



South Carolina Commission on Higher Education

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Mr. Gary S. Glenn
Interim Executive Director

June 2, 2016

Consideration of SC Student Loan Corporation FY2016-2017 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 Fiscal Accountability Authority (SFAA).

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 FY2016-17 and Explanation

The following table presents information regarding the previous FY2015-16 approved budget request, estimated actual costs for FY2015-16, and the cost difference between the amount budgeted in FY2015-16. The table also displays Student Loan Corporation's **proposed FY2016-17 operating budget** for administration of the SC Teachers Loan Program, the percent difference between the amount requested for FY 2015-16 versus the budget request for FY2016-17, and finally, the percent difference between the estimated actual budget by the close of FY2015-16 on June 30, 2016 and the proposed FY2016-17 projected budget.

	FY2015-16 Approved Budget	Estimated Actual FY2015-16	Cost Difference (Over)/ Under	FY2016-17 Proposed Operating Budget	% Increase vs. FY16 Budgeted	% Increase vs. FY15-16 Estimated Actual
Personnel Expenses (salaries/fringes/ social security/group insurance/ retirement/ unemployment)	\$235,600	\$234,950	\$650	\$234,300	-0.55%	-0.28%
Contractual Expenses (information technology/ accounting)	30,610	32,850	(2,240)	35,400	15.65%	7.76%
General Operating (rent/telephone/ printing/ postage/supplies/ equipment lease/ maintenance/ insurance – general and auto/	53, 240	51,560	1,680	56,760	6.61%	10.09%
TOTAL	\$319,450	\$319,360	\$90	\$326,460	2.19%	2.22%

The first two columns in the table display the budget approved by CHE for FY2015-16 (\$319,450) and estimated actual expenditures for FY2015-16. (\$319,360). The third column displays the difference in the amount (estimate) by the close of FY2015-16 on June 30, 2016. The estimated actual expenditures are expected to be \$90 less than the amount budgeted for FY2015-16. The fourth column, totaling \$326,460, is the SC Student Loan Corporation's FY2016-17 budget request for administration of the SC Teachers Loan Program to be presented to the Corporation's Board of Directors for approval on May 3, 2016. The fifth column shows the percent difference between the previous year's budget (FY2015-16) approved by CHE and the Corporation's FY2016-17 budget request. The FY2016-17 budget request in the amount of \$326,460 represents a 2.19% (\$7,010) increase from the previous year's approved budget

request. The last column shows the percent increase (2.22%) from the FY2015-16 estimated actual expenditures. **(See attached for detailed budget).**

Under the category of Personnel Expenses (Staff Salaries, Social Security, Group Insurance, Retirement and Unemployment), the FY2016-17 budget request is \$234,300 which is an overall -0.55% decrease from the previous FY2015-16 budgeted amount (\$235,600). Decreases from the previous year within this budget category are reflected under staff salaries in the amount of \$162,300 (-2.97%), social security in the amount of \$12,400 (-1.20%), group insurance in the amount of \$20,600 (-8.77%), and unemployment in the amount of \$600 (-28.57%). Under the category of retirement, an 18.67% increase is requested in the amount of \$38,400. The increase in this category is due to defined employee benefit program expenses (retirement) that are subject to market fluctuations which drive costs (up or down annually). Since 2012, the Corporation's long term strategic plan to automate several processes has continued to control costs associated with salaries, benefits, group and unemployment insurance. At the close of FY2015-16 (June 30, 2016), the estimated actual Personnel Expenses are expected to be \$234,950.

The proposed FY2016-17 budget request for Contractual Expenses is \$35,400 which reflects an overall 15.65% increase from the previous year's budget request under this category. The FY2016-17 budget request for information technology services is \$31,000 (14.56% increase) due to required annual fees for upgrading software systems. The Corporation, through the State of South Carolina Auditors' Office, changed auditing firms to Elliot and Davis in FY2013-14 which resulted in increased annual costs for accounting services for the past two years (FY2014-15 and FY2015-16). For FY2016-17, costs for accounting services are expected to increase by 23.94% (\$850). It is anticipated that at the close of FY2015-16, the estimated Contractual Expenses will be \$32,850 which is slightly over the amount budgeted (\$30,610) in this category.

The Student Loan Corporation's FY2016-17 budget request for General Operating Expenses is \$56,760 (6.61% increase). This year's budget request for rent (\$8,760) remains the same as the Corporation's budget request for FY2015-16. The FY2016-17 budget request reflects increases in telephone costs in the amount of \$6,200 (1.97% increase), printing costs in the amount of \$3,750 (15.38% increase), postage costs in the amount of \$27,300 (4.20% increase) and supplies in the amount of \$2,250 (25% increase) from the previous fiscal year. The Corporation included anticipated printing, postage and supply costs in FY2016-17 associated with printing a new SC Teachers Loan Program brochure for statewide dissemination. Equipment lease/maintenance expenses for FY2016-17 will increase to \$5,800 (5.45%), and insurance (general) and auto expenses will increase to \$2,700 (63.64%) due to increases in general liability insurance. At the close of FY2015-16, the estimated actual General Operating Expenses are expected to be \$51,560).

The use of automated systems, when possible, continues to help maintain the SC Teachers Loan Program overall administrative costs at moderate levels. Overall, the Corporation has decreased administrative expenses for the SC Teachers Loan program from \$465,600 in FY2007-2008 to the present budget request of \$326,460 for FY2016-17.

The Corporation's FY2016-17 budget request for the South Carolina Teachers Loan Program in the amount of \$326,460 reflects an overall 2.19% increase from the previous year's budget request (\$319,450).

Recommendation:

The Committee on Access & Equity and Student Services commends favorably to the Commission approval of the SC Student Loan Corporation's FY2016-17 proposed budget in the amount of \$326,460 for administration of the SC Teachers Loan Program.

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

April 22, 2016

Mr. Gary Glenn
Interim Executive Director
S.C. Commission on Higher Education
1122 Lady Street, Suite 300
Columbia, SC 29201

Dear Mr. Glenn:

I am enclosing for your review and approval by the Commission on Higher Education, the proposed budget for 2016-17 for administration of the Teachers Loan Program. This budget will be reviewed and approved by our Board of Directors of the Corporation at its Annual Meeting on May 3rd.

In the first two columns below I have summarized the budgeted and estimated actual expenditures for the 2015-16 fiscal year. The third column, totaling \$326,460 is the amount proposed by the Corporation for 2016-17.

OPERATING EXPENSES FOR
TEACHERS LOAN PROGRAM

	<u>FY 15-16</u> <u>Budgeted</u>	<u>Estimated</u> <u>Actual</u>	<u>FY 16-17</u> <u>Proposed</u>
Personnel (salaries and benefits)	\$235,600	\$234,950	\$234,300
Contractual Services (IT/Accounting)	30,610	32,850	35,400
Other Operating (Postage, Telephone, etc.)	53,240	51,560	56,760
TOTAL	\$319,450	\$319,360	\$326,460

If I may provide any further information regarding either proposed or actual expenditures, please do not hesitate to call me.

Sincerely,

A handwritten signature in cursive script that reads "C. Sanders, Jr.".

Charlie C. Sanders, Jr.
President & CEO

Enclosure

South Carolina Student Loan Corporation
Contractual Services Budget for
South Carolina Teachers Loan Program
2016-2017

	<u>2015-16</u>			<u>2016-17</u>		
	<u>Budgeted</u>	<u>Estimated Actual</u>	<u>(Over)/ Under</u>	<u>Proposed</u>	<u>% Incr vs 16 Bud</u>	<u>% Incr vs 16 Proj</u>
OPERATING EXPENSES						
Personnel Expenses:						
Staff Salaries	167,270	166,000	1,270	162,300	-2.97%	-2.23%
Social Security	12,550	12,450	100	12,400	-1.20%	-0.40%
Group Insurance	22,580	22,400	180	20,600	-8.77%	-8.04%
Retirement	32,360	33,300	(940)	38,400	18.67%	15.32%
Unemployment	840	800	40	600	-28.57%	-25.00%
Total Personnel Expenses	\$ 235,600	\$ 234,950	\$ 650	\$ 234,300	-0.55%	-0.28%
Contractual Expenses:						
Information Technology	27,060	29,500	(2,440)	31,000	14.56%	5.08%
Accounting	3,550	3,350	200	4,400	23.94%	31.34%
Total Contractual Expenses	\$ 30,610	\$ 32,850	\$ (2,240)	\$ 35,400	15.65%	7.76%
General Operating Expenses:						
Rent	8,760	8,760	-	8,760	0.00%	0.00%
Telephone	6,080	5,300	780	6,200	1.97%	16.98%
Printing	3,250	3,200	50	3,750	15.38%	17.19%
Postage	26,200	25,300	900	27,300	4.20%	7.91%
Supplies	1,800	2,000	(200)	2,250	25.00%	12.50%
Equipment Lease/Maintenance	5,500	5,400	100	5,800	5.45%	7.41%
Insurance- General & Auto	1,650	1,600	50	2,700	63.64%	68.75%
Other Expenses			-			
Total General Operating Exp	\$ 53,240	\$ 51,560	\$ 1,680	\$ 56,760	6.61%	10.09%
Total Expenditures	\$ 319,450	\$ 319,360	\$ 90	\$ 326,460	2.19%	2.22%