

Action Item

California Student Aid Commission

Extension of the Operating Agreement between the Commission and EdFund

Existing law and the terms of the Operating Agreement between the Commission and EdFund provide the framework by which the Commission, as the designated guarantor under the Higher Education Act of 1965, fulfills its responsibilities in the Federal Family Education Loan Program (FFEL Program).

The current Operating Agreement is set to expire on July 1, 2009 and Commission staff is recommending an extension until June 30, 2010 (Tab 3.a).

As detailed in Tab 4, the President released his fiscal year 2010 Budget Proposal, which includes ending the FFEL Program and originating all new student loans beginning July 2010 through the existing William D. Ford Federal Direct Loan Program. This announcement has created uncertainty for the role of guarantors after July 2010. Due to the uncertainty for the future funding for responsibilities of guaranty agencies, staff proposes to extend the Operating Agreement for one year, without any changes at this time. Staff will continue to monitor industry changes and any effects to the Commission's participation in the FFEL Program, including potential changes to the loan program budget and cash flow. Staff will ensure that EdFund maintains the same level of service as required. Commission staff will bring any issues to the Commission for discussion and possible action.

On approval by the Commission, the Operating Agreement extension will be sent to Department of Finance and the Joint Legislative Budget Committee for a 45-day review as required by California Education Code Section 69522 (d)(2). If the reviews by DOF and JLBC result in substantial changes, then staff anticipates presenting the revisions to the Commission for review and approval at its June 2009 meeting.

Recommended Action: Approve an Operating Agreement Extension with a June 30, 2010 extension date and authorize the Executive Director to execute the extension, provided it remains substantially the same after a review by DOF and JLBC.

Responsible Person: Ed Emerson, Chief
Federal Policy and Programs Division

DRAFT

AMENDMENT/EXTENSION

This Amendment, effective July 1, 2009, hereby extends the Operating Agreement by and between the California Student Aid Commission and EdFund entered into on July 1, 2007, as amended on July 26, 2007 and July 1, 2008, as follows:

7.1 Effective Date. This Agreement shall be in full force and effect as of the date first above written and shall continue in full force and effect until June 30, 2010 unless sooner terminated as herein provided. The parties may amend this Agreement for subsequent terms, as allowed by law, by written agreement of both parties prior to the expiration of this Agreement.

Other terms and conditions of the Operating Agreement as entered into, and amended previously, remain unchanged.

The opening paragraph of the Service Level Agreement is amended to read

This Service Level Agreement (SLA) is effective the first day of July 2007, between the California Student Aid Commission (CSAC), a public agency of the State of California and EdFund, a nonprofit public corporation organized under the laws of the State of California and shall continue in full force and effect until June 30, 2010 unless sooner terminated or amended. The SLA shall enumerate specific services to be performed by CSAC and/or EdFund in connection with the Operating Agreement, entered into by the parties effective the first day of July 2007.

Other terms and conditions of this Agreement shall remain unchanged.

California Student Aid Commission

By: _____
Barry Keene
Commission Chair
California Student Aid Commission

By: _____
Diana Fuentes-Michel
Executive Director
California Student Aid Commission

EdFund

By: _____
Samuel M. Kipp III
President
EdFund