

Agenda Item
 CHE Meeting
 September 3, 1998



SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION

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MEMORANDUM

To: Mr. Austin Gilbert, Chairman, and Members,
 Commission on Higher Education

From: Mr. Frank Gilbert, Chairman
 Committee on Access & Equity and Student Services

**Consideration of Proposed FY 1998-99
 Administrative Budget,
 S.C. Student Loan Corporation**

Summary

In 1971, the General Assembly established the South Carolina State Education Assistance Authority, empowering it to provide financial assistance to students in their pursuits of postsecondary education through the making, insuring and guaranteeing of 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 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. The Corporation was incorporated in 1973 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 named the Corporation as administrator of the South Carolina Teachers Loan Program (TLP), a program established by the Education Improvement Act (EIA) of 1984 to assist students who wish 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% per year for each full year of teaching in a critical area.

The TLP also includes the Governor's Loan Program (GLP), another loan program designed to assist students who wish to become teachers. While similar to the TLP, the GLP does not require that students teach in a critical shortage area. The Corporation is in the process of phasing out the GLP, however, in response to the General Assembly's decision to cease funding for the program. SCSLC awards no new loans under the GLP program; operating expenses for the GLP are included in the appropriation for the Teachers Loan Program.

The General Assembly empowered the Commission on Higher Education to establish regulations to govern the Teachers Loan Program. These regulations charge the Commission with two primary duties: 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 made through the TLP. This report concerns the first of these duties, the approval of the 1998-99 operating budget for the Teachers Loan Program.

The following table details the proposed FY 1998-99 operating budget for the administration of the Teachers Loan Program and information on the current year's budget.

ITEM	FY 97-98 BUDGETED	FY 97-98 ESTIMATED	FY 98-99 PROPOSED	% Budget Change
Personnel (salaries & fringes)	\$198,125	\$199,550	\$212,450	7.2
Contractual Services (computer support/ programming)	16,100	15,750	15,550	-3.4
Other Operating (rent, utilities, etc.)	45,900	44,225	47,857	4.3
Equipment	1,800	1,800	2,000	11.1
TOTAL	\$261,925	\$261,325	\$277,875	6.1

In the first two columns, the table displays the budgeted and estimated expenditures for FY 1997-98. The third column, totaling \$277,875, is the Corporation's operating expense budget request for FY 1998-99, as approved by the Corporation's Board of Directors on May 6, 1998. The total amount requested is \$ \$15,950.00 more than last year's request, primarily a result of rising health insurance costs and an increase in personnel expenses due to normal pay increases. There have also been slight increases in equipment costs and other operating expenses.

For information purposes, the table below compares the number of borrowers and the amount of loan expenditures for both Teachers and Governor's loans for FY 1997-98 and FY 1998-99. FY 1997-98 figures are current as of June 30, 1998, and are presented in the Corporation's annual report.

LOAN PROGRAM	FY 96-97 ACTUAL	FY 97-98 ACTUAL	FY 98-99 ESTIMATED
Teachers Loan Program (Number of Borrowers)	\$3,936,538 (981)	\$4,393,679 (1110)	\$5,151,000 (1290)
Governor's Loan Program (Number of Borrowers)	\$181,000 (38)	\$59,007 (13)	0 (0)
Combined (Number of Borrowers)	\$4,117,538 (1019)	\$4,452,686 (1123)	\$5,151,000 (1290)

Comparison of the FY 1997-98 figures with 1996-97 figures reveals a significant increase in expenditures for the TLP. These data also reveal an increase in the total number of borrowers for the TLP over last year. The significant decrease in both the total loan amount and the number of borrowers in the Governor's program for FY 1997-98 result from the phase-out of that program. The number of borrowers and the amount approved represent only those students who renewed their Governor's loans. The Governor's program is being eliminated in FY 1998-99. No new loans or renewals are anticipated in FY 1998-99.

In terms of average loan amounts, the average Teachers loan for FY 1996-97 amounted to approximately \$4013 while the FY 1997-98 figure amounted to approximately \$3958 per loan. According to the SLC annual reports for the two years, a higher number of freshmen and sophomores obtained loans in FY 1997-98 than in the previous year. Such an occurrence would decrease the average loan amount because underclassmen are eligible to receive a maximum annual loan amount of \$2500 as compared to \$5000 for upper classmen.

Recommendation

The Committee on Access & Equity and Student Services recommends that the Commission approve the proposed operating budget of \$277,875 for administration of the Teachers Loan Program by the Student Loan Corporation for FY 1998-99.

Attachments: FY 1998-99 SCSL Proposed Operating Budget