

Action/Information Item

California Student Aid Commission

**Consideration of Amendment to the Operating Agreement between CSAC
and EDFUND to Extend the term of the Agreement**

First implemented in October 2002, the current Operating Agreement between the Commission and EDFUND has been extended for the past three fiscal years with minor revisions and is set to expire on September 30, 2006. At the July 26, 2006 CSAC/EDFUND Joint Workshop the Commission directed staff to prepare a draft Operating Agreement Amendment/Extension with a January 31, 2007 extension date and include language indicating that a short extension is necessary while CSAC and EDFUND revise the Operating Agreement to implement or respond to the recommendations of the report from the Bureau of State Audits.

California Education Code Section 69522(d) (2) requires the Commission to submit the Operating Agreement to the Department of Finance (DOF) and the Joint Legislative Budget Committee (JLBC) prior to Commission approval. Upon direction by the Commission Chair, CSAC staff contacted DOF and indicated that the Amendment/Extension would be forwarded to DOF immediately after the August 21, 2006 Commission meeting for review and comment.

The EDFUND Board is scheduled to review and approve the Amendment/Extension at their August 18, 2006 meeting. CSAC staff will report the Board's action to the Commission.

Recommended Action: Approve the draft Operating Agreement Amendment/Extension and authorize the Executive Director to execute the extension, provided it remains substantially the same after a review by DOF and JLBC.

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

AMENDMENT/EXTENSION

The California Student Aid Commission and EDFUND intend to execute a new Operating Agreement by no later than January 31, 2007, which will include such terms as are necessary to implement or respond to recommendations made by the Bureau of State Audits in its Report on the Commission's Administration of the Federal Family Education Loan Program (Audit 2005-120), issued on April 20, 2006. In the interim, to allow sufficient time for development of the new Operating Agreement, the parties have agreed to enter into an extension of the current Operating Agreement.

Therefore, this Amendment dated October 1, 2006 hereby amends the Operating Agreement by and between the California Student Aid Commission and EDFUND, entered into on October 1, 2002, as amended on October 1, 2003, October 1, 2004 and on October 1, 2005, as follows:

1. The term of the Agreement shall be extended for four (4) months, until January 31, 2007, unless sooner terminated under Article V.
2. The "California Student Aid Commission's specific and measurable Performance Goals for EDFUND" as referenced in Article 2.4 and Exhibit C of the Agreement, shall include the "High-level Organizational Metrics" contained in the 2006-07 Loan Program Business Plan. The Commission will evaluate EDFUND's accomplishments of these goals in the context of the actual competitive student loan industry environment and national economy during the year.

All other terms and conditions of the Agreement shall remain unchanged.

California Student Aid Commission

EDFUND

By: _____
Diana Fuentes-Michel
Executive Director

By: _____
Sam Kipp
President