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Executive Director

July 15, 2014

MEMORANDUM

TO: Mr. Hood Temple, Chair, and Members,
Access & Equity and Student Services Committee

FROM: Dr. Karen Woodfaulk, Deputy Executive Director
for Academic and Student Affairs

Consideration of SC Student Loan Corporation FY 2014-2015 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 (CHE) 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 2013-14

The following table presents information regarding the previous FY2013-14 budget request, estimated actual costs for FY 2013-14, the cost difference between the amount budgeted in FY2013-14 and estimated actual costs for FY2013-14, the Student Loan Corporation's proposed FY 2014-15 operating budget for administration of the SC Teachers Loan Program, and finally, the percent difference between the amount requested for FY 2014-15 versus the budget request for FY2013-14.

Item	FY 2013-14 Budgeted	Estimated Actual FY 2013-14	(Over)/Under	FY 2014-15 Proposed	% increase vs FY14 Budgeted
Personnel Expenses (salaries/fringes/ social security/group insurance/ retirement/ unemployment)	\$252,226	\$255,069	(\$2,843)	\$233,950	-7.25%
Contractual Expenses (information technology/ accounting)	27,650	24,826	2,824	28,755	4.00%
General Operating (rent/telephone/ printing/ postage/supplies/ equipment lease/ maintenance/ insurance – general and auto/)	50,095	47,087	3,008	54,440	8.67%
TOTAL	\$329,971	\$326,982	\$2,989	\$317,145	-3.89%

The first two columns in the table display the budget approved by CHE for FY2013-14 and estimated actual expenditures for FY2013-14. The estimated actual expenditures which is expected to total \$326,982, is estimated to be less than the amount budgeted for FY2013-14. The third column displays the difference, in the amount of \$2,989 (estimate) by the close of FY2013-14 on June 30, 2014. The fourth column, totaling \$317,145, is the SC Student Loan Corporation's FY2014-15 budget request for administration of the SC Teachers Loan Program as approved by the Corporation's Board of Directors, on May 6, 2014 and submitted to the Commission on May 28, 2014. The last column shows the percent difference between the Corporation's FY2014-15 budget request from the previous year's budget (FY2013-14) approved by CHE. The FY2014-15 budget request in the amount of \$317,145 is -3.89% (\$12,826) less than the previous year's budget request.

Under the category of Personnel Expenses (Staff Salaries, Social Security, Group Insurance, Retirement and Unemployment), the FY2013-14 budget request is \$233,950 which is an overall -7.25% decrease from the previous FY2013-14 budgeted amount (\$252,226). The decreases within this area are reflected under Staff Salaries in the amount of \$165,000 (-7.30% decrease), and Retirement in the amount of \$31,832 (-20.52% decrease). At the close of FY2013-14, the estimated actual Personnel Expenses are expected to be \$255,069.

The proposed FY2014-15 budget request for Contractual Expenses is \$28,755 and shows increases in both Information Technology and Accounting budget categories. The budget request for Information Technology services is \$25,365 (3.53% increase). The budget request for Accounting services is \$3,390 (7.62% increase). At the close of FY2013-14, the estimated actual Contractual Expenses are expected to be \$24,826.

The Student Loan Corporation's FY2014-15 budget request for General Operating Expenses is \$54,440 (8.67% increase). The FY2014-15 budget request shows a 12.33% increase in Telephone costs (\$6,740) and a 22.25% increase in Postage costs (\$29,340). This year's budget request for Rent (\$8,760) and Insurance/General & Auto (\$1,500) expenses remain the same as the Corporation's budget request for the FY2013-14 fiscal year. Other budget categories - printing, supplies and equipment lease/maintenance reflect a decrease from the previous year's budget request. At the close of FY2013-14, the estimated actual General Operating costs are expected to be \$47,087.

Budget Explanation

The proposed FY2014-15 budget for the SC Teachers Loan Program as proposed by the SC Student Loan Corporation reflects an overall -3.89% decrease from the FY2013-14 budget request. The Corporation does not anticipate significant personnel changes for the next year, and the workforce has remained at a constant level after significant reductions in past years. The Corporation will continue to incur moderate costs for social security, group/unemployment insurance and maintenance. However, the long term strategy to automate several processes since 2012 has given the Corporation the ability to maintain staffing and control costs associated with salaries, benefits, and group/unemployment insurance. One area under Personnel - the defined benefit program (retirement) for employees - is subject to market fluctuations which drive costs (up or down annually). The amount requested by the Corporation for retirement benefits for FY2014-15 is \$31,382 which is a -20.52 % decrease from the previous year's budget request.

Under Contractual Expenses, the Corporation, through the State of South Carolina Auditors' Office, changed auditing firms during the previous fiscal year which resulted in a 7.6% increase in costs for auditing services. Two other budget items under Contractual Expenses, telephone and postage, are higher than last year's budget request. However, the FY2014-15 budget request for printing (-38.59%), supplies (-4.30%) and equipment lease/maintenance (-12.73%) reflect a decrease from the FY2013-14 budget request.

The Corporation's FY2014-15 budget request for the South Carolina Teachers Loan Program in the amount of \$317,145 reflects an overall decrease from the previous year's budget request (\$329,971). According to the Corporation, this decrease is largely

attributed to continued efficiencies by using automated systems when possible. Overall, the Corporation has reduced expenses from \$465,600 in FY2007-2008 to the present budget request of \$317,145 for FY2014-15.

Recommendation:

The staff recommends that the Access & Equity and Student Services Committee commend favorably to the Commission approval of the SC Student Loan Corporation's FY2014-15 proposed budget in the amount of \$317,145 for administration of the SC Teachers Loan Program.