

Act. VII



CHE
6/7/2007
Agenda Item 4.03 b.

May 25, 2007

MEMORANDUM

TO: Dr. Layton R. McCurdy, Chairman, and Members, Commission on Higher Education

FROM: Ms. Cindy Mosteller, Chair, Access & Equity and Student Services Committee

**Consideration of Proposed FY 2007-2008
Administrative Budget
SC Student Loan Corporation**

Summary

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 to establish regulations to govern 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.

The following table presents information on the previous year's budget request and the Student Loan Corporation's proposed FY 2007-08 operating budget for administration of the Teachers Loan Program.

Item	FY 2006-07 Budgeted	Estimated Actual FY 2006-07	(Over)/ Under	FY 2007-08 Proposed	% Incr Change vs 2006-07 Actual
Personnel (salaries/fringes/ insurance)	\$355,975	\$344,750	\$11,225	\$378,200	+6.24%
Contractual Services (computer support/ programming)	27,900	30,350	(2,450)	30,200	+8.24%
General Operating (rent, utilities, etc.)	54,010	51,375	2,635	57,200	+5.91%
Equipment	0	0		0	0
TOTAL	\$437,885	\$426,475	\$11,410	\$465,600	+6.33% Overall

The first two columns in the table display the budgeted and estimated actual expenditures for FY 2006-07. The 2006-07 actual expenditures are estimated to be under the amount budgeted for that fiscal year (-\$11,410). The fourth column, totaling \$465,600 is the Student Loan Corporation's administrative budget request for FY 2007-08, as approved by the Corporation's Board of Directors, on May 1, 2007. The \$465,600 is 6.33% (\$27,715) more than last year's budget request.

The increase is primarily attributed to increased group insurance costs under the Personnel budget category. The Student Loan Corporation experienced a number of major medical cases last calendar year and received a 26% increase in their group insurance cost from the Corporation's insurance provider. In addition, The Student Loan Corporation has been informed that there will be a 25% increase this year. This increase for FY 2007-08 is \$14,260 (20.78%) over the 2006-07 budget request. This increased cost of health care (group insurance) is determined by the State Budget and Control Board.

Under the Contractual Services budget category, the payroll services (accounting) have been transferred to an external provider, ADP, resulting in a more efficient system with a 46.67% increase in cost (from \$1,500 requested in 2006-07 to \$2,200 requested for 2007-08).

The small increase (2.63%) in General Operating budget category results from increased costs for printing expenditures (\$2,000). Also, the increase in equipment lease/maintenance (\$575) is due to costs passed on to the Student Loan Corporation. Finally, there was no increase in rent for FY 2006-07 and it is anticipated that there will not be an increase in rent for FY 2007-08.

Recommendation:

The Access & Equity and Student Services Committee will meet on June 7, 2007 to consider the proposed budget for FY 2007-08 administration of the Teachers Loan Program from the SC Student Loan Corporation.

South Carolina Student Loan Corporation
Contractual Services Proposed Budget for
South Carolina Teacher Loan Program
2007-08

	<u>2006-07</u>			<u>2007-08</u>	
	<u>Budgeted</u>	<u>Estimated Actual</u>	<u>(Over)/ Under</u>	<u>Proposed</u>	<u>% Incr vs 07 Bud</u>
<u>OPERATING EXPENSES</u>					
Personnel Expenses:					
Staff Salaries	228,970	224,600	4,370	234,100	2.24%
Social Security	17,515	15,800	1,715	17,900	2.20%
Group Insurance	68,640	64,450	4,190	82,900	20.78%
Retirement	40,000	39,100	900	42,500	6.25%
Unemployment	850	800	50	800	-5.88%
<i>Total Personnel Expenses</i>	<u>\$ 355,975</u>	<u>\$ 344,750</u>	<u>\$ 11,225</u>	<u>\$ 378,200</u>	6.24%
Contractual Expenses:					
Loan Servicing	26,400	28,200	(1,800)	28,000	6.06%
Legal	-	-	-	-	
Accounting	1,500	2,150	(650)	2,200	46.67%
Credit Bureau	-	-	-	-	
Enrollment Verification	-	-	-	-	
<i>Total Contractual Expenses</i>	<u>\$ 27,900</u>	<u>\$ 30,350</u>	<u>\$ (2,450)</u>	<u>\$ 30,200</u>	8.24%
General Operating Expenses:					
Rent	9,500	8,800	700	8,800	-7.37%
Telephone	6,455	6,200	255	6,900	6.89%
Printing	6,000	5,500	500	7,500	25.00%
Postage	19,110	18,600	510	21,000	9.89%
Supplies	7,500	7,300	200	7,250	-3.33%
Travel	600	600	0	600	0.00%
Equipment Lease/Maintenance	1,615	1,425	190	2,000	23.84%
Subscriptions & Fees	100	50	50	100	0.00%
Meeting and Conf Costs	150	150	0	150	0.00%
Insurance- General & Auto	2,480	2,400	80	2,400	-3.23%
Outreach and Awareness	0	0	0	0	N/A
Contingencies	500	350	150	500	0.00%
Depreciation	0	0	0	0	N/A
<i>Total General Operating Exp</i>	<u>\$ 54,010</u>	<u>\$ 51,375</u>	<u>\$ 2,635</u>	<u>\$ 57,200</u>	5.91%
Total Operating Expenses	<u>\$ 437,885</u>	<u>\$ 426,475</u>	<u>\$ 11,410</u>	<u>\$ 465,600</u>	6.33%
Total Expenditures	<u>\$ 437,885</u>	<u>\$ 426,475</u>	<u>\$ 11,410</u>	<u>\$ 465,600</u>	6.33%