of OSAC that would not be part of the coordinating commission.

Commissioner Eckstein stated that although students were not taking a stance on this, his understanding was that students, in the broader restructuring issues, they support student representation that OSAC provides.

Commissioner Holland said that in the commission's communication with the legislator's, it is important to make it clear what the work looks like. That it is not that they are fighting the ideas of SB 242 but pointing out the practicality of how it is that the commission does its work and gets its business done, which does not look like the policy work that is described in the bill.

Ms. Green thinks it is a terrific opportunity for OSAC to help shape the direction of SB 242.

Commissioner Eckstein thanked Ms. Green for the work she has done on building relationships and improving the credibility of the agency which has given OSAC the opportunity to help shape SB 242.

Chair Howard wanted to see the letter drafted and reviewed by the commission but did not think a vote needed to be taken.

Commissioner Miller wanted the letter to include the concern of who would take over the current ground level representation of the programs; a commission meeting quarterly would not meet that representation.

Chair Howard clarified that Ms. Green and staff would draft the letter and get it to the Commission on Monday for review.

Mr. Choy reiterated that while preparing testimony, it would be important to impress upon the legislative body the size, scope and history of the private scholarship program, the strong partnerships OSAC has with OCF, TFFF, US Bank, as well as others that they may not be aware of. There is a lot at stake for them collectively for the scholarship administration abilities to serve students, especially as they continue to grow and help more student gain access to higher education.

Chair Howard asked Mr. Choy to provide the number of scholarships and dollar amount they have put out over the last ten years. He would like to provide as large a number as possible.

SCHOLARSHIP AND ACCESS PROGRAMS

Vicki Merkel, Scholarship and Access Program Director introduced the newly updated OSAC At a Glance, previously Quick Facts. She clarified that many of the statistics shown were a snapshot in time, hence the new name.

Ms. Merkel stated that they have completed all ASPIRE hiring and now have a staff of 10 counting herself on the ASPIRE team. She gave an overview of the new staff, their positions and backgrounds; recent training the ASPIRE team had participated in, upcoming regional meetings; and ASPIRE site recruitment. There are three new ASPIRE sites, Willamette High School, Crook County High School, and the Native American Youth Authority. They are recruiting not only high schools but also community organizations, tribes, parks and recreation entities, and libraries.

Ms. Merkel shared that at the last College Goal Oregon session at Lane Community College, students were able to follow her presentation online and participate interactively using the campus WiFi access. She encouraged the student commissioners to help keep OSAC aware of how students are using technology on campuses; the live interaction was helpful to the students and OSAC staff. She also noted the increased number of returning older workers who had some college attempts that attended the sessions. She thinks this will create challenges when reviewing transcripts for scholarship applications.

Commissioner Eckstein asked about the College Access Challenge Grant (CACG). Ms. Merkel stated that year 1, the sub-grant is through August 15, and the E-Board authorized positions and funding through June 30. The federal grant is for an additional four years but the state is dealing with it one year at a time.

Ms. Merkel gave an update on scholarship application processing. She recapped the numbers applications started: As of January 24, 2011, 15,072 applications had been started, at this time in 2010 there were 13,270, and in 2009 there were 8,314. They have started the review process.

Ms. Merkel and Cheryl Gallagher, OSAC Research Analyst reviewed the grant and scholarship statistics provided in the OSAC At a Glance and additional handouts. Chair Howard asked, in regards to scholarship awarding, if there were any trends over the last few years showing a greater percentage of awards going to one sector over others. Ms. Gallagher said that in comparing this year to last year, the Oregon University System institutions increased in terms of the number of awardees and dollar amount, while the community college and private non-profit sectors number of awardees and dollar amount went down. She is still analyzing the data to determine the factors around these statistics.

Commissioner Holland noticed that there was no reference to the Commission in the OSAC At a Glance. He would like to see information about the Commission, who serves on the commission and what the work of the Commission looks like.

Ms. Merkel announced that she had accepted a new position with the Higher Education Coordinating Board (HECB) in the state of Washington as the Associate Director of Financial Aid. She will work with Ms. Green on the timeline. Chair Howard gave kudos to Ms. Merkel on her implementation of ASPIRE and expansion of the scholarship program. He said that she has a terrific legacy she is leaving in Oregon and that Washington will benefit from her experience. Commissioner Melton congratulated Ms. Merkel. Ms. Green thanked Ms. Merkel and stated that in the short time they have worked together it was very clear to her what Ms. Merkel had contributed to the office in her leadership, management, as well as her loyalty and dedication to OSAC. Commissioner Eckstein thanked Ms. Merkel for her dedication to students, stating that it has been very empowering working with her, seeing that at the heart of everything she does is the mission of serving students. Mr. Andeen said that Ms. Merkel has done a great job working with the legislature, watching her in workgroup committee meetings wrap legislators around her fingers. Commissioner Sharples said he thought she displayed genius in how she conceived of a program and developed ASPIRE. The whole of ASPIRE is an exceptional display of her abilities.

POST SECONDARY EDUCATION IN OREGON

This item was deferred to the February 28, 2011 Commission Meeting.

QUARTERLY FINANCIAL REPORT

Anna Houpt, OSAC Fiscal Service Coordinator, reviewed the quarterly financial report provided as a handout. The format of the report was discussed, which was designed to give a high level summary. The full report would be approximately 17 pages. Chair Howard would like to have the detail available if needed but thinks the summary is enough. If there is a particular expenditure coming up, having the additional detail to review would be helpful. Commissioner Holland asked for some clarification on the report and how they could better understand what they were looking at around reporting dates and dollars. He said it would be helpful when presenting a monthly or quarterly report, if there are any issues that the Commission needs to be aware of, that Ms. Houpt and Ms. Green discuss how to bring the issues forward with as much detail as needed. Chair Howard suggested flagging the issue on the report. The Commissioners agreed with this. It is important for staff to make them aware of any problems because they can't do their jobs as Commissioners without relying on staff to make sure they are aware of any potential issues.

INTERNAL AUDIT

Colin Wallace of Moss Adams reviewed the internal audit report and the legislative requirements. The preliminary results of the internal audit risk assessment were presented to Commission members on December 20, 2010. The main areas of focus for the next audit cycle should be financial reporting and budgetary controls, including high risk processes.

The first internal audit being proposed is the review of the financial reporting and budgetary controls. This would identify key internal controls, gaps in the process and, as a deliverable, would be a report which identifies each of those items and develops a plan to monitor the effectiveness of those internal controls over time.

The second internal audit would be on information security. Outside of disbursing funds, OSAC houses a lot of personal information from the FAFSA and private scholarship applications that includes social security numbers and personal financial records. This internal audit would look at information technology security protocols, including compliance with statewide data classification policy. As a requirement, OSAC has to identify the information as instructed in the classification policy. The higher the level of personal information, the more protected the information needs to be.

Moss Adams is proposing potential internal audits to perform and working with OSAC needs to prioritize when they will be done. An internal audit, in compliance with the legislative rule, must be completed by the end of June 2011. The Commission needs to select one for the June date and the other can be deferred until the first half of the next biennium. Ms. Green recommended that the Commission to move forward with the financial audit for the June 30 deadline and the information security audit for the first half of the next biennium based upon her level of confidence in those particular areas and the scope of the audit. Chair Howard asked for clarification that the indication that Ms. Green has more confidence in the Information Technology group that they can put the information security off right now. Mr. Wallace added that Moss Adams has been making recommendations for the past couple years and OSAC has been following through with their management action plans. There has been a lot of improvements made in the area of security, door sensors have been added, and the virtualization of the servers, which reduces the risk, combined with the penetration testing done by Moss Adams a couple years ago, it is safe to put this off.

- *Chair Howard asked for a motion to proceed with Ms. Green's recommendation. Commissioner Eckstein moved the motion. Commissioner Holland seconded. The motion passed unanimously. Commissioner Melton was not on the phone for this vote.*

Ms. Green discussed high risk areas in the audit. Ten audit exceptions were highlighted, three high risk, and seven medium risk. The high risk items deal with Information Technology (IT), OOG, and ODA. Two of the three have been completed. The first item deals with IT's security of sensitive information, which required writing policies and they are now in place. The second item was ODA needed to establish a level of oversight of individual reviews. A policy has been put in place and acted on. The third item is the impact of the state budget cuts on OSAC. They have put into place an advisory committee that has met. Ms. Green found that OSAC's awarding system did not have an element in it that limited the dollars. This system has been upgraded enabling them to install the number of dollars to award and have it cutoff at that point. These measures have been put in place and they are on the way to completing this audit exception. Mr. Wallace commented that Ms. Green is very new to the organization and is very supportive of the internal audit function, as the board members have been. It is important to have this support if an internal audit is expected to work.

OREGON OPPORTUNITY GRANT

Proposed Plans for 2011-12 Academic Year

Ms. Degen reviewed the recommendations made by the OOG Work Group for the 2011-12 academic year, which include components of the Shared Responsibility Model:

Student Share:

Continue current calculation process for setting the student share, which is based on the number of hours a student can be expected to work at Oregon minimum wage. The student share would be \$5,500 for a community college student and \$8,500 for students at 4-year institution, including an additional \$3,000 in student loans. These numbers reflect an increase of \$100 over the student share amounts for the 2010-11 academic year, due to a \$0.10 per hour increase in the Oregon minimum wage.

Family Share:

Continue with the current practice of using the expected family contribution (EFC).

Federal Share:

Retain current practice of using estimated Federal Pell Grant awards, based on EFC. The Pell grant tables for 2011-12 are expected to be released on February 1. If Pell Grant awards are reduced, OOG awards would need to be recalculated.

Discontinue using tax credits. Many OOG recipients have a zero EFC and have maximum need. The workgroup determined that using the tax credits as part of the calculation doesn't help. For 2010, all students who are at full need are being assessed \$1,000 in refundable tax credits, whether or not they are able to or intend to file a tax return to qualify for the refund. Ms. Degen understands that a fair number of students who would potentially be able to get the \$1,000 refund will not because of the way their financial aid is structured and the way the tax code is structured.

Pro-rata Reduction:

Remove the pro-rata reduction. The pro-rata reduction subtracts an additional percentage of the student's EFC as part of the OOG award calculation... For those students who were at zero EFC, it has a net result of zero.

Maximum Award Amounts:

Retain maximum award amounts for 2011-12 at \$1,800 for community college students and \$1,950 for students at public and private 4-year institutions. The Work Group was aware that the cost of attendance is increasing, but because there is so much demand for the grant and because of the focus on the program at this point, the group felt it was more prudent to retain current award amounts. They did recommend increasing maximum award amounts for the second year in the biennium, depending upon the level of funding and demand for next year.

Reporting Timelines:

Keep as is with disbursement reports due near the end of the final add/drop period, usually about week 6 of a quarter and week 6 or 7 for a semester.

Eligibility Policies:

Many of policies for 2010-11 academic year were put in place because there was so little funding left. The work group hopes to relax some of the policies for 2011-12 and will bring a more specific recommendation to the Commission when it gets closer to fall term.

Discussion ensued on the above recommendations. Mr. Andeen asked if the cost of attendance calculations were discussed in the Work Group. Ms. Degen confirmed that the group had discussed this. She stated that cost of attendance would be based on the average cost for the two public sectors and the straight average across all sectors for non-tuition costs, using actual 2010-11 costs.

Commissioner Eckstein recommended including at least one of the student commissioners in future work groups to allow for the student perspective.

Tracy Reisinger, Financial Aid Director at Marylhurst University, asked for clarification on award amounts and how soon schools would know if a student attending half time in the fall would be limited to a half time award for the rest of year, even if attending full time, as is the policy for 2010-11. It is a concern if such recommendations are not made until November/December because it causes a hardship for students. Ms. Degen said the work group was not making recommendations on disbursements policies at this time but would give schools at least a month's lead time, . Ms. Green stated that her commitment is that in the future these decisions will be out to the Commissioners and the public in a quicker timeframe.

Commissioner Holland made a motion to approve the recommendations noted above. Commissioner Sharples seconded the motion. The motion passed unanimously. Commissioner Weeks was not in attendance.

House Bill 2116

Ms. Degen discussed the specifics of HB 2116. It simplifies the language for how the student share component of the formula for the Shared Responsibility Model is determined by removing language that specifies the mandatory loan component for the student share for students attending 4-year public and private institutions. The Commission would determine the student share based upon type of institution, number of hours of work, and amount of loans. It would be more general and less prescriptive than current statute. An additional change would extend the sunset date for the Steering Committee from January 2, 2012 to January 2, 2016.

The Work Group recommended withdrawing the bill. The Steering Committee would sunset in 2012 and the student share calculation for students at 2-year institutions as opposed to 4-year institutions would remain the same. Commissioner Holland said the rationale was that no one seemed overly concerned about keeping the Steering Committee. The financial aid officers present at the Work Group meeting noted that the Steering Committee had not delivered as promised on their ability to help provide guidance to the programs and work. A smaller working group of financial aid officers could as effectively perform that advisory function.

Brett Rowlett, Legislative Director at Lane Community College, supports the Work Group's recommendations. The Steering Committee put in good work but the Work Group will get more work done.

Emma Kallaway, Legislative Director for the Oregon Student Association, said that students have said they are always appreciative when elected officials are involved in a financial aid process. They appreciate the checks and balances and are not sure that an internal committee would create that same structure. OSA encouraged the Commission to include both student commissioners and the student association at large.

Mr. Andeen stated that not dealing with the differential in loan expectations between 4-year and 2-year institutions does leave them steering students to community colleges that might do better at a 4-year institution. It doesn't treat the first two years of college the same wherever a student goes, and it doesn't feel equitable when one student can get a \$3,000 break by going to one school over another. He said it was bad social policy but doesn't believe it is something that should be fought this legislative session. It is more important to focus on getting more money into the overall programs. There is an ongoing inequity in that part of HB 2116.

Commissioner Holland made a motion to ask Ms. Green to use her best efforts to see that House Bill 2116 is withdrawn and conversations with OSA and the student commissioners to find out how student voice might be best secured in the smaller setting of the Work Group. Commissioner Sharples seconded the motion. The motion passed unanimously. Commissioner Weeks was not in attendance.

Recommendation for a cutoff date

Ms. Degen stated that an immediate cutoff date was needed. The recommendation from the Work Group was to have staff make recommendations to the Commission after analyzing data on the incoming applications for 2011-12 and the enrollment data for Fall 2010. Enrollment data for Fall 2010 are not yet available, so she used 2009 enrollment data from the IPEDS system to get a sense of how to divide up the money and determine a stopping point. Her recommendation based on everything she has looked at is February 1 for all sectors. Ms. Green said this has everything to do with the increased growth in applications. Commissioner Sharples wanted to know if February 1 was too late. Ms. Degen said the conservative approach can enter into play with the other eligibility policies. At this point staff recommends February 1 as a cutoff date and not limiting awards for the year based on fall term enrollment status or attendance, although that could be necessary at some point. Staff can award more eligible students throughout the year by allowing more time for students to finish updating and correcting their FAFSA data. If a block date is necessary at some point, it will be set closer to the start of the academic year so that most financial aid applications and data are complete. Commissioner Sharples asked if they find February 1 is too late, can the date be set retroactive. Ms. Degen said it could be done but does not recommend it. Mr. Rowlett asked if the February 1 date was using a 100 percent pick up rate. Ms. Degen and Ms. Green said no, they used historical data to project the deadline.

Mr. Andeen requested that OSAC provide an estimate of what it would actually cost to fully fund the program as written in statute; that is, after removing all rationing, what would it cost the state to fund the program the way it was planned. Ms. Green stated that the Governor's office had already requested this. It would require between \$276 million and \$300 million for per year for an annual award of approximately \$3,000. This does not accommodate additional tuition increases. The numbers have not been calculated allowing no maximums or minimums, or other rationale. Ms. Degen would work on this and provide it to the Commission.

Commissioner Holland stated that he would be voting no when this motion comes forward but wanted to explain his reasoning. He fears that some of the things that have happened to the agency over the last few years are going to happen again. Discussion ensued around this. It was agreed that creating separate pools for each sector would be looked at, along with awarding and acceptance processes at institutions.

Commissioner Sharples made a motion to proceed with the February 1 date. Commissioner Eckstein seconded. The motion passed with a four to two vote. Commissioners Howard, Sharples, Eckstein and Miller voted in favor and Commissioners Holland and Melton voted against.

CONSENT CALENDAR

Chair Howard called for a vote to approve the meeting minutes #404 December 3, 2010. The minutes were approved unanimously. Commissioner Weeks was not in attendance.

OTHER BUISNESS AND ADJOURNMENT

Commissioner Holland made a motion to adjourn the meeting. Commissioner Eckstein seconded. The meeting was adjourned at 1:40 p.m.

Respectfully submitted,

Bart Howard, Chair