



South Carolina Commission on Higher Education

Mr. Tim M. Hofferth, Chair
Ms. Dianne C. Kuhl, Vice Chair
Mr. Paul O. Batson, III
Mr. Devron H. Edwards
Dr. Bettie Rose Horne
Mr. Kenneth W. Kirkland
Ms. Allison Dean Love
Dr. Louis B. Lynn
Vice Admiral Charles Munns, USN (ret.)
Mr. Kim F. Phillips
Ms. Terrye C. Seckinger
Dr. Evans Whitaker

Mr. Gary S. Glenn
Interim Executive Director

Committee on Access & Equity and Student Services Thursday, March 9, 2017 Main Conference Room

AGENDA

1. Introductions and Approval of Minutes (January 5 and February 17, 2017) Mr. Paul Batson, Chair
2. SC Student Loan Corporation Dr. Karen Woodfaulk
SC Teacher Loan Program
3. Other Business

Adjournment

**South Carolina Commission on Higher Education
Committee on Access & Equity and Student Services**
1122 Lady Street, Suite 300
Columbia, SC 29201

**Minutes of the Meeting
Palmetto Conference Room
January 5, 2017
3:45 p.m.**

Members Present

Dr. Jennifer Settlemyer, Chair
Mr. Paul Batson
Dr. Bettie Rose Horne

Staff Present

Dr. Karen Woodfaulk
Ms. Camille Brown
Ms. Lorinda Copeland
Ms. Carrie Eberly
Mr. Gerrick Hampton
Ms. Elizabeth Jablonski
Mr. Michael Jackson
Mr. Frank Myers
Ms. Vickie Pratt
Ms. Laverne Sanders
Ms. Leslie Williams

1) Introductions and Approval of Minutes

Dr. Jennifer Settlemyer called the meeting to order. Introductions were made by all in attendance. A **motion** was made (Dr. Horne), **seconded** (Batson), and **carried** to approve the minutes of September 1, 2016.

2) Changes to Proposed State Scholarship/Grant Programs *(For Information, No Action Required)*

Dr. Settlemyer explained that the changes in the 10 point scale will affect the scholarships. Dr. Horne asked if anyone within the State Department of Education spoke to the Commission on Higher Education or the SC Lottery Commission staff to understand the impact of these changes. Dr. Woodfaulk replied that although CHE staff attended two meetings, the 10 point scale was presented by the Department of Education as a change to enable SC to compete with other states, especially in athletics. She stated that staff expressed concerns about whether this proposal was thoroughly vetted before making changes from seven to a 10 point scale. She stated that the State Department of Education had a series of meetings and in a period of approximately three months, April-June, the changes were approved by the State Board and went into effect. Dr. Woodfaulk stated that the Commission staff is concerned about this particular issue and the impact that it will have on the state's scholarships.

Dr. Woodfaulk stated that meetings have been held with Mr. Gary Glenn and the Committee Chair, Dr. Settlemyer. She stated that the proposed changes are now being shared with the Committee for review.

Dr. Woodfaulk provided an overview of the Palmetto Fellows Scholarship current eligibility requirements. She said a student must have a 3.5 GPA and rank in the top six percent in the sophomore, junior or senior class with at least a 1200 SAT or 27 ACT score. If a high school does not rank their students, the criteria is higher and students must earn a 4.0 GPA with at least a 1400 SAT or 32 ACT score. Mr. Batson asked about the 3.5 GPA qualification change and funding. Dr. Woodfaulk replied, that presently, the Palmetto Fellows or LIFE Scholarship funds are appropriated by the state. However, she said the responsibility of generating the revenue for scholarships have been transferred by the General Assembly over to the SC Lottery Commission. There is no maximum amount of funding for state scholarships unlike the SC Need-based Grant which has a limited amount of funding for state. The proposed eligibility requirements are: 1) rank in the top six percent of the junior or senior class; 2) remove the sophomore class rank; 3) the SC Uniform Grading Policy (SC UGP) for 2017 would be 3.5; 3.7 for 2017; 3.8 for 2019; and 4.0 for 2020. Dr. Woodfaulk stated that the proposed SAT scores would be 1220 for 2017 and will increase for 2018 to 1240 SAT or 27 ACT; 2019 to 1260 or 28 ACT and 2020 to 1290 or 29 ACT for students that are ranked in the top six percent of their junior or senior class. If a high school does not rank their students, the criteria is a 4.0 SC UGS GPA and a 1420 SAT or 32 ACT score.

Dr. Woodfaulk explained that students can currently earn the minimum full-time course load of 12 credit hours during fall and spring terms and subsequently earn six credit hours in the summer to meet continued eligibility requirements. She stated that it is important to note that in the years of 2020 and 2021, all of the students moving forward will have to meet the requirements for Palmetto Fellows as presented in the progression of increased GPA/scores each year. Palmetto Fellows recipients will be able to use a "Scholarship GPA" with a 30/60/90 credit hour requirement each academic year. Students will have to enroll in a minimum of 15 credit hours after drop/add. The summer term could only be used for recovery or continuation of scholarship, and IB, AP and dual enrollment credit hours would be excluded. She said this may be an issue for students and families because IB, AP and dual enrollment credit hours are presently used for meeting the eligibility requirements.

Dr. Woodfaulk stated that the LIFE Scholarship Program will have similar changes aligned with the proposed progression of increased GPA/scores each year. She said presently at a two-year institution, a student can receive the LIFE Scholarship if the student has earned a 3.0 GPA in high school. At a four-year institution the requirements are two out of three: a 3.0 GPA; 1100 SAT or 24 ACT; or rank in the top 30 percent. Students can receive the LIFE Scholarship for a maximum of eight terms. In the proposed changes for 2017, a student will need to have a 3.2 GPA and a 1100 on the SAT or 24 on the ACT and rank in the top 30 percent of the graduation class. In the proposed changes for 2020 the student will need a 3.5 GPA and 15 credit hours.

Dr. Woodfaulk explained that approximately 49% of the LIFE Scholarship recipients lose their scholarships in the first year even though the students earned the scholarship based on the 7 point scale. She said some of the recipients who lose their scholarships regain the scholarship back. Dr. Woodfaulk stated that it is anticipated that more students may lose the LIFE Scholarship due to the change to the 10 point scale.

Dr. Woodfaulk explained that presently the HOPE Scholarship is limited to two terms at the four-year institutions. The students must earn a 3.0 GPA. The proposal is to limit the HOPE Scholarship to the two-year institutions. She said that this change to the HOPE Scholarship may have implications for the HBCU's and other independent four-year institutions.

Dr. Woodfaulk explained that presently the SC Need-based Grant has an "old" methodology and a "new" methodology together combined to award funds to eligible institutions. In the old methodology, the SC Need-based Grant is given to the institutions based on head count. In the new methodology, the institution receives a second amount of funding based on the number of PELL recipients. The proposal is to remove the head count (the old methodology) and use the new methodology which is determined by number of needy students (PELL Grant). Also, several Financial Aid Directors expressed the need for one uniform system that everyone can understand. Also, the Financial Aid Directors would like to have a

standard, satisfactory academic progress based on federal guidelines (Title IV). Dr. Woodfaulk stated that CHE staff will be working with the technical colleges.

Dr. Woodfaulk explained that presently Lottery Tuition Assistance recipients are required to have a minimum of six credit hours in one semester. The students have to complete the FASFA or receive a FASFA waiver. To determine eligibility for federal aid Lottery Tuition Assistance is awarded to students after federal financial aid and SC need-based aid. Dr. Woodfaulk stated that after a student receives Lottery Tuition Assistance and completes a certificate, diploma, or Associates Degree they can again receive Lottery Tuition Assistance funding after a period of five years.

Dr. Woodfaulk provided an overview for the Palmetto Fellow and LIFE Scholarship Enhancements. She stated that a student can receive an extra \$2,500 in the second, third and fourth year if they are enrolled in an approved math or a science major beginning their sophomore year. The concern is that many students are not required to declare their major until their junior year. However, the present requirement for the scholarship enhancement is for students to declare their major in the sophomore year in order to receive the scholarship enhancement. Dr. Woodfaulk stated that students must have earned 14 credit hours by the end of their first year in college which can include dual enrollment, AP and IB courses.

Dr. Woodfaulk stated that the proposal for the Scholarship Enhancement is to require the students to earn 20 credit hours by the end of their second year in college. In order for students to be eligible for the Enhancement they would have to earn 20 credit hours at the end of the sophomore year instead of the present 14 credit hours at the end of their freshmen year. They must also meet the eligibility for the LIFE and Palmetto Fellows Scholarships and graduate from their first bachelor's degree as an eligible STEM major. The proposal is that if the 20 credit hour requirement and the student graduates with a Bachelor's degree in a STEM major. The student will earn the enhancement if the student attends graduate school, the student would receive \$1,875 per term for a maximum of four terms if enrolled in an approved SC graduate program. The student would receive \$3,750 annual. The maximum four payments would be \$7,500. If the student is fully employed in a math or science occupation in an approved SC business, industry or facility, the student will receive a maximum of four payments per term which is \$7,500. Dr. Woodfaulk shared with the Committee that the proposals would be shared the institutions and the public for input and feedback.

3) Other Business

The **motion** was made (Horne) to adjourned, **seconded** (Batson). The motion **carried**. With no further business, the meeting adjourned at 5:04 pm.

Respectfully Submitted,
Laverne Sanders
Laverne Sanders
Recording Secretary

**South Carolina Commission on Higher Education
Committee on Access & Equity and Student Services**
1122 Lady Street, Suite 300
Columbia, SC 29201

**Minutes of the Meeting
Teleconference
Main Conference Room
February 17, 2017
2:00 p.m.**

Members Present

Mr. Paul Batson, Interim Chair
Mr. Devron Edwards
Dr. Bettie Rose Horne
Dr. Evan Whitaker

Staff Present

Dr. Karen Woodfaulk
Ms. Lorinda Copeland
Mr. Gerrick Hampton
Mr. Frank Myers
Ms. Vickie Pratt
Ms. Laverne Sanders
Ms. Tanya Weigold
Ms. Leslie Williams

1) Introductions and Approval of Minutes

Mr. Paul Batson called the meeting to order. Introductions were made by all in attendance. Dr. Bettie Rose Horne **motioned** to accept the agenda as presented and **seconded** (Dr. Evans Whitaker).

2) Election of the Chair

Mr. Batson stated that the purpose of the meeting was to elect the Chair and Vice Chair for the Access & Equity and Student Services Committee. Mr. Devron Edwards **motioned** to nominate Mr. Batson as Chair. Dr. Horne **seconded** the motion. The motion **carried**.

3) Election of the Vice Chair

Mr. Batson asked for a motion of the Vice Chair. Dr. Horne **moved** to nominate Mr. Edwards. Mr. Edwards nominated Dr. Horne. Dr. Horne requested to be withdrawn for consideration of the Vice Chair. The nomination of Mr. Edwards **carried** unanimously.

4) Other Business

Mr. Batson stated that numerous letters have been received from the technical college presidents. He said there are objections for some of the proposed changes by the Scholarship and Grant Advisory Committee from the technical college presidents. Mr. Batson said that he thinks some of the objections were because of the communication of what the proposals were all about. He said the technical college presidents are now at an understanding that the proposed changes will be a long term process of how the Commission

will proceed. Mr. Batson stated that it is great that the technical institutions have provided their analysis of the proposed changes.

Dr. Karen Woodfaulk provided background information of the origination of the proposed changes. She stated that in March 2016, the College Board redesigned the SAT and adjusted the structure of the SAT. She stated that in April 2016, the SC Department of Education also changed the uniform grading scale from a 7 point to a 10 point. Dr. Woodfaulk stated that the uniform grading scale would force the State to provide an additional \$88 million in scholarship funds by the time the 10-point scale is fully implemented in 2020 and to fund an additional \$30 million thereafter.

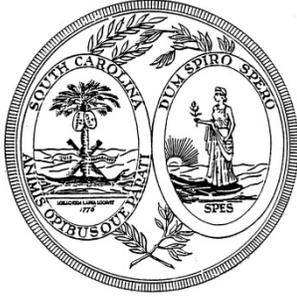
Dr. Woodfaulk stated that the Commission reviewed the scholarship program knowing that this is a two-session legislative period where more than likely the concerns and issues could be fully sorted out. She said the Access & Equity and Student Services Committee was made aware of the proposed changes early in 2016. The Scholarship and Grant Advisory Committee met on January 18, 2017 to review the first draft. She stated that the Access & Equity and Student Services Committee received several concerns and suggestions regarding the changes to the scholarship program. Dr. Woodfaulk stated that comments, suggestions and concerns are still coming in and are being compiled by the staff. The Scholarship and Grant Committee will meet again on February 22, 2017.

Mr. Batson inquired about adding additional representatives from the technical colleges. He suggested inviting any of the technical college presidents to attend the Scholarship and Grant Advisory meetings. Dr. Woodfaulk stated that would be a great idea for the presidents to attend the meetings. Mr. Batson stated that he would report back to the Council Chairman of the presidents from the technical colleges. Dr. Evans Whitaker stated that Mr. Mike LeFever from the Independent Colleges and Universities sent a letter to the presidents of the institutions on February 6, 2016. He stated he did a follow-up reply asking the private institutions presidents to provide input. Dr. Whitaker stated that there had not been any responses except for Spartanburg Methodist College's reply. He stated that there will be some additional input from the independent institutions. Dr. Whitaker stated that he could organize a meeting with the staff and the private institutions presidents and help with the communication. Dr. Woodfaulk stated that Dr. Whitaker's suggestion would be very helpful. She said she had a conversation with Mr. LeFever and reviewed some issues and concerns that the independent presidents might have regarding the proposed changes.

Mr. Edwards asked if there is a plan to reply to the presidents who communicated to the Commission regarding the proposed scholarship and grant changes. He suggested that the Commission should correspond in addition to the Commissioners who received correspondences from the presidents. Dr. Woodfaulk stated that staff will draft a letter for Mr. Gary Glenn to review.

The **motion** was made (Horne) to adjourned, **seconded** (Whitaker). The motion **carried**. With no further business, the meeting adjourned at 2:30 pm.

Respectfully Submitted,
Laverne Sanders
Laverne Sanders
Recording Secretary



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Dr. Evans Whitaker

Mr. Gary S. Glenn
Interim Executive Director

March 2, 2017

MEMORANDUM

TO: Mr. Paul Batson, Chair and Members,
Committee on Access & Equity and Student Services

FROM: Dr. Karen Woodfaulk, Director,
Student Affairs Division

Consideration of SC Student Loan Corporation's Request to Contract with a Third Party Organization to Service the Portfolio of Loans in the 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 (Section 59-26-20). 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.

Request

With the passage of the Health Care and Education Reconciliation Act in 2010, the SC Student Loan Corporation lost all authority to originate new federal loans under the Federal Family Education Loan Program (FFELP). As a result, the SC Student Loan Corporation's portfolio has declined from over \$4.1 billion to \$1.8 billion. Similar declines have occurred with state student loan guarantors around the nation since 2010. The Corporation, upon approval of its Board, has decided to transfer the servicing of their entire loan portfolio to a third party. Several activities associated with the maintenance of SC Teachers Loans were handled by the SC Student Loan Corporation. However, with the anticipated change to a third party servicer for the SC Student Loan portfolio, the Corporation requests approval to contract with a third party entity to service the portfolio of loans in the SC Teachers Loan Program. (Attachment)

The FY16-17 SC Teachers Loan Program operating budget request for personnel, contractual, and general operating expenses (estimated) in the amount of \$326,460 was approved by the Committee on Access & Equity and Student Services on May 5, 2016 and approved by the Commission at its meeting on June 2, 2016. Based on preliminary review of the overall administrative costs associated with SC Teachers Loan Program, utilizing a third party servicer will significantly increase costs for FY17-18. The SC Student Loan Corporation in a preliminary review, estimates the cost to administer the SC Teachers Loan Program through a third party servicer (charging market rates) will be approximately \$675,000 for FY17-18. It is important to note that actual negotiations with a third party servicer have not yet begun and at this point there are several assumptions in estimating the cost to administer the SC Teachers Loan Program in FY17-18.

The SC Student Loan Corporation requests approval to contract with a third party servicer to service the portfolio of loans in the SC Teachers Loan Program to avoid interruption of the program.

Recommendation:

The staff recommends that the Committee on Access & Equity and Student Services commend favorably to CHE approval of the SC Student Loan Corporation's request to contract with a third party to service the portfolio of loans in the SC Teachers Loan Program thereby allowing negotiations to move forward. The SC Student Loan Corporation's FY17-18 proposed budget for administration of the SC Teachers Loan Program will be presented to the Committee for approval in May 2017 contingent upon the SC Student Loan Corporation's Board approval in May 2017.

Loan Originations
P.O. Box 102405
Columbia, SC 29224



Repayment Services
P.O. Box 102423
Columbia, SC 29224

8906 Two Notch Rd. • Columbia, SC 29223
www.scstudentloan.org • 800-347-2752 • 803-798-0916

Mr. Gary Glenn
South Carolina Commission on Higher Education
1122 Lady Street, Suite 300
Columbia, SC 29201

Dear Mr. Glenn,

I would like to formally request an authorization from the Commission at its April 6, 2017 meeting for South Carolina Student Loan Corporation to contract with a third-party organization to service the portfolio of loans in the State Teacher Loan Program.

As we have discussed previously, with the passage of the Health Care and Education Reconciliation Act in 2010, the Corporation lost all authority to originate new federal loans under the Federal Family Education Loan Program (FFELP). This legislation nationalized the origination of all federal student loans under the U.S. Department of Education (USDE). As a result, our portfolio has declined from over \$4.1 billion to \$1.8 billion.

The servicing and maintenance of student loans is a highly regulated and labor-intensive operation that requires large volume to achieve efficiencies. Therefore, the Corporation has transferred the servicing of our entire portfolio to a large, national third-party servicer that has the efficiencies to service loans in an economic manner that we no longer can achieve. With the transfer of these loans, we will be retiring our servicing system and mid-frame computer system making it impossible to service the loans for the Teacher Loan Program.

As you are aware, Section 59-26-20 of the South Carolina Code of Laws names South Carolina Student Loan Corporation as the administrator of the Teacher Loan Program. We will continue to perform the origination of new loans and working with both students and teachers in obtaining deferments and forgiveness on their loans at the appropriate times dictated by regulations. I do want to advise you that utilizing an outside servicer charging market rates will have a significant impact on the overall administrative costs of the program.

We respectfully request that the Commission authorize South Carolina Student Loan Corporation to contract with a third-party servicer to service the portfolio of loans in the Teacher Loan Program to avoid interruption in the program.

Best regards,

A handwritten signature in blue ink that reads "CSanders".

Chuck Sanders
President & CEO

Cc: Mr. Tim M. Hofferth, Chairman

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Best regards,

A handwritten signature in blue ink that reads "CSanders".

Chuck Sanders
President & CEO

Cc: Mr. Tim M. Hofferth, Chairman