

Alaska Commission on Postsecondary Education
Alaska Student Loan Corporation
House Finance Education Subcommittee
February 15, 2017



Alaska Student
Loan Corporation

Agenda

- Mission, Structure, and Funding
- Programs and Services
- Successes, Challenges and Opportunities
- Cost Containment and Continuous Improvement
- Questions

Mission, Structure and Funding

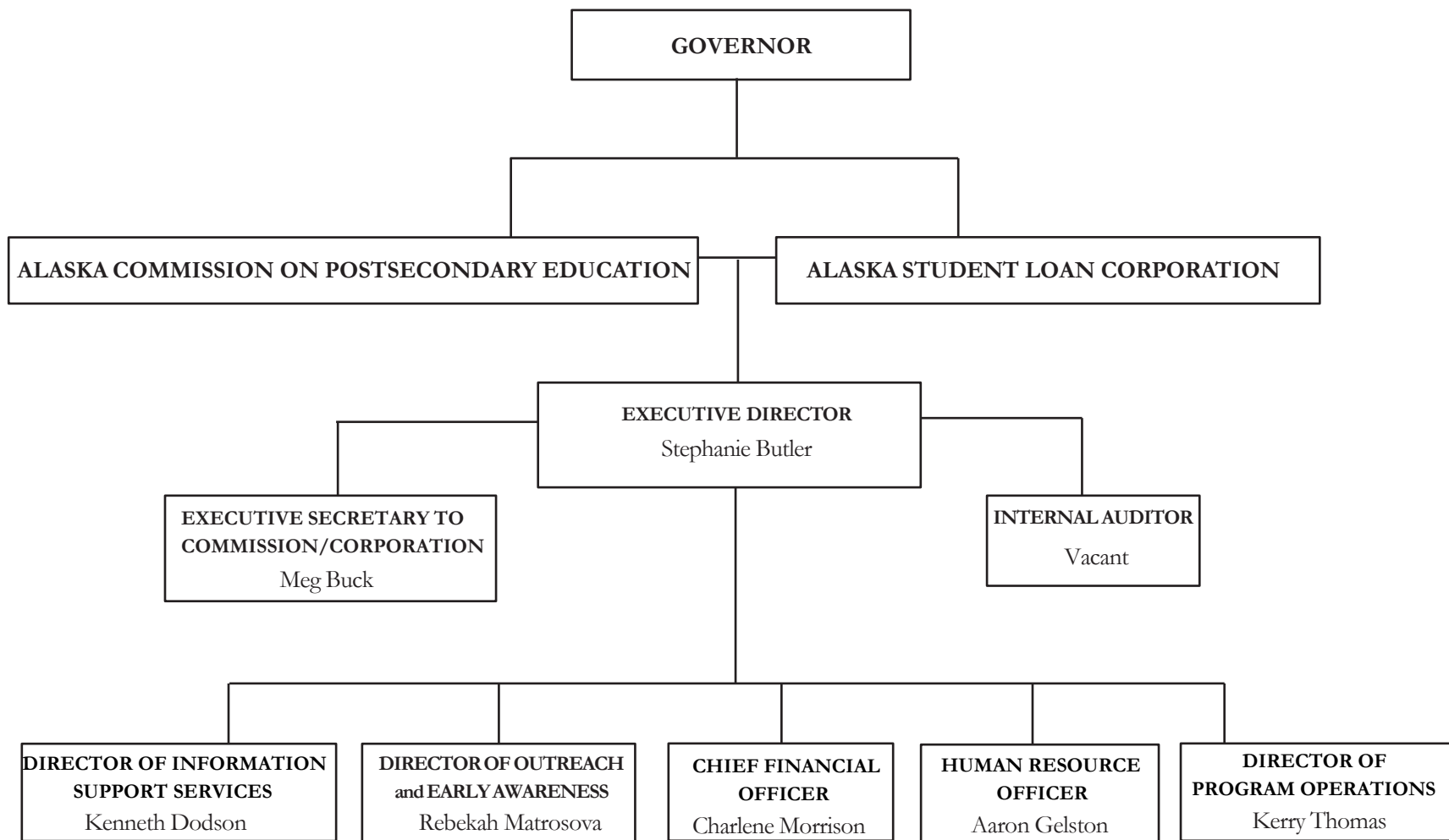
The Mission

Alaska Commission on Postsecondary Education

Promoting access to and success in education and career training beyond high school

Alaska Student Loan Corporation

Operate as an enterprise agency of the State of Alaska to finance the Alaska Student Loan Program



Agency PCN's	
Anchorage	18 (20 percent)
Juneau	68 (80 percent)
Total	86

Structure Overview

Partner agencies:

ACPE develops and delivers higher education access and support programs and services

ASLC underwrites the loan programs

State of Alaska directly funds scholarships/grants/WWAMI

Commission Structure Overview

14-member Commission:

University of Alaska Board of Regents (2)

Private higher education (1)

Proprietary postsecondary education (1)

State Senate (1)

State House of Representatives (1)

General Public (4)

Student (1)

Alaska Workforce Investment Board (1)

Community College (1)

Board of Education and Early Development (1)

Composition of the Commission is set out in statute and members are appointed by the governor or, in the case of organizational constituencies, by the body they are representing.

Alaska Student Loan Corporation Structure Overview

Five-member ASLC Board

- Commissioner of Administration; Designee Ryan Mitchell-Colgan
- Commissioner of Commerce, Community and Economic Development; Designee Jim Andersen
- Commissioner of Revenue; Designee Jerry Burnett
- Two ACPE members; Chair Randy Weaver and Pat Jacobson

Corporation responsibilities:

- Generate loan program funding by issuing asset-backed debt
- Oversee investments, trusts and indentures
- Set loan terms and benefits

For the purpose of state budget structure and administration, ACPE and ASLC are located within the Department of Education and Early Development but are not subject to the direction of the Commissioner or the Board of Education (AS 14.42.040(b)).

ASLC Relationship to the State of Alaska

Established in AS 14.42.100-990 as *a public corporation and government instrumentality within the Department of Education and Early Development but having a legal existence independent of and separate from the state.*

Agency operating costs are subject to Executive Budget Act. However, the State has certain covenants to consider relative to ensuring adequate loan servicing capacity. Under AS 14.42.270, the State has agreed not to take an action to compromise ASLC's capacity to repay principal and interest on bonds outstanding.

The State's agreement is incorporated in ASLC-related financing documents. Approval of any legislation causing an impairment of loan servicing would constitute an Event of Default relative to the existing Letter of Credit (LOC). Should that occur, the LOC provider may call all outstanding bonds immediately due and payable.

ASLC's Financial Advisor, FirstSouthwest, has expressed significant concerns about potential legislative action resulting in long-term, adverse impacts on ASLC's financial health and ongoing capacity to meet mission.

ACPE-ASLC Loan Servicing Relationship

Under a contractual relationship with ASLC, ACPE services ASLC's loan portfolio.

ACPE staff act as staff to ASLC, and ACPE's executive director serves as ASLC's executive officer.

Since 2002 ACPE has been recognized as a high-quality servicer of both federally guaranteed education loans and state alternative or supplemental education loans.

In the event ACPE is no longer able to adequately service its federally guaranteed loan portfolio, it would be transferred and serviced on a contractual basis by a national federal education loan servicer (back-up servicer is mandatory under Trust terms).

ACPE Historical Staffing: Governor's Budget

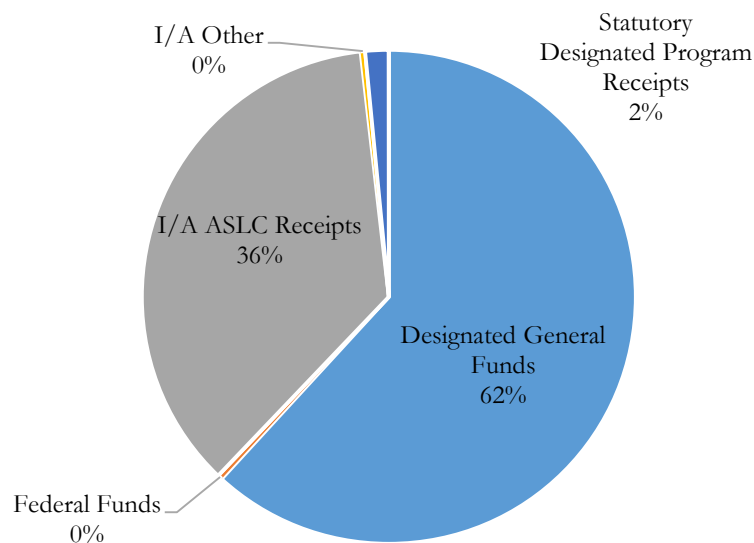
	FT	PT	NP	Total	
FY2013 Management Plan	95	0	11	106	% Change from FY2013
FY2014 Management Plan	95	0	11	106	0%
FY2015 Management Plan	95	0	11	106	0%
FY2016 Management Plan	95	0	11	106	0%
FY2017 Management Plan	88	0	4	92	-13.2%
FY2018 Governor	83	0	3	86	-6.5%

Recent Agency Budget Reductions

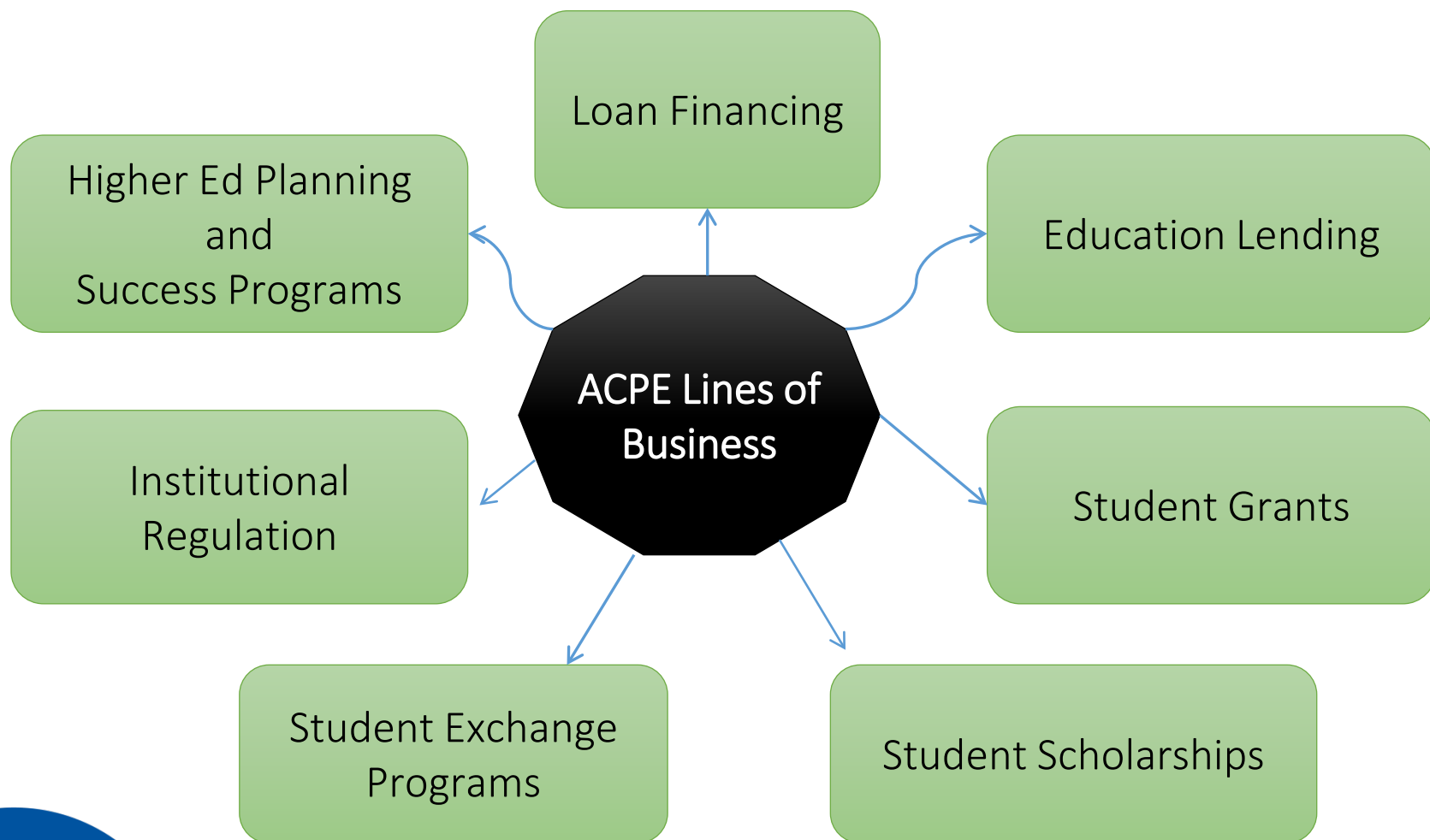
	FY18 Request		FY17		FY16		FY15		Overall Change (FY18 to FY15)	
Budget (by source)	\$	PCNs	\$	PCNs	\$	PCNs	\$	PCNs	\$	PCNs
ASLC Interagency Receipts	12,244.0	85.52	12,348.1	89.01	12,518.0	86.79	13,274.5	87	(1,030.5)	(1.48)
Federal	100.0	0	900.0	0	2,009.4	16.74	1,987.1	15	(1,887.1)	(15.00)
Undesignated General Fund	0.0	0	0.0	0	0.0	0	2,964.8	0	(2,964.8)	0.00
Designated General Fund	50.9	0.38	50.0	0.38	0.0	0	0.0	0	50.9	0.38
AHEIF	20,778.6	0	20,297.6	0	20,297.6	0	16,582.8	0	4,195.8	0.00
Statutory Designated Program Receipts	515.7	0.1	774.7	3.61	100.0	0.42	100.0	0	415.7	0.10
Other Inter-agency	100.0	0	1,066.0	0	1,066.0	2.05	1,409.5	4	(1,309.5)	(4.00)
Total	33,789.2	86	35,436.4	92	35,991.0	106	36,318.7	106	(2,529.5)	(20.00)

ACPE FY2018 Budget Request by Fund Source

	Designated General Funds	Federal Funds	I/A ASLC Receipts	I/A Other	Statutory Designated Program Receipts	Total	
Agency Operations	50.9	100.0	12,144.0	100.0	515.7	12,910.6	38.3%
Non-operations (WWAMI, APS and AEG)	20,778.6					20,778.6	61.7%
Total	<u>20,829.5</u>	<u>100.0</u>	<u>12,144.0</u>	<u>100.0</u>	<u>515.7</u>	<u>33,689.2</u>	<u>100%</u>



ACPE Business Lines (Core Services)



Student Scholarships, Grants and Loans

Meeting the Mission – Providing Alaska Student Financial Aid

Meeting the Mission—Alaska Student Financial Aid

Alaska Performance Scholarship (APS)

- ~8,600 students received awards since 2011
- \$11 million disbursed to 3,400 students in 2015-16 program year
- FY17 appropriation \$11.5 million; FY18 request \$11.75 million
- Awards funded by AHEIF; ASLC absorbs operating costs

Alaska Education Grant (AEG)

- \$5.3 million disbursed to 2,725 students in the 2015-16 program year
- Awards range from \$500 to \$4,000 annually
- FY 17 appropriation \$5.75 million; FY18 request \$5.875 million
- Annual funding formula in statute (50 percent of APS awards)
- Awards funded by AHEIF; ASLC absorbs operating costs

APS/AEG Disbursements Ordered by Institution

July 1, 2016 through December 31, 2016

School Name**	AEG Program		APS Program	
	Total # of Recipients	Total Disbursed	Total # of Recipients	Total Disbursed
AK Bible College	3	\$4,500	4	\$6,539
Alaska Career College	109	\$160,586	20	\$35,072
Alaska Christian College	14	\$26,500	4	\$6,538
Alaska Pacific University	21	\$29,250	24	\$45,178
AVTEC	23	\$35,500	19	\$36,262
Charter College	93	\$181,888	9	\$18,230
Ilisagvik College	5	\$7,250	0	\$0
MetrOasis*	0	\$0	1	\$2,378
Northern Industrial Training*	0	\$0	1	\$4,755
Trendsetters*	0	\$0	3	\$7,133
University of Alaska Anchorage	1,029	\$1,348,267	1,804	\$3,186,959
University of Alaska Fairbanks	400	\$863,501	1,128	\$3,928,410
University of Alaska Southeast	122	\$164,500	146	\$258,291
Wayland Baptist University	20	\$29,500	1	\$1,190
Totals	1,839	\$2,851,242	3,164	\$7,536,935

*Participation in the APS program only.

**Schools that participate in AEG and/or APS that currently have no students receiving funding include Ahead of Time Design Academy, Alaska Technical Center, Amundsen Education Center, Embry-Riddle Aeronautical University, Galena City School District and Glenda's Training Center.

Alaska State Education Loan Programs

Alaska Supplemental Education Loan

- Alaska's primary state alternative education loan, as established in 2002 and most recently amended in 2014
- ACPE currently servicing approximately \$242 million in state student loans
- Currently offered at 6.25 percent fixed interest
- Eligibility requires residency and credit-worthy borrower or cosigner

Alaska Family Education Loan

- Alaska's alternative to the federal PLUS permits family members to borrow to help pay a student's educational costs
- Currently offered at 6.25 percent fixed interest
- Servicing approximately \$1.5 million in loans
- Eligibility requires residency of borrower and student and an absence of adverse credit history

Federal Family Education Loan (legacy portfolio)

- ASLC FFEL Program Lender from 2002—2009
- ACPE currently servicing approximately \$87.1 million in loans

Alaska Education Loan Refinancing Program

New Program Pilot in August 2016: Alaska Refi

- Short, intermediate, and long-term goals
 - Reduce costs for Alaskans repaying education loans
 - Stem ASLC's portfolio runoff and reduce costs of servicing
 - Reduce interest rates on new loans
- Refinance qualified state, federal, and private loans into one, serviced in Alaska by ACPE
- \$4,530,086 million awarded since August 2016
- Fixed interest rate of 5.2 percent - among lowest non-variable rates in nation
- Requires Alaska residency and 720 FICO or qualifying cosigner
- Anticipate expanding program after pilot evaluation in late 2017

2016-2017 Rates and Benefits

	Fixed Rate ASEL		Variable Rate ASEL ¹	Fixed Rate ALT Consolidation	Fixed Rate PSEP	Fixed Rate Refinance	Fixed Rate FEL
	In-School	Repayment	Repayment, unless indicated otherwise		Repayment		In-School and Repayment
Base Rate	6.25%	6.25%	2.80% 2.70% ²	6.25%	6.25%	5.20%	6.25%
Alaska Presence	0.50%	0.50% ³	-	-	0.50% ³	-	-
Online Auto Pay ³	-	0.25%	0.25%	0.25%	0.25%	-	0.25%
Lowest Rate Equivalent in Qualifying Periods	5.75%	5.50%	2.55% 2.70% ²	6.00%	5.50%	5.20%	6.00%

Note: Alaska Education Loan Borrower Benefits are cost reductions, typically applied as quarterly or annual account credits or rate reductions to reduce the borrower-paid costs whenever the Alaska Student Loan Corporation has the financial capacity to do so. **Benefits are variable, meaning that a benefits package is approved and applicable for each program year.** Borrowers who default on their loans forfeit some or all benefits. Alaska Education Loan Borrower Benefits are available only on Alaska Student Loan Corporation loans.

¹ No longer originating but rate is reset annually for existing variable rate loans.

² Applicable in-school interest rate.

³ Applicable only on loans in repayment not in deferment, forbearance, or past due status.

WICHE Exchange Programs

Alaska has participated in the Western Interstate Commission for Higher Education (WICHE) since 1955.

As a member of the West's regional compact (one of five nationally), Alaska residents can participate in any of three student exchange programs

- Western Undergraduate Exchange
- Western Regional Graduate Exchange
- Professional Student Exchange

Membership also provides Alaska with research and policy analysis, access to consortia and reciprocity agreements, and behavioral health support

WICHE Commissioners: Susan Anderson, Jim Johnsen, Stephanie Butler

WICHE Exchange Programs

Western Undergraduate Exchange (WUE)

- Residents of WICHE states are eligible to request a reduced tuition rate of 150 percent of resident tuition at participating two- and four-year college programs outside of their home state
- In 2015-16, 1,101 Alaska students participated, saving ~\$9.6 million in out-of-state tuition, and 533 out-of-state WUE students attended the University of Alaska

Western Regional Graduate Program

- Master's, graduate certificate, and Ph.D. students who are residents of the WICHE member states may enroll in 380 high-quality programs at 60 participating institutions outside of their home state and pay resident tuition
- In 2015-2016, Alaska enrolled 10 out-of-state students (at UAA and UAF) and sent 35 students to participating out-of-state programs

WICHE Exchange Programs

Professional Student Exchange Program (PSEP)

- Provides Alaska students with access and potential cost reduction in graduate healthcare programs not available in Alaska
- Alaska operates PSEP as a loan program
- Seventeen Alaska students participated in 2015-2016, in dentistry, optometry, pharmacy, physical therapy, physician assistant
- Alaska also supports occupational therapy and podiatry
- Overall 50 percent historical return rate

WWAMI/Winn Brindle Memorial Education Loans (WB)

WWAMI provides medical education to 20 new Alaska students each year, delivered at UAA via the University of Washington School of Medicine

- Participants receive loans for a portion of state-paid support costs
- Graduates who practice medicine in Alaska may qualify for loan forgiveness
- The State funds WWAMI loans and ASLC absorbs operating costs
- ACPE services approximately \$10.8 million or 551 WWAMI loans
- 55 percent of WWAMI borrowers are licensed physicians practicing medicine in Alaska

Winn Brindle loans are funded by fisheries businesses' donations for which the businesses may receive a partial corporate tax credit

- Applicants must be enrolled in a fisheries-related educational program
- WB loans have a fixed 5 percent interest rate and recipients may receive up to 50 percent forgiveness if they earn their degree and work in Alaska fisheries
- ACPE services approximately \$3.4 million or 360 WB loans
- Funding of ~\$8.0 million available in a revolving loan fund

Higher Education Planning and Success Programs

Meeting the Mission – Resources for Accessing and Succeeding in Higher Education and Career Training

Postsecondary Planning Programs

Increases Alaskans' awareness of the need for workforce education, and prepares students for cost-effective access to and success in that education

- Build public knowledge on higher education and training access
 - Approx. 13,000 individuals served in FY16
 - Expanding distance-delivered services to help mitigate impacts of budget reductions
- Provide AKCIS to 53 school districts and 306 sites
 - Interactive online Learning and Career Plan development
 - Cost-effective online comprehensive career, education, and financial aid information curriculum
- Educate Alaskans on federal and state financial aid
 - 39 percent increase in Alaska FAFSAs filed from FY07 to FY18
 - In FY16, students at Alaska institutions received \$24+ million in federal Pell grants
- Focus on partnership:
 - Used federal funds to develop and spin off cross-sector collaboration: the Alaska Postsecondary Access & Completion Network (registered as an independent non-profit in January 2016)
- Leverage outside funding:
 - With ASLC match, ~63 percent of total FY16 costs covered by federal or private sources

Education Outcomes Research

Meeting the Mission - Informing Policy and Practice and Building Capacity for Accountability

ANSWERS—Education and Training Outcomes Reporting

- ANSWERS Program discontinued due to lack of funding
- Education outcomes database is maintained at ACPE and used by partner organizations for self-assessment relative to program outcomes
- Partner organizations:
 - Alaska Department of Education and Early Development
 - Alaska Department of Labor and Workforce Development
 - University of Alaska
 - Alaska Commission on Postsecondary Education
- Data cannot be used without permission of all partner organizations

Institutional Regulation

Meeting the Mission - Institution Approval, Oversight, and Consumer Protection

Program Integrity/Consumer Protection

Components include:

- Approval and oversight of non-public postsecondary education institutions in Alaska
- Investigation of student complaints
- Audit of institutions administering Alaska financial aid
- Supervision of institutional closures
- Retention of closed school academic records
- Liaison with accrediting bodies and the US Department of Education
- State portal agency for Alaska participation in the State Authorization Reciprocity Agreement network (SARA)
- Process for accredited, degree-granting institutions approved in their home state to offer distance education across state lines
- Enhances student access to online courses offered by institutions in another state
- Enables Alaska institutions to offer distance education to students in other states

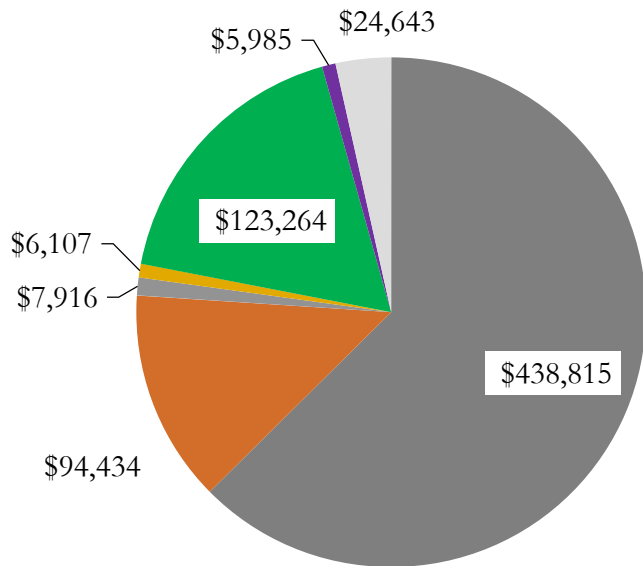
Successes, Challenges and Opportunities

Underwriting the Costs of Mission-Related Services

ASLC Loan Portfolio

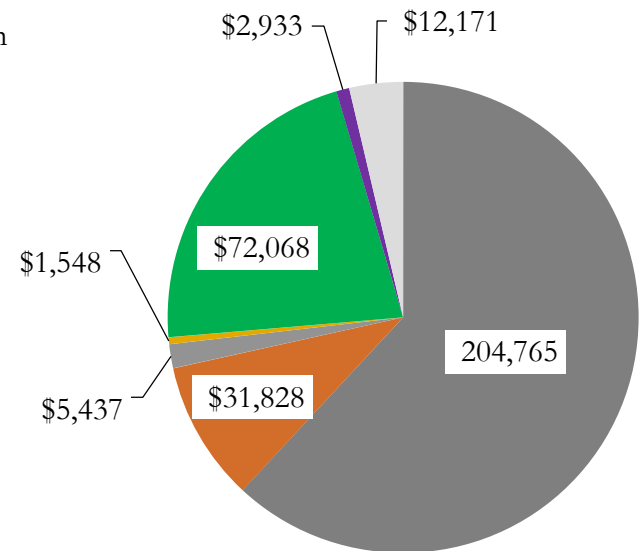
(principal balance in thousands)

June 30, 2009

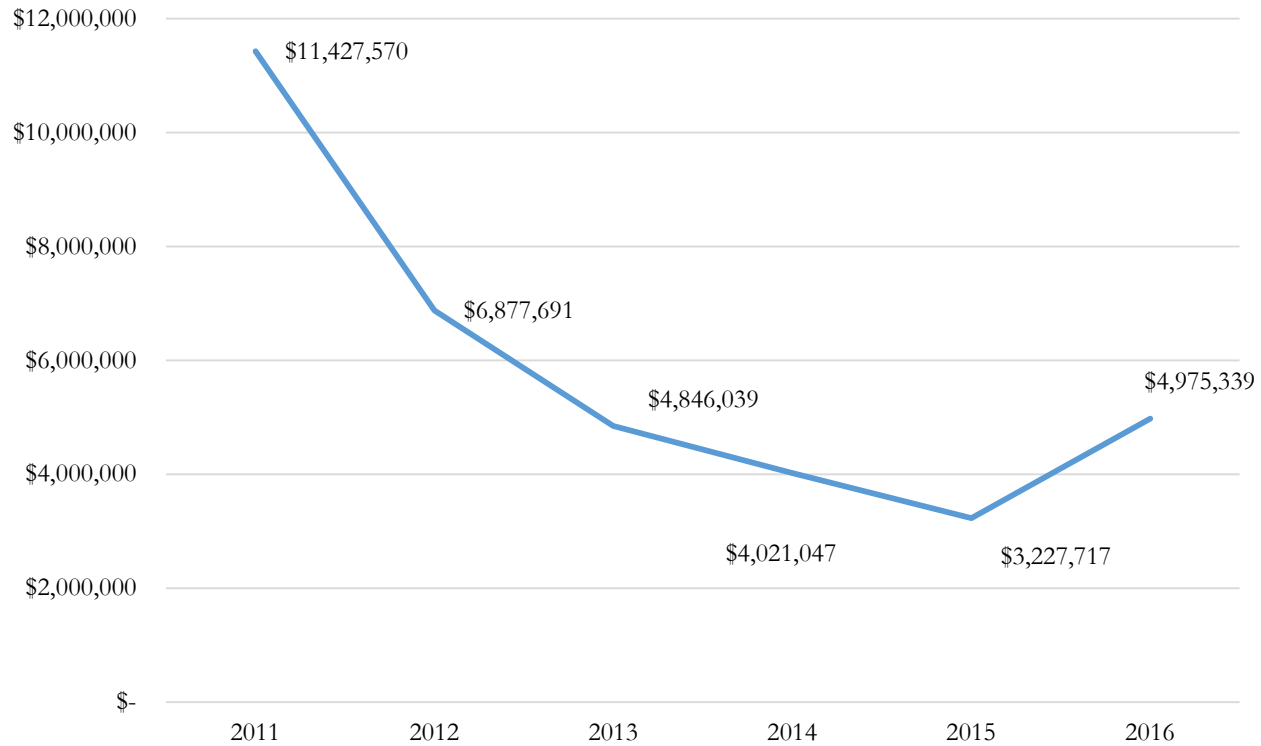


June 30, 2016

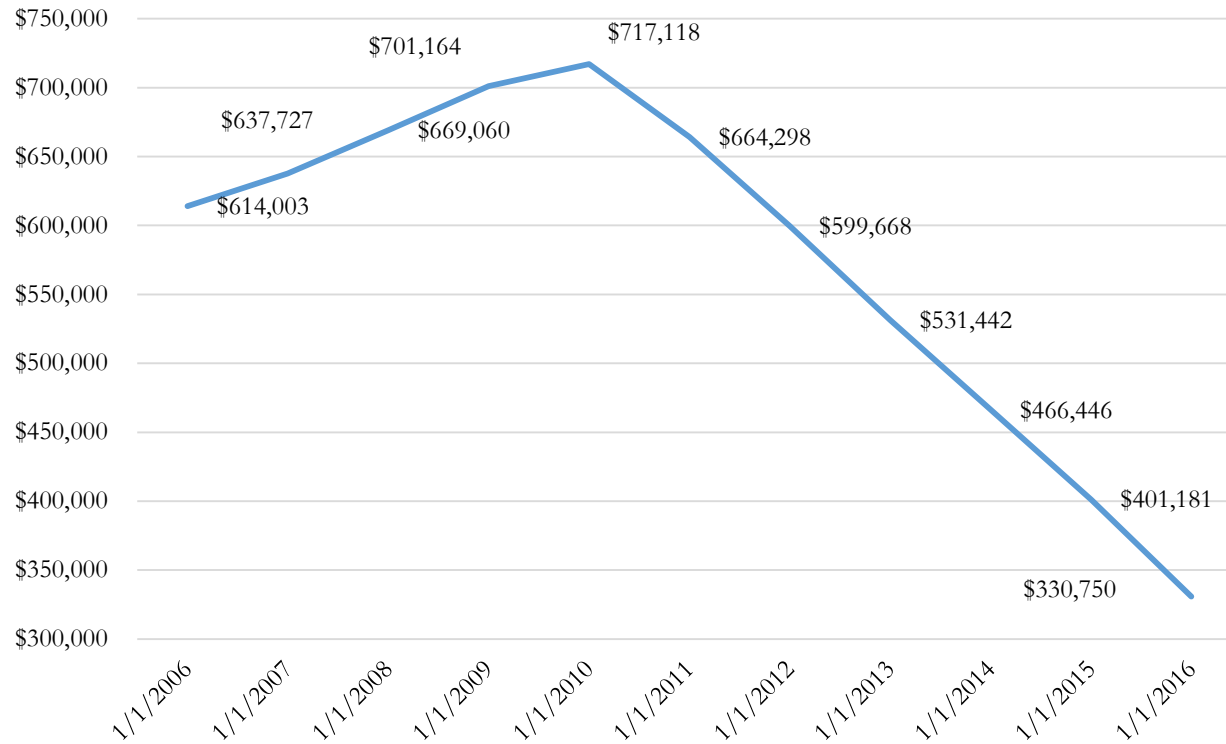
- Alaska Supplemental Education
- Alaska Consolidation
- Teacher Education
- Family Education
- Stafford
- PLUS
- Federal Consolidation



Alaska State Education Lending

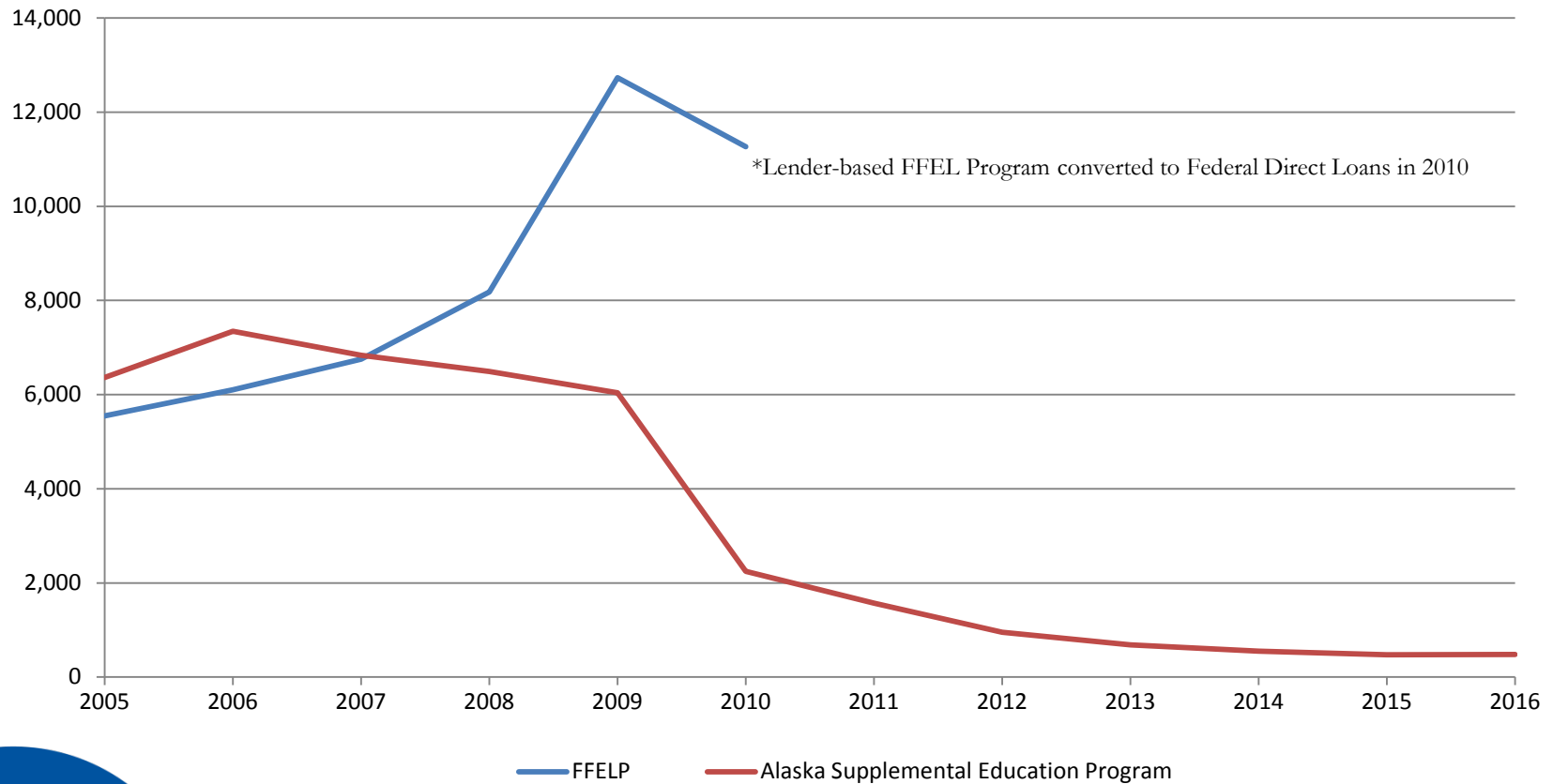


Loan Portfolio Run Off (principal in thousands)

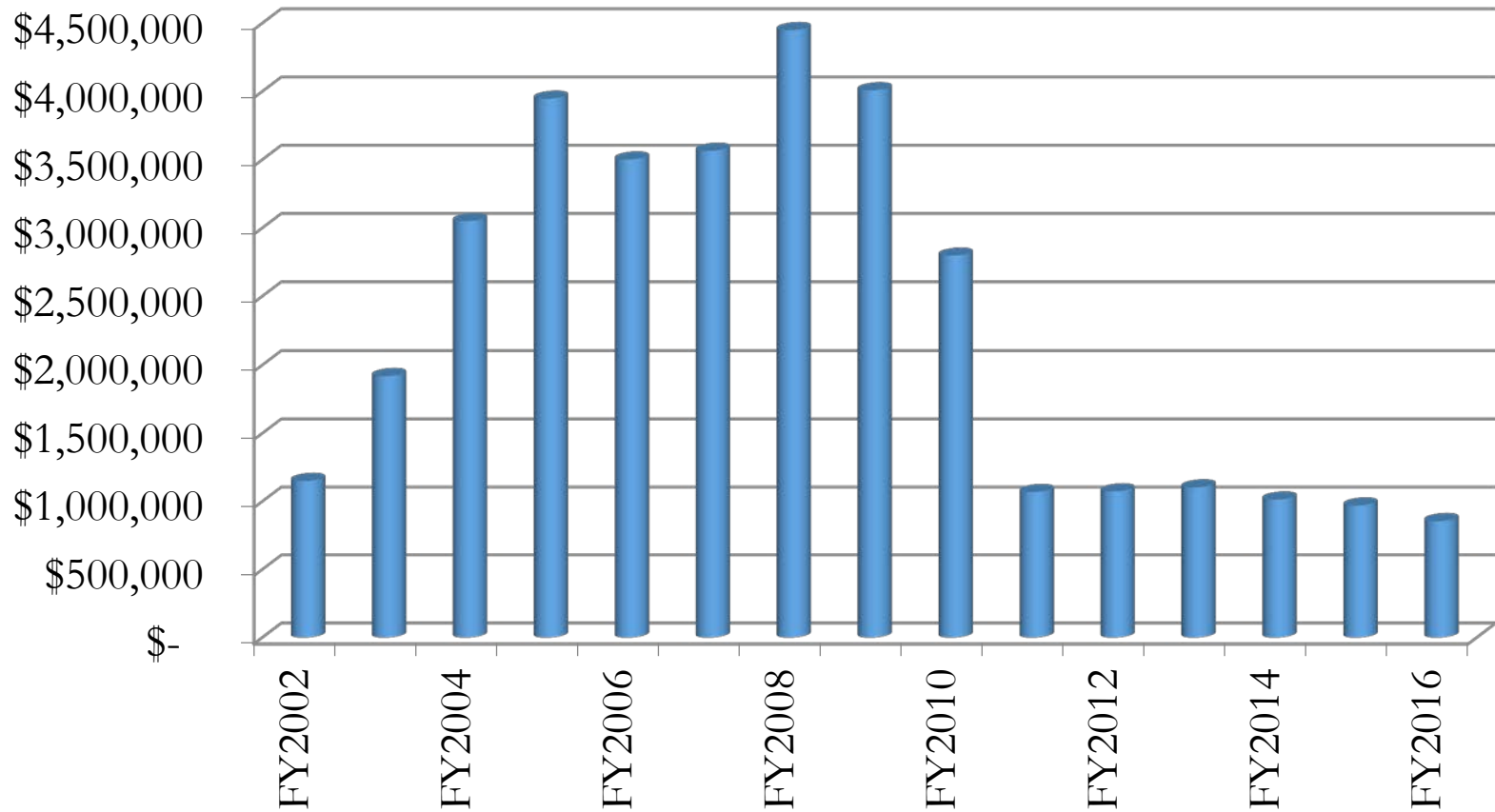


Annual Number of Loans by Program (ASEL/FFEL)

Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Alaska Supplemental Education Loan	6,362	7,347	6,837	6,494	6,037	2,244	1,572	953	683	551	472	483
FFELP	5,551	6,105	6,752	8,182	12,736	11,270	0	0	0	0	0	0
Total	11,913	13,452	13,589	14,676	18,773	13,514	1,572	953	683	551	472	483



Borrower Benefits Awarded (\$34.5 million ITD)



Capital Provided to the State

AS 14.42.295 gives the board authority to pay the state a dividend, for each base fiscal year that the corporation's net income equals or exceeds \$2,000,000. The payment may not be less than 10 percent nor more than 35 percent of the corporation's net income, and is subject to the provisions of bond indentures of the corporation.

Annual Dividends paid by Fiscal Year

2001	\$	2,200,000
2002		4,000,000
2003		5,250,000
2004		5,000,000
2005		5,600,000
2006		3,100,000
2007		1,900,000
2008		1,200,000
2009		4,100,000
2017 or 2018 (not yet paid)		1,200,000
Total Dividends paid		<u>33,550,000</u>

Successes Summary

- 40+ years of low-cost financial aid for Alaska students
- 2016 ACPE/ASLC Legislative Performance Review
- Operating state's financial aid and higher education access and success programs at no cost to the General Fund
- Creation of the Network through grant funding, with transition to a private non-profit
- Lean continuous improvement savings and high performing work culture

Legislative Budget and Audit Performance Review Findings

The Commission and Corporation recently finished a performance review conducted according to the requirements of House Bill 30 (Chapter 19, SLA 2013).

The summary recommendation speaks to the quantifiable benefits of the Commission and Corporation to Alaskan students and the report concludes:

“All of the information analyzed for this performance review indicates that ASLC is functioning well. ACPE and ASLC have made a number of adjustments in response to external forces and improvements to internal operations over the last several years.”

-Page 79, Legislative Budget and Audit Final Report

Challenges and Opportunities

- Keeping costs of education loans as low as possible
 - 2016 Ballot Measure Two
 - Stemming portfolio runoff
 - Preventing/managing default
- Operating state's financial aid programs at no cost to the General Fund
- Regulatory burdens/budget challenges
 - Federal preferred lender prohibitions impact volume
 - State fiscal climate – focus is to ensure a cost-efficient, sustainable organization that is prepared to best serve Alaska students over the long-term

Cost Containment and Continuous Improvement

Cost Containment and Continuous Improvement Activities

- Budget decreased by \$2.5 million
- 20 fewer staff positions (from FY15 to FY18)
- Identified opportunities to outsource and privatize office functions when there is an opportunity to reduce operating costs, which has realized over \$500,000 in savings
 - Migrated loan management system platform (\$300,000 annual savings)
 - Disbursement of Alaska Education Grant and Alaska Performance Scholarship through IRIS, the State's accounting system instead of through a contractor (\$95,000 annual savings)
 - Use of email to notify financial aid recipients instead of mailing letters (over \$40,000 in annual savings)
 - Outsourcing of letter generation and distribution (over \$65,000 in annual savings)
- Actively pursuing technology to expand borrower/student online self-service and distance delivery of programs and services

Alaska Commission on Postsecondary Education

Alaska Student Loan Corporation

Alaska Statutes

- Commission statutory authority: AS 14.42.010-055 (est. 1974)
- Corporation statutory authority: AS 14.42.100-990 (est. 1987)
- Financial aid programs and services: AS 14.43.091-990 and AS 14.44.010-060 (est. 1971)
- Regulation of postsecondary education institutions: AS 14.48.010-210 (est. 1976)
- Education planning: AS 14.42 (Sec. 1 ch 85, Temporary and Special Acts and Resolves) (est. 2001)

Questions?

Stephanie Butler, Executive Director

stephanie.butler@alaska.gov

907-465-6740

Charlene Morrison, Chief Finance Officer

Charlene.morrison@alaska.gov

907-465-6757



Alaska Student
Loan Corporation