

May 24, 2005

MEMORANDUM

TO: Dr. Layton R. McCurdy, Chairman, and Members, Commission on Higher Education

FROM: Mr. Dan Ravenel, Chair, and Members, Access & Equity and Student Services Committee

**Consideration of Proposed FY 2005-2006
Administrative Budget
South Carolina Teacher Loan Program**

Summary

The General Assembly established the South Carolina State Education Assistance Authority in 1971, empowering it to provide financial assistance to students through insuring and guaranteeing student loans to South Carolina residents. The Authority is a public instrumentality of the State of South Carolina and is governed by its members, who are, by state statute, members of the State Budget and Control Board.

In providing such financial assistance, the Authority has acted through its contractual agent, the South Carolina Student Loan Corporation, a private, non-profit corporation headed by its Board of Directors. In 1973, the Corporation was incorporated for the purpose of acting as the agent of the Authority in performing the functions of making, handling, servicing and providing information about student loans.

The General Assembly designated the Student Loan Corporation as administrator of the South Carolina Teacher Loan Program, a program established by the Education Improvement Act (EIA) of 1984, to assist qualified state residents who wished to become certified teachers in geographic or subject areas of critical need in the state. These loans, first offered to qualified students in 1985, may be canceled at a rate of 20 percent per year for each full year of teaching in a critical geographic/subject area in South Carolina.

According to §59-26-20 (j), SC Code of Laws of 1976 as amended, (Teacher Quality Act of 2000), the South Carolina Oversight Committee shall annually “review the SC Teacher Loan Program.” The Annual Review of the South Carolina Teacher Loan Program (**Attachment I**), released in September 2004, includes the findings and recommendations of the Education Oversight Committee. The report also includes the findings and recommendations of the initial review covering 1984 through 2001 school years (released in May 2002), and the second annual review covering 2001-02 and 2002-03 school years (released in September 2003).

The General Assembly authorized the Commission on Higher Education to establish regulations to govern the SC Teacher Loan Program. The regulations charge the Commission with two primary responsibilities: 1) approval of the annual operating budget associated with administering the SC Teacher Loan Program; and 2) approval of the appropriation request for loans distributed through the SC Teacher Loan Program.

Proposed FY 2005-06 Operating Budget

The following table presents the proposed FY 2005-06 operating budget for administration of the SC Teacher Loan Program and budget information.

Item	FY 04-05 Budgeted	Estimated Actual	FY 05-06 Proposed	% Budget Change
Personnel (salaries/fringes)	\$312,875	\$314,972	\$327,625	+4.71
Contractual Services (computer support /programming)	27,825	27,452	27,900	+0.27%
Other Operating (Rent, utilities, etc.)	51, 675	49, 405	54, 375	+5.22%
Equipment	0	0	0	0
TOTAL	\$392,375	\$391,461	\$409,900	+4.47% Overall

Explanation of FY 2005-06 Budget Request

Personnel (salaries and benefits): The proposed increase from \$312,875 to \$327,625, (4.71% increase), is due to a 4% increase in salaries and a 15% increase in health insurance costs.

Contractual Services: The \$75.00 increase (.27%) in the Contractual Services line item represents a pass-thru cost associated with the Annual Audit by the accounting firm of the SC Teacher Loan Program.

Other Operating: The proposed increase from \$51,675 to \$54,375, (5.22% increase), is due exclusively to postage and supplies. The General Assembly increased the appropriation for the SC Teacher Loan Program from \$3.2 million in FY 04-05 to \$5.3 million for FY 05-06 (67% increase). Therefore, due to the increase in number of loan recipients, the SC Teacher Loan Program will need to increase costs for postage and supplies in the upcoming fiscal year.

The overall proposed budget for the SC Teacher Loan Program (\$409,900) represents a 4.47% increase over the previous year (\$392,375). This amount represents a small increase for additional expenditures (correspondence/communication), given the anticipated increase in number of loan recipients for FY 2005-06.

Recommendation

The Access& Equity and Student Services Committee will meet on June 1, 2005 to consider the proposed FY 2005-06 budget request from the South Carolina Student Loan Corporation in the amount of \$409,900 for administration of the SC Teacher Loan Program.

Enclosures: South Carolina Teacher Loan Program, *Education Oversight Committee, September 2004* (Attachment I).

South Carolina Teacher Loan Proposed Budget for 2005-06 approved by SC Student Loan Corporation Board of Directors, *May 12, 2005* (Attachment II).