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Blythe LittlefieldBlytheLittlefield@schouse.gov
Daniel BoanDanielBoan@schouse.gov
Date: 4/28/2014 5:45:21 PM
Subject: Re: SC State Debt Collections Assurances

Thanks Christian.
Beverly

Sent from my iPhone

On Apr 28, 2014, at 4:36 PM, "Soura, Christian" <ChristianSoura@gov.sc.gov> wrote:

Thanks – we just plugged that red/underlined passage into the new draft. We're doing QA on it with Board staff and should be circulating it to the Board members' offices sometime tonight.

CLS

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From: Paul Patrick [<mailto:PaulPatrick@schouse.gov>]
Sent: Monday, April 28, 2014 2:16 PM
To: Adams, Marcia; Pitts, Ted; Soura, Christian; Adams, Clarissa
Cc: Beverly Smith; Kara Brurok; Blythe Littlefield; Daniel Boan
Subject: SC State Debt Collections Assurances

Folks,

Below, in red, is draft language that Chairman White would like included in the agenda item. We have no pride of authorship here so if you have comments or suggestions we are welcome to them. The rationale behind this request is currently SC State has \$5.5 million in outstanding accounts receivables. Chairman White wants to make sure before we give them a \$6 million loan they have done everything possible to collect what they are owed. When compared to other schools, SC State is not off the reservation, but does seem to have a slightly disproportionate share of unpaid debt.

Thoughts/comments. Thanks – Paul

PS: I know the agenda item may have changed from this form, but it was the latest version I had.

S.C. Code Section 11-9-240 allows the Budget and Control Board, in its discretion, to borrow funds from any department of state government, with the written consent of the department, for the use of the State any surplus which may be on hand in the office of the State Treasurer to the credit of any such department.

South Carolina State University (“University”) has notified the State Budget Division of an impending FY 2013-14 cash deficit of approximately \$13 million. The University indicates that it has an immediate need for additional funds to address this critical cash shortfall.

There has been identified in the general deposit accounts, up to \$6 million which may be loaned pursuant to Section 11-9-240 for the benefit of the University in order to meet that institution’s obligations based upon the following prioritization:

1. Debt service and other secured obligations.
2. Payroll and other critical operating expenses.
3. Other accounts payable.

Funds shall be authorized for release to the University by the Director of the State Budget Division only after he certifies to the Budget and Control Board that the following policies, financial statements and/or resolutions have been received:

1. The Board of Trustees of the South Carolina State University has furnished a copy of the conflict of interest and anti-nepotism policies that apply to the board members and the University’s employees. The Board of Trustees shall adopt an anti-nepotism policy if none currently exists.
2. The Boards of Trustees of the following entities have provided the Budget and Control Board with copies of any audited financial statements for at least the past three years in addition to summaries of and access to records of any transactions between the entities and any or all of (A) the South Carolina State University, (B) its current or former employees, or (C) members of their immediate families. The Board of Trustees of an identified entity may satisfy this condition by adopting and honoring a resolution pledging that it will cooperate with and provide access to these records to the Budget and Control Board, its staff, and the staff of the Budget and Control Board’s individual members.
 - a. South Carolina State University Foundation, Inc.
 - b. South Carolina State University Advancement Foundation, Inc.
 - c. South Carolina State University Real Estate Foundation, Inc.

- 3. The University must certify the existence of or adopt a best in practice accounts receivable system that ensures all payments owed to the University are paid in a prompt manner. In the event payments are overdue or not paid the University shall not delay in using every resource available to recover payment. This includes payment from students and vendors alike.**

Policies, financial statements and/or resolutions received by the Director of the State Budget Division pursuant to the above provision shall be reviewed as part of the consulting services contract referenced below.

Funds loaned to the University by virtue of this resolution shall not be used to make payments to any individual vendor until the Division of Procurement Services has confirmed the validity of the underlying contract and the process through which that contract was initially procured and extended or renewed, if applicable. Confirmation by the Division of Procurement Services is not necessary pursuant to this provision for products and services

procured under statewide contracts, contracts solicited on behalf of the University by the Budget and Control Board and accounts payable related to small purchases with spending levels of \$2,500 or less.

Until the University has fully repaid this loan, the University shall not post a solicitation for or execute, amend, renew, or otherwise extend a contract without the prior approval of the Division of Procurement Services.

Up to \$500,000 of the funds loaned through this resolution shall be used for consulting services to help the University assess and improve its financial management and various operational, administrative and governance practices, including but not limited to finance and budgeting, information technology, procurement, and real estate and facilities management. The Budget and Control Board shall be considered the client for this engagement; the Division of Procurement Services shall manage the solicitation process. In order to facilitate this procurement, the University shall transfer to the Budget and Control Board the first \$500,000 of the funds released to it so that the Budget and Control Board can timely procure the necessary consulting services. Should the contract for consulting services procured pursuant to this provision cost less than \$500,000, the Budget and Control Board shall return the excess to the Treasurer to be credited to the department whose money was used in making the loan.

At the discretion of the Director of the State Budget Division, funds loaned to the University may be released in installments. No funds shall be released to the University under authority of this resolution after June 30, 2014, although the other provisions of this resolution shall remain in effect.

It is the intent of the Budget and Control Board that the University shall repay this loan in level annual installments ending no later than the close of Fiscal Year 2014-15. The University shall repay the loan with interest at a rate established by the State Treasurer pursuant to Section 11-9-250 (2011). The University may repay the loan in full at any time by paying the outstanding principal and accrued interest.

The University will seek appropriations from the General Assembly to repay this loan. The University will repay this loan in full from any funds appropriated or otherwise available. The University's obligation to repay the loan will be absolute and unconditional and such repayment will not be contingent or conditioned on receipt of any appropriated funds or proceeds from any other source.

A loan agreement among the University, the Budget and Control Board and the department whose money was used in making the loan will be executed prior to any money being released to the University. The loan agreement will incorporate, either expressly or by inference, the provisions of this resolution and any other terms and conditions deemed necessary by the parties.

The Budget and Control Board may immediately call the balance of the loan if it determines that the University is not making good faith efforts to comply with the provisions of this resolution.

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