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SC BUDGET AND CONTROL BOARD

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MEMORANDUM

TO: Members of the Budget and Control Board

FROM: Marcia Adams *Marcia Adams*

RE: South Carolina State University Deficit Monitoring

DATE: February 18, 2015

Please find enclosed a copy of the letter prepared by the Executive Budget Office notifying South Carolina State University of the conclusions of the deficit monitoring for the second quarter of FY2014-15.

Enclosure

NIKKI R. HALEY
GOVERNOR



1205 PENDLETON STREET
Edgar A. Brown Building, Suite 529
COLUMBIA, S.C. 29201
(803) 734-2280

Mr. Thomas J. Elzey
President
South Carolina State University
300 College Street NE
Orangeburg, South Carolina 29117

February 13, 2015

Dear President Elzey,

Pursuant to Section 1-11-495 of the South Carolina Code of Laws and proviso 117.86 of the FY 2014-15 General Appropriations Act, the Executive Budget Office (EBO) has concluded deficit monitoring for the second quarter of FY 2014-15. This letter is to notify you and the Board of Trustees (BOT) of South Carolina State University (SCSU) of the considerations and conclusions of that evaluation.

Deficit monitoring for SCSU for FY 2014-15 has been a unique process given that the University entered the current fiscal year with a known deficit and that the General Assembly provided a path by which it could receive additional funds throughout the year. On November 17, 2014, the EBO's first quarter deficit monitoring letter noted that SCSU was likely to finish the fiscal year in an operating deficit, but several factors existed that could shape this conclusion, including,

- SCSU had yet to provide the EBO and a third-party auditor with sufficient information to evaluate its financial position.
- Proposals for additional funds had not yet been presented to the Joint Bond Review Committee for approval.
- SCSU was in the process of evaluating enrollment and accounts receivable data necessary to adjust the university's budget plan.

In the interest of providing SCSU every opportunity to evaluate its finances and adjust practices accordingly, the EBO requested a deficit recovery plan but withheld a final conclusion regarding the existence of a durable deficit under the consideration of §1-11-495(B) which recognizes the influence academic calendars have on the revenue patterns of educational institutions.

On December 1, 2014, the EBO received the adjusted budget and deficit recovery plan from SCSU and has since engaged SCSU for additional information about the plan and its underlying assumptions. In addition, the EBO has since received periodic informational briefings from auditors regarding SCSU's progress. On January 22, 2015, the EBO issued one final information request for outstanding items of significance to provide SCSU an opportunity to give input before the conclusion of second quarter deficit monitoring.

Elzey

February 13, 2015

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Based on a review of all available information, including a review of SCSU's deficit recovery plan wherein the University acknowledges that neither the repayment of outstanding accounts payable totaling over \$11 million as of January 31, 2015 nor repayment of the Budget and Control Board loan of \$6 million are addressed, the EBO must conclude that SCSU will end the fiscal year with a deficit which the University cannot eliminate on its own. Therefore the Executive Budget Office will notify the members of the Budget and Control Board and General Assembly of this conclusion. Per proviso 117.86 of the FY 2014-15 General Appropriations Act, SCSU now has thirty days to request that the deficit be recognized by the Budget and Control Board.

If you should have any questions, please do not hesitate to call me at 803.734.2280.

Sincerely,

A handwritten signature in cursive script, appearing to read "Brenda Hart".

Brenda Hart

cc: Members of the South Carolina Budget & Control Board
Members of the South Carolina General Assembly
Members of the South Carolina State University Board of Trustees
Marcia Adams