

Tennessee Student Assistance Corporation

Tuesday September 27, 2016

DECISION ITEM E: Preliminary Use of the Operating Fund

Staff Recommendation: That a portion of the Operating Fund be allocated in the current fiscal year to the Student and School Services division for default management activities and to the Ned McWherter Scholarship endowment.

Background: The balance of the federal Operating Fund at July 1, 2016, was approximately \$22 million. With no further revenue, this balance will continue to decline as expenditures are made from the Fund.

Funds deposited into the Operating Fund are the property of the guaranty agency; however, federal code (20 USCA § 1072b(d)(1)) specifies the allowable uses of the fund, including: loan disbursement, default aversion activities, default collection activities, school and lender training, financial aid awareness and related outreach activities, compliance monitoring, and other student financial aid related activities, as selected by the guaranty agency.

A portion of these remaining funds will be required for final FFELP-related closing expenses, including both internal and external to TSAC.

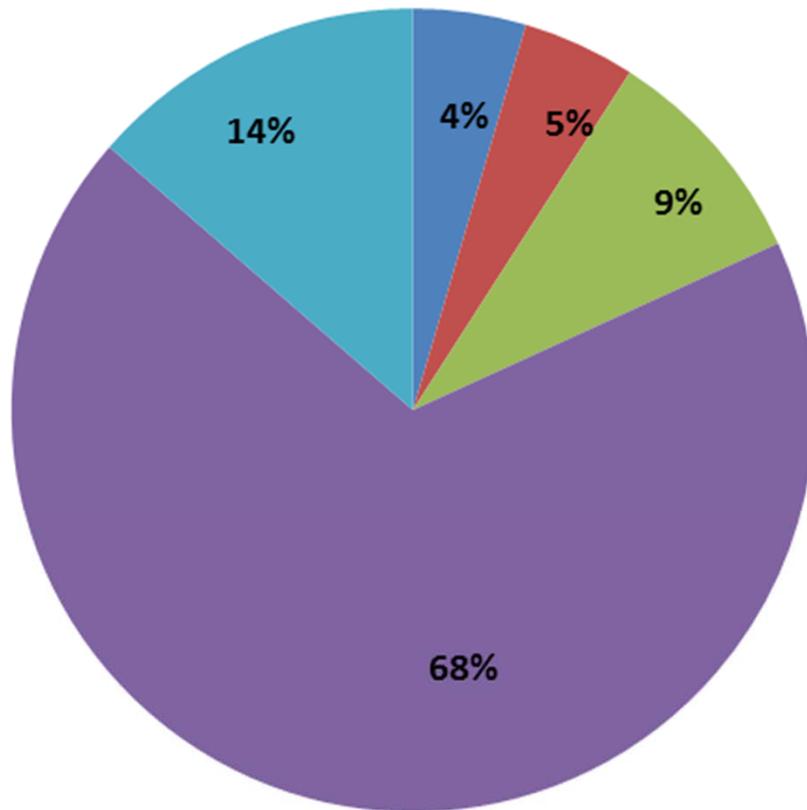
In addition to these required expenses, TSAC staff is recommending that a portion of the funds be used to assist the Student and School Services division in default management activities, and an additional amount transferred to the Tennessee Promise Scholarship endowment and the Ned McWherter endowment.

Transfers from the Operating Fund are authorized in the 2016 Appropriations Act, Chapter 758, Section 29, Item 24.

Supporting Documents

TSAC Operating Fund -2016-2017 Estimates

TSAC Operating Fund 2016 - 2017 Estimates



■ ECMC Transition Costs:
\$1,000,000

■ TSAC Operating Expenses
(post 6/30/16)
\$1,000,000

■ Default Aversion Activities
\$2,000,000

■ Ned McWherter Transfer
\$15,000,000

■ TN Promise Transfer
\$3,000,000