

Action/Information Item

California Student Aid Commission

Consideration of Guiding Principles for the Loan Program for 2007-08 Budget
Discussions

The Commission is asked to annually adopt loan program guiding principles for budget discussions that the Executive Director and staff may utilize during budget hearings with the Administration and Legislature.

The Fiscal Policy and Long-Range Planning Committee will be discussing the Guiding Principles for the Loan Program for 2007-08 Budget Discussions at its March 22, 2007 meeting. The Committee will report on its recommendations regarding the guiding principles at the Commission's March 29, 2007 meeting.

Recommended Action: Approval of the Loan Program Guiding Principles for the 2007-08 budget discussions

Responsible Staff: Janet McDuffie
Chief, Management Services
and Acting Chief, Federal
Policy & Programs

Proposed Loan Program Guiding Principles for the 2007-08 Budget Discussions

Since 1997, the California Student Aid Commission (Commission) has provided operational and administrative services for the Commission's participation in the Federal Family Education Loan (FFEL) program through the Commission's nonprofit auxiliary, EDFUND.

The Student Loan Operating Fund (SLOF) is used to support the administration of the FFEL Program and other student financial aid-related activities. The monies in the SLOF are state funds within the custody and control of the Commission. The revenues deposited in the SLOF are derived solely from the administration of the FFEL Program.

The Commission has a commitment to continue the administration of the FFEL Program and recognizes that prudent fiscal policies must be in place to ensure the continued viability of both the FFEL Program and EDFUND. Additionally, the Commission must ensure that the SLOF retains sufficient reserves to ensure cash flow, protect against any potential liability associated with its participation as a guarantor in the FFEL program, and preserve funds for the long-term costs of administering a multi-decade loan portfolio. The Commission recognizes that the Governor's Proposed 2007-08 Budget continues to fund the Commission's administrative budget and Cal-SOAP program from the SLOF. However, the Commission is aware that proposed changes to the FFEL Program may reduce loan program revenue and is committed to providing updated financial information to the State as decisions are made.

The following policy principles are the priorities of the Commission, and the Commission urges the Governor and Legislature to support them:

❖ **PRESERVE THE COMMISSION AS THE DESIGNATED GUARANTY AGENCY FOR THE FEDERAL FAMILY LOAN PROGRAM**

- Maintain the Commission as the designated guaranty agency for the state of California under the FFEL Program.
- Continue to support the statutory authority under which the Commission established EDFUND to provide operational and administrative services related to the Commission's participation as a guaranty agency.

❖ **PRESERVE THE STUDENT LOAN OPERATING FUND**

- Maintain FFEL Program Obligations
 - Ensure sufficient funding in the SLOF for both regular, annual FFEL Program operating costs, and the long-term obligations of maintaining a loan portfolio that includes loan maturity dates that extend decades into the future.
 - Maintain a prudent cash reserve in the SLOF for the purpose of ensuring sufficient cash flow to pay the regular operating expenses of EDFUND and related FFEL Program expenses, including providing a cash advance bridge for the payment of lender default claims.
 - Maintain borrower benefits such as subsidizing the Federal Default Fee, if financial conditions permit.
- Maintain Student Financial Aid Related Activities
 - Fund the Commission's general administrative costs, Cal-SOAP program and outreach activities.
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Tab 7.a

- Support options for business diversification to provide additional benefits to student and additional sources of revenue, if financial conditions permit.