



South Carolina Commission on Higher Education

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Mr. Hood Temple
The Honorable Lewis R. Vaughn

Ms. Julie J. Carullo
Acting Executive Director

June 1, 2012

MEMORANDUM

TO: Mr. Kenneth B. Wingate, Chair, and Members, Commission on Higher Education

FROM: Mr. Hood Temple, Chair and Members of the Committee on Access & Equity and Student Services

Consideration of SC Student Loan Corporation FY 2012-2013 Administrative Budget Request SC Teachers Loan Program

Background

The General Assembly established the South Carolina State Education Assistance Authority in 1971, authorizing this entity 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 own 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.

In June 1984, the General Assembly designated the Student Loan Corporation as administrator of the South Carolina Teachers Loan Program, a program established by the Education Improvement Act (EIA) of 1984 to assist students who wished to become certified teachers in the state in geographic or subject areas of critical need. 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 area in South Carolina.

The General Assembly authorized the Commission on Higher Education to establish regulations to govern the SC Teachers Loan Program. The regulations charge the Commission with two primary responsibilities: 1) approval of the Corporation's annual operating budget

associated with administering the Teachers Loan Program; and 2) approval of the appropriation request for loans distributed through the Teachers Loan Program.

Proposed Administrative Budget for FY 2012-13

The following table presents information regarding the previous FY 2011-12 budget request and the Student Loan Corporation’s proposed FY 2012-13 operating budget for administration of the SC Teachers Loan Program.

Item	FY 2011-12 Budgeted	Estimated Actual FY 2011-12	(Over)/ Under	FY 2012-13 Proposed	% Increase Change vs FY 2011-12 Budgeted
Personnel Expenses (salaries/fringes/Social Security/insurance/retirement/Unemployment)	\$280,505	\$280,476	\$29	\$266,000	-5.17%
Contractual Expenses (loan servicing/accounting)	27,675	21,455	6,220	26,282	-5.03%
General Operating (rent/telephone/printing/Postage/supplies/travel/equipment/subscriptions and fees/meeting costs/insurance – general and auto/outreach/contingencies/depreciation)	51,021	57,683	(6,662)	59,676	16.96%
TOTAL	\$359,201	\$359,614	(\$413)	\$351,958	-2.02%

The first two columns in the table display the budgeted and estimated actual expenditures for FY 2011-12. The FY 2011-12 actual expenditures are estimated to be under the amount budgeted by the end of the fiscal year (-\$413), which will close on June 30, 2012. The fourth column, totaling \$351,958, is the SC Student Loan Corporation’s FY 2012-13 budget request for administration of the SC Teachers Loan Program as approved by the Corporation’s Board of Directors, on May 1, 2012. The \$351,958 is 2.02 % less than the previous year’s budget request for administration of the program.

The proposed budget for the SC Teachers Loan Program as proposed by the SC Student Loan Corporation reflects an overall decrease from the previous year’s actual estimated budget.

Under the category of Personnel Expenses (staff salaries, Social Security, group insurance and unemployment), the FY 2011-12 budget request was \$280,505. The budget request for FY 2012-13 under personnel expenses will decrease to \$266,000 which reflects a 5.17% decrease. The FY 2011-12 budget request for Contractual Expenses (loan servicing/accounting) was \$27,675. However, at the close of FY 2011-12, the estimated actual expenses for contractual services is expected to be \$21,455 which is \$6,220 below the amount requested under this budget item. The proposed FY 2012-13 budget request for contractual services is \$26,282.

The Student Loan Corporation's FY 2011-12 budget request for General Operating costs was \$51,021. At the close of FY 2011-12, the actual general operating costs are expected to be \$57,683 (\$6,662 over budget request). Overall, the proposed general operating expenses for FY 2012-13 are \$59,676 which is a 3.65% increase from the previous year's budget request (**See attached Budget- SC Student Loan Corporation**).

Budget Explanation

Under Personnel Expenses, the Student Loan Corporation has automated several processes related to the Teachers Loan Program over the last several years which, in turn, has given Student Loan Corporation the ability to reduce staff and associated benefits/insurance allocated to the Teacher Loan Program. Therefore, personnel costs (salary/fringe and provider costs) will decrease to \$266,000. The FY 2012-13 budget reflects a 5.17% decrease due to this staff reallocation. Under the Contractual Expenses budget category, the loan servicing provider costs are below estimated actual costs (from \$27,675 requested for FY 2011-12 to \$26,282 for FY 2012-13) due increased efficiencies in the Information Services area.

Under General Operating Expenses, increased costs in telephone systems and postal charges are included in the FY 2012-13 budget request. Specifically, the Student Loan Corporation replaced the telephone system during 2012 (23.6% increase) and anticipates inflationary changes in postage costs in the coming year (14.51% increase). Equipment lease(s) and maintenance upgrades, mostly in the print shop and mail room during the FY 2011-12 year, resulted in increased costs associated with new equipment/maintenance leasing agreements. Finally, the Student Loan Corporation moved from their former location at 16 Berryhill Rd, Columbia, to their new headquarters located at 8906 Two Notch Road, Columbia. The Student Loan Corporation will incur insurance and maintenance expenses for both locations until the former headquarters is sold.

Recommendation:

The Access & Equity and Student Services Committee commends favorably to the Commission approval of the SC Student Loan Corporation's FY 2012-13 proposed budget for administration of the SC Teachers Loan Program.

Loan Originations
P.O. Box 21487
Columbia, SC 29221



Repayment Services
P.O. Box 21337
Columbia, SC 29221

William M. Mackie, Jr. Interstate Center • 16 Berryhill Rd. • Suite 210 • Columbia, SC 29210
www.scstudentloan.org • 800-347-2752 • 803-798-0916

May 4, 2012

Dr. Karen Woodfaulk
Director
Division of Student Services
and Veterans Affairs
S.C. Commission on Higher Education
1333 Main Street, Suite 200
Columbia, SC 29201

Dear Karen:

I am enclosing for your review, and for approval by the Commission on Higher Education at its next meeting, the proposed budget for 2012-13 for administration of the Teachers Loan Program. This budget was reviewed and approved by our Board of Directors of the Corporation at its Annual Meeting.

In the first two columns below I have summarized the budgeted and estimated actual expenditures for the 2011-12 fiscal year. The third column, totaling \$351,958, is the amount proposed by the Corporation for 2012-13.

**OPERATING EXPENSES FOR
TEACHERS LOAN PROGRAM**

	<u>FY 11-12</u> <u>Budgeted</u>	<u>Estimated</u> <u>Actual</u>	<u>FY 12-13</u> <u>Proposed</u>
Personnel (salaries and benefits)	\$280,505	\$280,476	\$266,000
Contractual Services (computer support/ programming)	27,675	21,455	26,282
Other Operating (rent, utilities, etc.)	51,021	57,683	59,676
TOTAL	\$359,201	\$359,614	\$351,958

Dr. Karen Woodfaulk
May 16, 2011
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If I may provide any further information regarding either proposed or actual expenditures, please do not hesitate to call me.

Sincerely,

Charlie C. Sanders, Jr.
President & CEO

Cc: Ms. Julie Carullo
Enclosure

South Carolina Student Loan Corporation
Contractual Services Budget for
South Carolina Teacher Loan Program
2012-2013

	<u>2011-12</u>			<u>2012-13</u>		
	<u>Budgeted</u>	<u>Estimated Actual</u>	<u>(Over)/ Under</u>	<u>Proposed</u>	<u>% Incr vs 12 Bud</u>	<u>% Incr vs 12Est</u>
<u>OPERATING EXPENSES</u>						
Personnel Expenses:						
Staff Salaries	197,000	195,106	1,894	186,000	-5.58%	-4.67%
Social Security	13,000	12,800	200	13,000	0.00%	1.56%
Group Insurance	29,000	28,980	20	26,000	-10.34%	-10.28%
Retirement	41,000	43,000	(2,000)	40,400	-1.46%	-6.05%
Unemployment	505	590	(85)	600	18.81%	1.69%
<i>Total Personnel Expenses</i>	<u>\$ 280,505</u>	<u>\$ 280,476</u>	<u>\$ 29</u>	<u>\$ 266,000</u>	-5.17%	-5.16%
Contractual Expenses:						
Information Technology	25,000	18,500	- 6,500	23,632	-5.47%	27.74%
Legal & Professional Services	-	180	(180)		N/A	N/A
Accounting	2,675	2,775	(100)	2,650	-0.93%	-4.50%
<i>Total Contractual Expenses</i>	<u>\$ 27,675</u>	<u>\$ 21,455</u>	<u>- \$ 6,220</u>	<u>\$ 26,282</u>	-5.03%	
General Operating Expenses:						
Rent	8,796	8,796	-	8,796	0.00%	0.00%
Telephone	5,000	5,712	(712)	6,180	23.60%	8.19%
Printing	4,000	4,300	(300)	4,000	0.00%	-6.98%
Postage	25,500	28,000	(2,500)	29,200	14.51%	4.29%
Supplies	2,900	2,300	600	2,400	-17.24%	4.35%
Equipment Lease/Maintenance	1,950	5,800	(3,850)	5,800	197.44%	0.00%
Insurance- General & Auto	2,775	2,775	-	3,200	15.32%	15.32%
Other Expenses	100	0	100	100	0.00%	N/A
<i>Total General Operating Exp</i>	<u>\$ 51,021</u>	<u>\$ 57,683</u>	<u>\$ (6,662)</u>	<u>\$ 59,676</u>	16.96%	3.46%
<i>Total Operating Expenses</i>	<u>\$ 359,201</u>	<u>\$ 359,614</u>	<u>\$ (413)</u>	<u>\$ 351,958</u>	-2.02%	-2.13%
Total Expenditures	<u>\$ 359,201</u>	<u>\$ 359,614</u>	<u>\$ (413)</u>	<u>\$ 351,958</u>	-2.02%	-2.13%