

**Alaska Commission on Postsecondary Education**  
Response to FY17 Budget Intent Language  
Evaluation of Services Relative to Statutory Changes  
January 17, 2017

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## **INTENT LANGUAGE**

The following intent language was included in the enacted FY17 budget:

*It is the intent of the Legislature that the Alaska Commission on Postsecondary Education review all services offered in relation to its mission and core services, and report back to the Legislature no later than January 21, 2017 with recommendations on statute changes that would reduce the number of services offered by the Commission.*

## **APPROACH TO RESPONSE**

To address the request in the intent language, the Alaska Commission on Postsecondary Education (ACPE or the Commission) reviewed relevant Alaska statutes and evaluated ACPE and Alaska Student Loan Corporation (ASLC or the Corporation) programs to identify any recommendations for statutory changes. The evaluation of programs included identifying the program goal in relation to authorizing statutes and mission, evaluating the cost of the program and whether it attracted any third-party funding, and determining the impact to student, parents and other customers if the program were reduced or eliminated.

This report was developed through an iterative process that included engagement of Commission members to represent their constituencies with respect to the impact reducing or eliminating programs and services would have. As the Commission regularly solicits feedback from the public on its programs and services, the report also draws on Commission and third party surveys of Alaska policy makers, postsecondary planning program partners, students, and financial aid recipients to ensure documentation of the customer perspective on the impact of program reductions or elimination.

Additionally, budget and staff reductions in recent years and changes to ACPE statutes in 2014 were considered when evaluating programs to determine if specific statutory changes could be recommended.

## **ACPE MISSION AND CORE SERVICES**

### **Statutory Responsibility and Authority**

ACPE is charged in statute with coordinating plans for the orderly and systematic growth of postsecondary education in Alaska. ASLC is charged with financing loan programs through the issuance of debt supported by ASLC's loan portfolio. To that end, ACPE and ASLC statutes provide broad authority to deliver a variety of programs and services to provide Alaska's students access to the benefits of higher education and career training (Alaska Statutes 14.42, 14.43, and 14.48). This charge to carry out legislative priorities relative to ensuring relevant postsecondary education is available to Alaska citizens was underscored in the uncoded law of the State of Alaska as amended on July 4, 2001 (see page 1 of [Appendix B](#)), which sets out essential postsecondary access program needs and goals.

## **Mission**

In accordance with and in summary of its charge from the Legislature and the Administration, ACPE has adopted the following mission statement and program framework summary:

*The Alaska Commission on Postsecondary Education - funded by the Alaska Student Loan Corporation - promotes access to and success in education and career training beyond high school.*

*The Commission provides:*

- *education planning tools and resources*
- *advocacy and support for postsecondary participation in Alaska*
- *financial aid for college and career training*
- *education consumer protection through institutional authorization and complaint investigation*
- *research and analysis of program outcomes*

*The Commission offers a suite of financial aid and postsecondary planning services, designed to provide Alaska citizens access to the benefits of career training and higher education, regardless of their financial status. A better-educated workforce will provide a stronger Alaska economy, which benefits all Alaskans.*

ASLC's mission is to operate as an enterprise agency of the State of Alaska thereby funding and facilitating the work of the Alaska Commission on Postsecondary Education. In accordance with ASLC's structure as a public corporation and its charge to fund low-cost loan programs for postsecondary students, it is not designed nor managed to build equity. ASLC strives to keep costs as low as possible and pass benefits of cost reductions on to students in the form of lower interest rates on loans and expanded borrower benefits.

In accordance with AS 14.42.295, on occasions when the difference between revenues and costs results in a net income, ASLC may return a portion of that income to the State as a dividend. To date, ASLC has provided \$33,550,000 to the State.

In addition, the Corporation issued capital project revenue bonds to provide capital to the State by financing \$164,491,500 of State capital projects. Debt service payments on capital project revenue bonds were made with payments on education loans pledged to the bonds. This unusual use of education loan assets was based on the Corporation's ability at the time to absorb the costs of debt issuance and on the existence at the time of unpledged assets available for such use. Funding of capital projects or activities unrelated to student loan programs is not an obligation of ASLC nor is it consistent with the statutory charge to ASLC to keep costs as low as possible.

## **ACPE/ASLC Roles and History**

The Legislature created ACPE in 1974 to centralize planning for higher education and administer financial aid programs. In 1987, the Legislature established ASLC to provide a mechanism to fund the State's loan programs through tax-exempt bond sales. The State capitalized ASLC by transferring its loan portfolio to ASLC at the time of its creation. ASLC has a legal existence independent of the State and is governed by a Board of Directors.

The Board's primary responsibilities are to:

- authorize the issuance of debt to finance education loans
- authorize and oversee investments
- set loan fees, interest rates, and loan program benefits

By statute ASLC has one employee, the Executive Officer. The Executive Officer is also the Executive Director of ACPE. The employees of ACPE serve as staff for the Corporation.

ACPE is overseen by a fourteen-member body established by law, representing variety of education constituencies and the general public. Guided by the Commission, the Executive Director and staff develop and implement programs and policies to increase access to the benefits of higher education for individual Alaskans and for the state as a whole.

Additional information about the history of ACPE and ASLC is included as [Appendix A](#) of this report.

### **Core Services**

The information below is categorized by ASLC/ACPE's primary program areas: financial aid, postsecondary planning, and other programs. For each program listed, the table provides authorizing statutes, program description, customers served, program cost and funding, and the impact to Alaska and customers if the program were eliminated through statutory changes.

Note that with very limited exceptions, primarily pass-through funds that are awarded to students, ACPE's activities are funded by ASLC. ACPE does not receive General Funds for its operational activities.

**Table 1: Financial Aid Programs**

<b>Statute(s)</b>	<b>Program Statistics</b>	<b>Customers</b>	<b>FY2016 Cost by Funding Source</b>	<b>Notes/Comments</b>
<b>Education Loans:</b> <i>The education loan program is a program of the ASLC; ACPE services the loans and provides program administration for ASLC.</i>				
	Education Loans (all data as of 6/30/2016) <ul style="list-style-type: none"> <li>• Current number of borrowers = 30,616</li> <li>• Current outstanding principal balance = \$331 million</li> <li>• Number of borrowers (students and families) awarded in 15/16 academic year = 509</li> <li>• Total loans awarded in 15/16 academic year = \$5.2 million</li> <li>• Number of schools = 189</li> </ul>	Alaska students and family members; students enrolled in Alaska postsecondary education and career/technical education schools; Alaska public and private higher education and career training providers	Direct operating costs for servicing of \$331 million loan portfolio, (Interagency receipts from ASLC): \$6,276,958  New loan originations (ASLC receipts): \$4,955,861 (actual loans made)	Anticipate originating \$6 to \$10 million in new loans in FY17 (ASLC receipts)

Statute(s)	Program Statistics	Customers	FY2016 Cost by Funding Source	Notes/Comments
	<ul style="list-style-type: none"> <li>13.5 percent of loans issued for Career/Technical Education programs of study</li> </ul>			
	Teacher Education Loans	Aspiring teachers	Included in Education Loans above	Included in Education Loans above

**Impact of program elimination:**

Alaska students who need to borrow funds to access higher education would be forced to seek private loans which typically have higher interest rates and/or higher credit requirements. Many private lenders do not provide loans for attendance at non-collegiate institutions, which may result in Alaska students who are seeking career training not being able to attend if funding is not available through ASLC. As an example, fixed rates on private education loans in Alaska are generally credit-based and can be as high as 12 percent or greater, which is more than double the rate on ASLC loans. Variable rate loans may also be available from lenders other than ASLC but those rates reset as often as quarterly and may not have a limit on the amount the rate can rise over the life of the loan. Also, a number of small Alaska postsecondary providers rely heavily on students accessing ACPE loans to pay their costs of attendance, and these institutions may not be able to survive without the loan program.

Loan repayments fund ACPE's operational activities that would not otherwise be funded. Therefore, elimination of loan programs would require a funding source be identified for ACPE operational activities such as managing the Alaska Performance Scholarship and Alaska Education Grant, WWAMI, memorial scholarship programs, institutional authorization, postsecondary planning, etc. Please see additional discussion in the narrative section of the report for costs associated with those programs.

Note that due to the absence of a funding source, the Teacher Education Loan Program, which includes loan forgiveness for qualifying borrowers who return to Alaska and teach in rural areas, is no longer open to new borrowers.

**Alaska Performance Scholarship (APS):** *A performance-based scholarship to incent Alaska's high-performing students to pursue college education and career training in Alaska and remain in Alaska to contribute to the economy after graduation. Awards may be used at participating colleges, universities or approved career and technical education programs in Alaska.*

AS 14.43.810- 850	Alaska Performance Scholarship  In AY2016: <ul style="list-style-type: none"> <li>\$11.06 million disbursed to 3,358 APS-qualifying students, attending 14 Alaska schools</li> </ul> Since Inception (as of 6/30/15): <ul style="list-style-type: none"> <li>\$37.5 million disbursed to</li> </ul>	Alaska students; Alaska public and private higher education and career training institutions	Direct costs of program administration (Interagency receipts from ASLC) \$190,275  Scholarships direct to students (pass-through DGF from AHEIF) \$11,066,638	While ACPE does track ASLC's costs of program administration annually, there is not a dedicated budget line for administrative costs, which are included in the general operating budget.  Anticipated FY17 scholarships direct to
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Statute(s)	Program Statistics	Customers	FY2016 Cost by Funding Source	Notes/Comments
	5,248 individuals, attending 14 Alaska schools <sup>1</sup>			students (pass-through DGF from AHEIF) \$11,500,000
<p><b>Impact of program elimination:</b> Based on program analyses to date, it appears that elimination of APS would result in those students who would have stayed in Alaska to use the scholarship leaving the state for another institution. Over the course of academic years 2011 to 2015, there was an increase in students attending in-state institutions, and higher education participation by APS-eligible high school graduates is much higher than for non-APS eligible students. Over 82 percent of AY15 APS-eligible students were enrolled in postsecondary education in the fall of 2015.<sup>2</sup></p> <p>Not only are APS recipients more likely to remain in the state to pursue their postsecondary education,<sup>3</sup> they also take more credit hours and require much less remedial coursework than non-recipients<sup>4</sup>. If these students leave the state or for whatever reason fail to pursue or complete their postsecondary education, the state's emerging workforce will not be prepared to fill the employment opportunities that require postsecondary education and skills. If the state does not have the necessary workforce, Alaska's service sector would continue to import workers for high-skill trades and professions.</p>				
<p><b>Alaska Education Grant (AEG):</b> <i>A State need-based grant ranging from \$500 to \$4,000 per academic year for qualifying Alaska residents pursuing undergraduate study at participating postsecondary institutions in Alaska. Students with the highest financial need are awarded in order of need until funds are exhausted. Students enrolled in 15 credits per semester may be eligible for an increased award amount.</i></p>				
AS 14.43.400-420	Alaska Education Grant  In AY2016: <ul style="list-style-type: none"> <li>\$5.38 million disbursed to 2,712 Alaska residents, enrolled in 10 Alaska schools</li> </ul>	Alaska students; Alaska public and private higher education and career training institutions	Direct costs of program administration \$146,682 (Interagency receipts from ASLC) and \$82,800 (DGF from AHEIF)  Grants direct to students \$5,295,306 (pass-through DGF from AHEIF)	While ACPE does track actual costs by funding source at this level, there is not a dedicated budget line for them, costs are included in the general operating budget by funding source.  Anticipated FY17 grants direct to students (DGF from AHEIF) \$5,750,000
<p><b>Impact of program elimination:</b> Students whose families are unable to contribute to their postsecondary education would no longer have the additional financial resource to apply to their education.</p> <p>In a survey of AEG recipients in 2012 and 2013 we discovered that four out of five respondents considered the AEG award either very or extremely helpful in their pursuit of education. Further, respondents felt their education</p>				

<sup>1</sup> 2016 APS Outcomes Report, Page 6

<sup>2</sup> 2016 APS Outcomes Report, Page 16

<sup>3</sup> 2016 APS Outcomes Report, page 16, Exhibit 7

<sup>4</sup> 2016 APS Outcomes Report, Page 25

Statute(s)	Program Statistics	Customers	FY2016 Cost by Funding Source	Notes/Comments
improved their ability to gain employment and increased their earnings potential. Approximately half of the respondents reported they are more active in their communities because of their postsecondary education. <sup>5</sup>				
<b>WWAMI:</b> <i>The Washington, Wyoming, Alaska, Montana, Idaho (WWAMI) program provides access to graduate medical education not otherwise available in Alaska. The program reserves highly sought-after seats specifically for Alaska residents at the University of Washington School of Medicine (UWSM). Alaska pays UWSM contractual costs of the program not covered by tuition, with 50 percent of that cost becoming a loan the student must repay if they fail to return to the state and become employed in the medical field for which support was provided. After acceptance by UWSM, the student attends the first two years of school at University of Alaska Anchorage.</i>				
AS 14.42.033(d)  AS 14.43.510	WWAMI regional medicine education loan  FY2016: <ul style="list-style-type: none"> <li>• Total disbursed = \$1.208 million</li> <li>• 58 Alaska residents currently enrolled in program</li> <li>• Since 2000, 239 Alaska residents received the loan.</li> </ul>		Direct costs of program administration (Interagency receipts from ASLC) \$8,638  Grants/Loans (pass-through DGF from AHEIF) \$2,833,148	While ACPE does track actual costs by funding source at this level, there is not a dedicated budget line for them, costs are included in the general operating budget by funding source.
<b>Impact of program elimination:</b> There would be no medical school seats reserved for Alaska students and no incentive for medical students to return to Alaska upon medical degree completion. Additionally, residencies and clerkships currently supported by WWAMI in rural Alaska may no longer be available. Program has a 95 percent graduation rate, and in 2015, 72 percent returned to practice in Alaska. WWAMI has been a major source of physicians in rural Alaska.				
<b>WICHE/Exchange Programs:</b> <i>Alaska has participated in the Western Interstate Commission for Higher Education (WICHE) compact since 1955. WICHE is a regional organization created to facilitate resource sharing among the higher education systems of the West. Alaska participates in three WICHE student exchange programs administered by ACPE, as well as in a variety of policy exchanges, academic support programs, and the State Authorization Reciprocity Agreement (SARA). The two best known exchange programs are the Professional Student Exchange Program and the Western Undergraduate Exchange (WUE).</i>  <i>The Professional Student Exchange Program (PSEP) provides low-cost educational loans and preferred admissions to Alaska students enrolling full-time in eligible health-care professional degree programs not available in Alaska (dentistry, podiatry, optometry, pharmacy, physician assistant, physical therapy and occupational therapy). Alaska program participants are required to repay the support fee paid on their behalf.</i>  <i>WUE provides the opportunity for students who are residents of WICHE states 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.</i>				
AS 14.44.010	WICHE/PSEP, WUE and WGRP		(Interagency receipts from ASLC)	While ACPE does track actual costs by funding

<sup>5</sup> 2012 AEG Outcomes Report, Page 34

Statute(s)	Program Statistics	Customers	FY2016 Cost by Funding Source	Notes/Comments
	<p>WICHE/PSEP – FY2016:</p> <ul style="list-style-type: none"> <li>• Total disbursed = \$283,000</li> <li>• 17 Alaska residents received award</li> </ul> <p>WUE:</p> <ul style="list-style-type: none"> <li>• 2015-16, 1,101 students from Alaska were enrolled in out-of-state programs at reduced rates (150% of resident tuition), saving more than \$9.6 million in tuition and fees – the average student savings amounted to \$8,755. In the last 10 years, students have saved nearly \$115.4 million.</li> </ul>		<p>\$149,019 (of which \$141,000 are WICHE compact dues )</p> <p>WUE students saved over \$10 million in waivers of out-of-state tuition in FY15, and the University of Alaska attracted 533 out-of-state students to fill otherwise vacant seats</p> <p>Disbursed \$282,900 in support fees and loans to 17 Alaska PSEP students</p>	<p>source at this level, there is not a dedicated budget line for them, costs are included in the general operating budget by funding source.</p>

**Impact of program elimination:** Alaskan students would no longer be able to participate in educational opportunities in other WICHE states or receive preferred admissions into health-care programs not available in Alaska. Alaska students would also lose access to the discounts received when Alaskan students participate in the WUE and PSEP programs. Alaska would no longer attract participating out-of-state students to its institutions. Alaskans would no longer be able to participate in exchange programs; students would have to move out-of-state to receive this education, which reduces the likelihood that they would join the Alaska workforce upon graduation. WUE is particularly attractive for Alaska students who wish to experience a year outside but remain Alaska residents and return to Alaska for graduation.

In the most recent complete dollar figure is the 2014-2015 academic year, in which 1,237 Alaska students attended a WUE school and paid in-state tuition and a half in another state. This realized a savings of \$10,186,866. In 2015, this program attracted 533 students to Alaska: 209 attended the University of Alaska Anchorage, 264 attended the University of Alaska Fairbanks, and 60 attended the University of Alaska Southeast.

The Western Regional Graduate Program sent 35 graduate students from Alaska and brought in 10 students from out-of-state.

Participation in WICHE also provides Alaska with access to best practices research and Alaska-specific analyses performed by WICHE research staff that would not otherwise be available and would cost significantly more if these services had to be purchased or performed in-house. Representative Paul Seaton and Senator Gary Stevens currently serve on WICHE's Legislative Advisory Committee. Through its membership in WICHE, Alaska is additionally able to participate in the State Authorization Reciprocity Agreement and to provide students and the University of Alaska with the benefits of initiatives such as the WICHE Cooperative for Educational Technologies (WCET) and the Western Academic Leadership Forum (WALF), which may include access to cooperative purchasing agreements and other cost-containment opportunities. Alaska's WICHE commissioners are former ACPE Executive Director Diane Barrans, UA President Jim Johnsen, and CIRI Foundation President Susan Anderson.

Statute(s)	Program Statistics	Customers	FY2016 Cost by Funding Source	Notes/Comments
<b>Other programs:</b> ACPE administers a number of memorial loan programs, funded by private donations. The best known is the A.W. “Winn” Brindle Education Loan for full-time students in a fisheries-related degree or certificate program. Recipients may be eligible for forgiveness benefits, up to 50 percent of the loan’s principal balance over a five-year period, if after graduation they are employed full-time in a fisheries field related to their degree.				
AS 14.43	Other – Winn-Brindle and Memorial Scholarship  FY2016: <ul style="list-style-type: none"> <li>• \$398,000 awarded</li> <li>• 16 recipients</li> </ul> Since Inception: <ul style="list-style-type: none"> <li>• 322 Alaska residents received WB loan</li> </ul>		Administration (Interagency receipts from ASLC) \$4,411  Loan originations* \$370,550  * tax credits for WB (AS 43.75.032) and private donations for others	While ACPE does track actual costs by funding source at this level, there is not a dedicated budget line for them, costs are included in the general operating budget by funding source.
<b>Impact of program elimination:</b> Students would no longer have access to this low-cost program or to associated loan forgiveness benefits. However, it is possible that the Winn Brindle family may seek another organization to administer the program. The current balance as of August 2016 in the Winn Brindle account is \$4,412,564. The other very small memorial loan programs would need to be transferred to other state agencies for management.				

Over the past several years, many changes to reduce costs and improve customer satisfaction have been implemented related to ACPE’s and ASLC’s financial aid programs. The following are examples of proactively identifying changes to technology and outsourcing that resulted in savings in excess of \$500,000:

- Migrating loan management system from State of Alaska mainframe to .Net platform (\$300,000 annual savings).
- Automated sending of emails to financial aid recipients instead of mailing letters (over \$40,000 annual savings).
- Making financial aid disbursements (APS and AEG) through the State of Alaska’s accounting system, IRIS, instead of using contractor to disburse funds (\$95,000 annual savings).
- Outsourcing of collection activities (reduced FTEs)
- Outsourcing of letter generation and mailing (over \$65,000 annual savings)

Table 2: Postsecondary Planning Programs

Statute(s)	Program Statistics	Customers	FY2016 Cost by Funding Source	Notes/Comments
<b>Alaska College and Career Advising Corps (ACAC):</b> Embeds near-peer College and Career Guides in high schools to provide Alaska’s students with focused career exploration, postsecondary planning, and postsecondary preparation supports, with the goal of increasing postsecondary enrollment and persistence rates.				

	<p>Alaska College and Career Advising Corps (ACAC)</p> <p>FY16 school districts served: 17</p> <p>FY16 scholarships and grants offered to students served: \$15,574,956</p> <p>FY16 students receiving guide services: 4,991 (excludes group sessions)</p>	<p>High school students, educators, and families</p>	<p>\$9,261 (Interagency receipts from ASLC)</p> <p>\$1,835,081 (Federal grant – not available in future years)</p> <p>\$33,000 (SDPR for private grants)</p>	<p>While ACPE does track actual costs by funding source at this level, there is not a dedicated budget line for them, costs are included in the general operating budget by funding source.</p> <p>See narrative below for discussion of transition from federal grant to private contributions reducing ASLC's total FY17 cost for ACAC to \$40,000 (Interagency receipts from ASLC)</p> <p>\$316,481 SDPR (Private sponsorships)</p>
<p><b>Impact of program elimination:</b> Replacing Guides with school district personnel would cost each district approximately 3-4 times the district's program contribution. Eliminating the program would significantly reduce career/postsecondary planning guidance in primarily rural Alaska school districts.</p>				
<p><b>Alaska Career Information System (AKCIS):</b> <i>Online interactive career and higher education planning tool utilized in all 54 Alaska school districts, provides tools to counselors and teachers to engage students in career plan development, and directly accessible to students and parents.</i></p>				
	<p>Alaska Career Information System (AKCIS)</p> <p>FY16 utilization: All 54 school districts; universities, trade schools, non-profits, Native Organizations, Job Centers</p> <p>~15,650 students create new career plans annually (average last 4 years)</p> <p>86,070 active personal learning and career plans of Alaskans</p>	<p>Students and educators/ service providers at middle schools, high schools, job centers, colleges/trade schools, non-profit, and Native education programs</p>	<p>\$70,412 (Interagency receipts from ASLC)</p> <p>\$188,003 (Federal grant)</p>	<p>While ACPE does track actual costs by funding source at this level, there is not a dedicated budget line for them, costs are included in the general operating budget by funding source.</p>
<p><b>Impact of program elimination:</b> If not available, those districts with access to additional funds could purchase individual/district-level portal access to similar services, albeit at significantly increased cost per student served,</p>				

and with less Alaska-specific information. Districts without funds would no longer have access to online career and learning planning. Transferability of career plans between schools would be eliminated. Reduced likelihood of Alaskans developing and pursuing career & learning plans that are relevant to Alaska's workforce needs.

**Success Center/College and Career Planning Programs:** *In-person and virtual/distance-delivered workshops, advising, curriculum, and resources (print and online) to ensure Alaskans have the information necessary to develop and pursue career and learning plans grounded in Alaska's workforce needs, and to access lowest-cost available financial aid to achieve the necessary training and education.*

	Success Center/College and Career Planning Programs		\$252,074 (Interagency receipts from ASLC)	While ACPE does track actual costs by funding source at this level, there is not a dedicated budget line for them, costs are included in the general operating budget by funding source.
	FY16: 13,273 students, parents, and educators served at 395 events delivered to 90+ Alaska communities		\$13,000 (Interagency receipts – other)	
	More than 87 percent of customers report info is new and useful to achieving education and career goals		\$121,729 (Federal grant)	
			\$16,000 (SDPR for private grants)	

**Impact of program eliminations:** If customers are not provided this information (which focuses on: accessing the most affordable financial aid, developing career & learning plans, and successfully pursuing those plans), they may be less likely to accomplish those postsecondary goals. Customer feedback indicates these services provide information that is new and useful to them.<sup>6</sup>

**The Alaska Postsecondary Access and Completion Network:** *A collaborative of postsecondary, secondary, public, private, non-profit, Native, and business organizations united around a shared goal of 65 percent postsecondary attainment by 2025. The Network: 1) advocates for increased attainment in alignment with Alaska's workforce needs; 2) improves coordination around transitions and pathways for students; 3) disseminates relevant research to support best practice development; and 4) promotes best practices sharing and professional development to ensure available resources are used to maximum benefit.*

	The Alaska Postsecondary Access and Completion Network	Organizations serving Alaska students (membership includes school districts, Native corporations and foundations, non-profit providers, University of Alaska,	\$13,593 (Interagency receipts from ASLC)	This program was designed specifically to provide services needed but not funded by being incubated at ACPE during development and then becoming a 501(c)(3) with a continued existence independent from ACPE and not dependent on State funding. FY16 was the
			\$154,561 (Federal grant)	

<sup>6</sup> [Appendix H](#) – January 7, 2016 Outreach and Early Awareness Report to the Commission

		AVTEC, vocational schools, etc.)		<p>final year prior to transitioning to a 501(c)(3).</p> <p>While ACPE does track actual costs by funding source at this level, there is not a dedicated budget line for them, costs are included in the general operating budget by funding source.</p>
<p><b>Impact of program elimination:</b> As of FY17, this program now operates, with continued engagement from ACPE as a member, as a separate entity to promote cohesiveness of effort among private and public entities promoting college access and completion. This program was specifically designed to spin off from a State program to a private non-profit that would be in a position to attract outside and other private funding. Grant writing and sponsorship solicitation is currently underway. ACPE continues to provide in-kind support such as meeting space and facilitation.</p>				

From FY08-FY16, postsecondary planning programs were funded at up to 60 percent by a federal grant that has ended. Transition planning allowed ACPE to mitigate impacts to constituents and students served, who in these times of budget austerity are all the more reliant on ACPE's services; however, the scope of services has been dramatically reduced:

- The Alaska College and Career Advising Corps (ACAC) has scaled back from 16 to 8 Guides, and now operates under a new model, developed in transition planning, that reduces per-Guide program costs by 20 percent. It also leverages only \$40,000 in ASLC Interagency receipts to secure \$316,481 in partner contributions – the largest from a national private grant provider – to continue to provide college and career guidance to Alaska's rural districts and students.
- The Alaska Career Information System (AKCIS) will have only one staff support position (one position ended in FY16).

Additional changes, restructuring, and efficiencies in postsecondary planning programs over the past three years included:

- Consolidation of community outreach and the success center into one function, eliminating a position.
- Redistribution of administrative duties, eliminating an administrative support position.

Table 3: Other Programs and Services

Statute(s)	Program	Customers	FY2016 Program Cost by Funding Source	Notes/Comments
<p><b>Institutional Authorization:</b> <i>Institutional authorization is a governmental consumer protection activity in all states. All postsecondary educational providers in Alaska, and the programs they offer, must be authorized in accordance with law, or be formally determined by ACPE to be exempt from authorization. It is often referred to</i></p>				

*as a postsecondary institution licensing function. Alaska's authorization process is designed to ensure postsecondary education providers and programs meet the following minimum standards:*

- *Institutional financial soundness;*
- *Ethical business practices;*
- *Academic soundness; and*
- *Administrative capacity*

AS 14.48	<p>Institutional Authorization</p> <p>28 authorized institutions in Alaska</p> <p>464 exempt institutions; of those 319 offer only distance or online instruction and have no physical presence in Alaska</p>	Students and educational institutions	<p>\$41,917 (General Fund Program Receipts - DGF)</p> <p>\$110,736 (Interagency receipts from ASLC)</p>	While ACPE does track actual costs by funding source at this level, there is not a dedicated budget line for them, costs are included in the general operating budget by funding source.
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**Impact of program elimination:** Postsecondary institutions operating in Alaska would no longer have any oversight. Other states that eliminated or reduced this function saw very significant increases in unethical business practices and proliferations of fly-by-night schools that take advantage of students. Additionally, federal law requires institutions wishing to administer Title IV funds (federal student financial aid such as Pell Grants) to be authorized in their home states, so elimination would result in Alaska authorized institutions losing access to Title IV funds.

**SARA:** *In May 2014, Alaska was approved by the Western Interstate Commission for Higher Education (WICHE) to become a member of the WICHE State Authorization Reciprocity Agreement (W-SARA), with ACPE designated by the Governor as the lead agency for all Alaska SARA-related matters. SARA is a voluntary agreement among member states, districts, and territories that establishes comparable nationwide standards for interstate offering of postsecondary distance education courses and programs. Under this agreement, colleges or universities in a SARA state only need authorization from the state where the main/central campus or central administrative unit resides – known as the "home state" – to offer distance education to residents of any other SARA member state.*

*ACPE is responsible for:*

- *Determining if an Alaska postsecondary institution is eligible for SARA participation;*
- *Ensuring participating Alaska institutions are in compliance with SARA rules and policies;*
- *Serving as the point of contact for other SARA member states and their agencies; and*
- *Investigating and resolving complaints against an Alaska SARA-participating institutions that are not addressed by the institution's grievance or complaints policy.*

*In addition, accredited, degree-granting institutions in Alaska that offer distance education courses can seek approval from ACPE to participate in SARA. If approved, these institutions will be able to deliver distance education to students in any other SARA member state without needing to seek independent authorization from those states.*

	SARA	Students and	\$3,062 (Interagency	
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	276 institutions were formerly approved as exempt and now participate in the SARA program through their home state with two SARA-approved Alaska institutions: the University of Alaska and Alaska Pacific University.	educational institutions	receipts from ASLC)	
<b>Impact of program elimination:</b> Alaska institutions would need to go through the authorization process in each state where they offer distance-delivered postsecondary education and reciprocally, any institutions with “home bases” outside of Alaska would then need to go through Alaska’s authorization process to comply with State institutional authorization statutes. Alaska would not have a state agency to investigate student complaints relative to distance education providers.				
<b>Student Complaints:</b> <i>ACPE processes student complaints alleging violations of state institutional authorization law relative to postsecondary institutions or programs in Alaska.</i>				
AS 14.48.130	Student Complaint Investigations  Occurs infrequently, 1 to 3 per year, and time spent and cost of investigation vary greatly based on the nature of the complaint.	Students and educational institutions	\$929 (Interagency receipts from ASLC)	Note that authorized institutions are required to secure educational surety bonding. Should ACPE determine in a complaint investigation that a student is entitled to a refund of costs incurred, ACPE can compel payment of such refund from the bond proceeds.
<b>Impact of program elimination:</b> Other than taking legal action through the court system, there would no longer have an avenue for students to file complaints for violations of state authorization law.				
<b>Records and Transcript Maintenance:</b> <i>ACPE maintains the academic records for closed postsecondary institutions in Alaska, including Sheldon Jackson College and the Alaska Junior College. Former students and graduates of closed postsecondary schools may request transcripts and/or copies of diplomas.</i>				
AS 14.48.150	Records and transcript maintenance	Students and educational institutions	\$15,299 (Interagency receipts from ASLC)	
<b>Impact of program elimination:</b> Former students of closed institutions would have no place to request a copy of a transcript or diploma, which could preclude them from applying for further postsecondary education or career objectives. Alternatively, another state agency would need to take over this function.				
<b>ANSWERS:</b> <i>Longitudinal database linking de-identified Alaska K-12, higher education and employment data to evaluate aggregated education program outcomes. Database creation was funded by \$4 million federal grant over three years to develop the system.</i>				
	ANSWERS	Students,	\$246,625 (Interagency	In FY17, costs of

		parents, education institutions, and policy-makers	receipts from ASLC) \$502,694 (Federal grant – project complete as of FY16)	operating ANSWERS in a very reduced scope model are minimal and are being absorbed by ACPE.
<p><b>Impact of program elimination:</b> Policymakers and funders (grant applications) regularly request information on program outcomes, such as whether graduates of a specific program or those who received a specific intervention are more likely to be employed in Alaska. It is not currently possible to answer those questions without special multi-agency research initiatives which are expensive to perform. Not having a central and secure longitudinal system also results in a proliferation of smaller databases with each new research project, increasing the risk of unintended breaches of privacy.</p> <p>Note that in response to concerns about data privacy, but while remaining sensitive to the potential value of ANSWERS, in 2016 the Legislature requested ACPE to scale back the ANSWERS implementation and restrict use of ANSWERS data to specific state agency partners evaluating their own program outcomes. ANSWERS is thus being used in this more limited scope pilot with the goal of documenting its value to policymakers while also documenting appropriate protections of privacy.</p>				

ACPE's low-cost administration of other programs requires continuous identification and use of best practices along with implementation of process improvements to reduce costs. The following are examples of changes and outsourcing in other programs that resulted in savings in excess of \$44,000 per year:

- Currently reviewing institutional exemption process to streamline for institutions and ACPE staff (significant annual savings of staff time expected).
- Implemented new state program in 2014, SARA, as described above, without additional funding or staff
- Transitioned historical closed school records from paper-based storage to electronic format which will result in savings related to records storage fees (\$8,000 annual savings expected).
- Consolidated ANSWERS servers from eight servers to two servers while maintaining system security (\$36,000 annual savings).

## PREVIOUS COST REDUCTIONS AND STATUTORY CHANGES

In addition to evaluating programs when considering possible statutory changes to reduce ACPE/ASLC programs, ACPE also considered the overall reductions in budget and staff positions (PCNs) from FY15 to FY17 and statutory changes made in 2014 through Senate Bill 195.

As depicted in Table 4 below, ACPE's budget and number of staff positions have decreased over the past two fiscal years by \$882,300 and 12 positions. As the state's fiscal situation has changed and budget cuts have occurred over this period, ACPE has proactively identified opportunities to reduce costs by privatizing/outsourcing when appropriate, partnering with others to consolidate efforts and reduce duplication of services, and reducing or eliminating programs

that were not financially sustainable or achieving intended outcomes. This effort has allowed the agency to absorb the funding reductions while minimizing the impact to customers.

In addition, ACPE adopted the Lean continuous improvement model in 2015 and as a result of process improvements and other changes has saved approximately \$110,000 since implementation. This amount represents a combination of savings from staff time reductions and reduced direct costs.

Table 4: 3-Year History of ACPE Budget and Position Reductions

	<b>FY17</b>		<b>FY16</b>		<b>FY15</b>		<b>Overall Change (FY17 to FY15)</b>	
Budget (by source)	\$	PCNs	\$	PCNs	\$	PCNs	\$	PCNs
Interagency receipts from ASLC	12,348.1	90.01	12,518.0	86.79	13,274.5	87	(926.4)	3.01
Federal	900.0	--	2,009.4	16.74	1,987.1	15	(1,087.1)	(15)
Undesignated General Fund	--	--	--	--	2,964.8	--	(2,914.8)	--
Designated General Fund	50.0	0.38	--	--	--	--	50.0	0.38
AHEIF	20,297.6	--	20,297.6	--	16,582.8	--	3,714.8	--
Statutory Designated PR	774.7	3.61	100.0	0.42	100.0	--	674.7	3.61
Other Inter-agency	1,066.0	--	1,066.0	2.05	1,409.5	4	343.5	(4)
<b>Total</b>	<b>35,436.4</b>	<b>94</b>	<b>35,991.0</b>	<b>106</b>	<b>36,318.7</b>	<b>106</b>	<b>(882.3)</b>	<b>(12)</b>

ASLC funds the operation and management of a number of programs administered by ACPE beyond ASLC-funded loans (servicing non-ASLC loan programs, WWAMI, Alaska Performance Scholarship, Alaska Education Grant, etc.), totaling approximately \$490,000 in FY16. See Table 5 below for the various non-ASLC programs and the associated cost of management in FY16.

Table 5: ASLC-funded program management activities for non-ASLC programs

	<b>FY16 Amount of Non-ASLC Programs Funded by ASLC Receipts</b>
Alaska Performance Scholarship (APS)	\$ 189,300

Alaska Education Grant (AEG)	146,682
WWAMI	8,638
WICHE	8,019
Winn Brindle	3,609
Memorial Scholarships	802
Teacher Education Loan Forgiveness	2,405
Institutional Authorization	110,736
SARA	3,062
Student Complaints	929
Closed school records/transcripts	15,299
<b>TOTAL</b>	<b>\$ <u>489,479</u></b>

Through [Senate Bill 195 in 2014](#), the Legislature reviewed authorizing statutes and made comprehensive updates to the following content areas in statute:

- Membership and authority of the Alaska Commission on Postsecondary Education;
- The Alaska Student Loan Corporation;
- Teacher Education Loan;
- Consolidation of postsecondary education loans;
- Alaska Supplemental Education Loans;
- Alaska Education Grant;
- The Alaska Family Education Loan program;

The comprehensive statutory changes made in 2014 addressed all outstanding housekeeping issues and program changes necessary to implement planned efficiencies. There are no additional statutory changes to suggest at this time.

## CONCLUSION

After conducting a thorough review of programs and services and related statutes, ACPE did not identify statutory changes related to reducing the number of programs or services offered by the Commission or the Corporation. With the exception of loan programs that must continue to be serviced in order to meet debt and legislative covenants, the statutes do not contemplate individual programs but rather broad scope responsibilities of the State.

As a result, ACPE and ASLC are able to identify programs that should be amended or eliminated based on costs exceeding benefits or changes in state needs, without requiring statutory changes. As noted above, ACPE and ASLC proactively review programs in light of efficiency and effectiveness with respect to statewide and stakeholder/constituent needs and have directed staff to reduce, consolidate or eliminate a number of programs accordingly.

ACPE was particularly pleased to note this evaluation of programs confirms that the organization is meeting goals of providing high-value financial aid and postsecondary planning programs at no cost to the State's General Fund. In fact, as noted in the table above, ACPE, funded with interagency receipts from ASLC, annually provides the state with services valued at

approximately \$490,000 that would otherwise require State funding. ACPE is able to perform these programs and services at costs well below what the State would incur to obtain similar services.

This review led to three primary observations:

1. Although statutes do not contemplate individual programs but rather broad scope responsibilities of the State, the Commission's emphasis on cost-containment and regular program review results in efficiency and effectiveness.
2. Resource constraints and a focus on efficiency have resulted in program and cost reductions in past years; through Lean continuous improvement analysis and strategic planning activities additional efficiencies and cost reductions are anticipated over time.
3. Needed changes were already made to ACPE statutes in 2014 through Senate Bill 195.

Although suggested statutory changes were not identified, the Commission found working through the questions and issues presented in responding to the legislative intent language to be very informative. The Commission has directed staff to continue the cost reduction and program evaluation efforts through the current fiscal year by performing the following activities:

- Continue consolidating and streamlining activities where appropriate.
- Deploying the Internal Auditor to identify areas for reducing agency costs.
- Continue to implement the Lean process improvement initiative to identify additional cost savings and efficiencies.
- Identify external funding sources, opportunities for cost-sharing, public/private partnerships, or privatizing services.

The Commission would like to express its appreciation to the Legislature for its ongoing support of Alaska's students and for its commitment to leveraging higher education to ensure that Alaskans are well-prepared for career success, and so that Alaska can develop a cadre of residents with the education and career training necessary to fill high-wage jobs in-state and reduce the state's dependence on non-resident hire to fill these positions.