

# Alaska Commission on Postsecondary Education Alaska Student Loan Corporation

House Education Finance Subcommittee

February 2, 2018



Alaska Student  
Loan Corporation

# The Mission

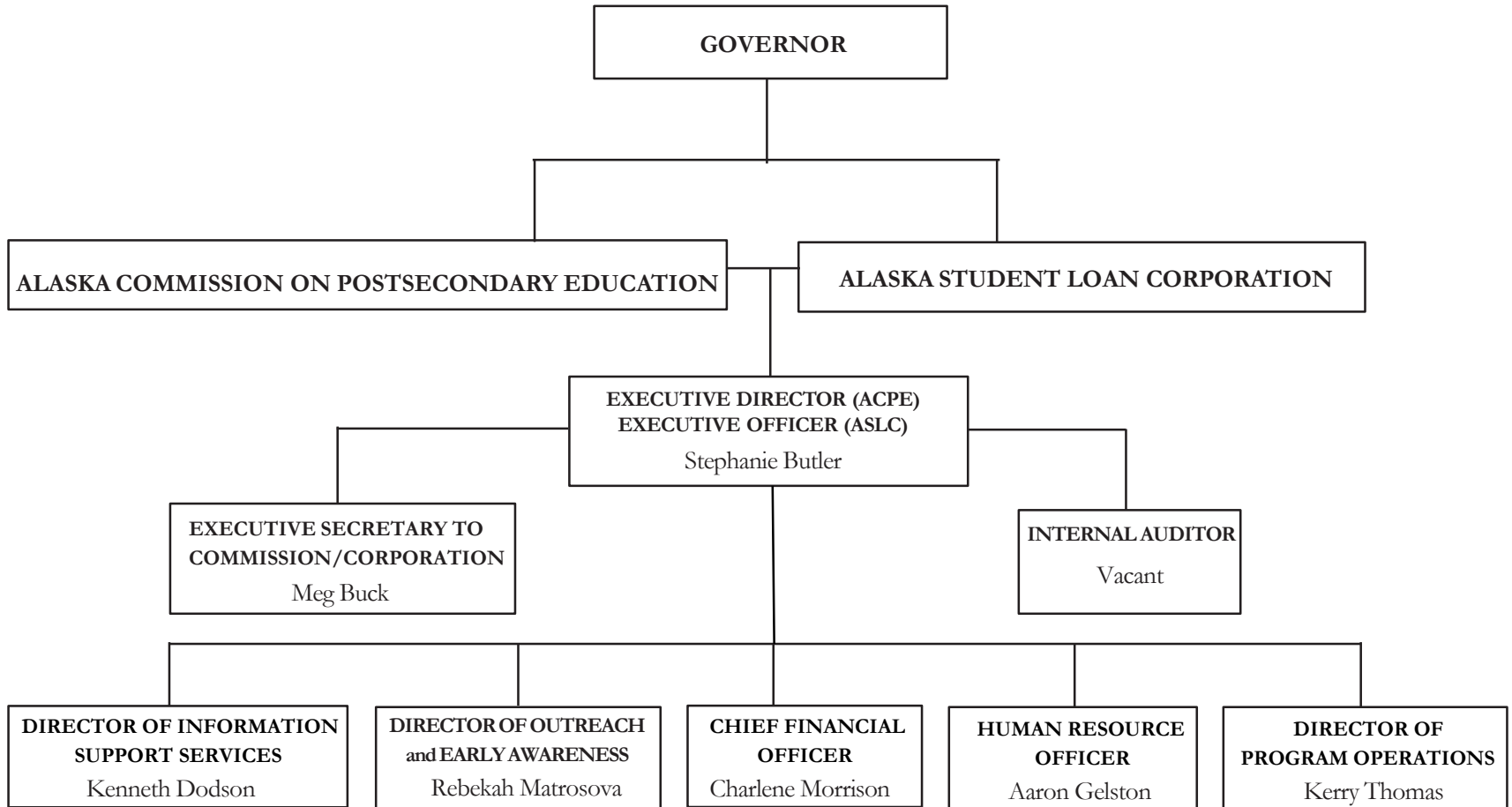
## **Alaska Commission on Postsecondary Education (ACPE)**

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

## **Alaska Student Loan Corporation (ASLC)**

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

# ACPE Organizational Governance



Agency PCNs (FY19)	
Anchorage	17 (20 percent)
Juneau	65 (80 percent)
Total	82

# 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.

# Commission Roles, Authorities, and Responsibilities

- Functions, duties and powers set out in AS 14.42.030, including:
  - Advisory body to Governor and Legislature, relative to planning for higher education in the state
  - Administer financial aid programs and interstate compacts
  - Administer state institutional authorization under AS 14.48
  - Serve as state agency required by federal Higher Education Act
- Meets quarterly (supplemented as needed)
- Commission guides the Executive Director and staff to develop and implement programs and policies to increase access to higher education in Alaska, including both collegiate and vocational education.
- Has broad authority to adopt regulations, set fees, and take related actions to successfully deliver programs and services

# ACPE Operational Structure Overview

## 1. Executive Office/Administrative Support/Personnel

- Program and policy development, internal audit, institutional authorization, human resource management, legislative liaison, and Commission and Corporation board support

## 2. Program Operations

- Scholarship and grant administration, loan origination and servicing, exchange program administration, quality assurance and compliance oversight, outcomes reporting, and records management

## 3. Finance

- Procurement, payment processing, budget management, bond trust administration and compliance, financial reporting and compliance

## 4. Information Support Services

- Loan servicing system management, internet-based services, database management, business analysis, network support, information security compliance, and website development and maintenance

## 5. Postsecondary Planning and Outreach

- Alaska Career Information System (AKCIS), early awareness programs, higher education and financial aid programs promotion, and publications

# ACPE Historical Staffing

	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% (deleted 14 PCNs)
FY2018 Management Plan	83	0	3	86	-18.9% (deleted 6 PCNs)
FY2019 Governor	79	0	3	82*	-22.6% (deleted 4 PCNs)

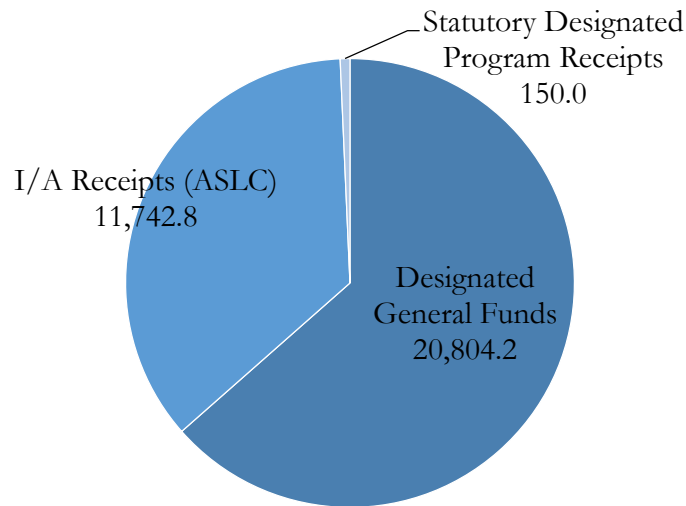
\*ACPE currently has 72 positions filled and 10 vacant

# Recent ACPE Budget Reductions

	FY19 Gov		FY18		FY17		FY16		FY15		Overall Change (FY19 to FY15)	
Budget (by source)	\$	PCNs	\$	PCNs	\$	PCNs	\$	PCNs	\$	PCNs	\$	PCNs
Interagency Receipts (ASLC)	11,742.8	82	12,144.0	85.52	12,348.1	88.01	12,518.0	86.79	13,274.5	87	(1,531.7)	(5)
Federal	0	0	100.0	0	900.0	0	2,009.4	16.74	1,987.1	15	(1,987.1)	(15)
Undesignated General Fund	0	0	0.0	0	0.0	0	0.0	0	2,964.8	0	(2,964.8)	0
Designated General Fund	50.9	0	50.9	0.38	50.0	0.38	0.0	0	0.0	0	50.9	0
AHEIF	20,804.2	0	20,722.6	0	20,297.6	0	20,297.6	0	16,582.8	0	4,221.4	0
Statutory Designated Program Receipts	150.0	0	515.7	0.1	774.7	3.61	100.0	0.42	100.0	0	50.0	0
Other Inter-agency	0	0	100.0	0	1,066.0	0	1,066.0	2.05	1,409.5	4	(1,409.5)	(4)
Total	32,747.9	82	33,633.2	86	35,436.4	92	35,991.0	106	36,318.7	106	(3,570.8)	(24)

# ACPE FY2019 Budget Request by Fund Source

	Designated General Funds	I/A Receipts (ASLC)	Statutory Designated Program Receipts	Total	
Agency Operations	50.9	11,742.8	150.0	11,943.7	36.5%
Non-operations (WWAMI, APS and AEG)	20,804.2			20,804.2	63.5%
<b>Total</b>	<b>20,855.1</b>	<b>11,742.8</b>	<b>150.0</b>	<b>32,747.9</b>	<b>100%</b>



# ASLC Organizational Governance

# ASLC Structure Overview

## Five-member Board

- Commissioner of Administration; Designee Sylvan Robb
- Commissioner of Commerce, Community and Economic Development; Designee Jim Andersen
- Commissioner of Revenue; Designee Ken Alper
- Two ACPE members; Chair Randy Weaver and Vice Chair Pat Jacobson

## General Corporation responsibilities:

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

Board meetings are scheduled as needed but generally twice a year.

# Corporation History

The Corporation was established by the Alaska State Legislature in 1987 to provide an alternative to using State funds to finance education loans to its residents and students attending Alaska postsecondary institutions

The statute creating the Corporation is codified at Alaska Statutes 14.42.100 through 14.42.990, as amended (the “Authorizing Act”), pursuant to which the Corporation is defined 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”*

# ASLC Capitalization

The State of Alaska transferred a \$260 million loan portfolio to the Corporation and provided \$46.7 million in cash for operations during the first five years of existence.

The Corporation owns all Alaska Student Loans, Alaska Supplemental Education Loans, Family Education Loans, Teacher Education Loans, Federal Family Education Loans, Alternative Consolidated, Refinanced and WICHE/Professional Student Exchange Program loans.

The State of Alaska retained ownership of WWAMI loans, and fiduciary responsibility for Winn Brindle and Memorial Scholarship loans.

# History of Alaska Education Loan Programs

ACPE began *originating* loans on behalf of the State in 1974, under a program created by the State in 1968. ASLC began *financing* loans directly in 1988, using the proceeds of its first bond issue and entered into an agreement with ACPE for loan servicing.

ASLC originated FFELP loans from 2002 until the program was terminated in 2010, using proceeds of several debt transactions.

Since its creation in 1987, ASLC has issued \$1.442 billion of bonds in order to finance its education loan activities.

ASLC revised in-school loan underwriting criteria effective for academic year 2010, requiring the borrower have a 680 FICO or a qualifying cosigner.

## Organizational Relationship to ACPE

ACPE services the ASLC loan portfolio from application to repayment completion. ASLC pays ACPE for these services. This is the operational budget funding source for ACPE.

The Corporation does not have the authority to hire staff and does not have PCNs assigned to it. The administration of the Corporation is delegated to the Executive Officer of the Corporation, who is also the Executive Director of the Commission.

## Loan Servicing Relationship to ACPE

In furtherance of its primary purpose to finance education loans, the Corporation is authorized to borrow money and issue obligations as evidence of such borrowing; make, purchase or sell education loans; service and collect education loans; and enter into agreements and contracts necessary or convenient in the exercise of its powers and functions.

In the event ACPE is no longer able to adequately service ASLC's federally guaranteed loan portfolio, the portfolio would be transferred and serviced on a contractual basis by a national federal education loan servicer, which is mandatory under Trust terms.

# ASLC Relationship to the State of Alaska

ACPE and ASLC operate under the administrative umbrella of the Department of Education and Early Development (DEED) for budgetary purposes only. ACPE and ASLC are not operational divisions of DEED, nor subject to the direction of the Commissioner of DEED or the state Board of Education (AS 14.42.040(b)).

ASLC operating costs are subject to the 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 action to compromise ASLC's capacity to repay principal and interest on bonds outstanding.

The State's agreement is incorporated into 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 outstanding bonds immediately due and payable.

# Alaska Education Loan Financing

ASLC currently has two outstanding bond issues:

- 2012B Education Loan Revenue Refunding Bonds, due 2043 (original issue \$78.4 million~\$14.9 million outstanding)
- 2013 Education Loan Revenue Refunding Note, due 2031 (original issue \$144.7 million and ~\$69.7 million outstanding)

ACPE services ASLC's portfolio of ~\$72 million in FFELP and ~\$216 million in state loans

As required by the 2013 debt documents, ASLC has a contract with the Pennsylvania Higher Education Assistance Agency for back-up servicing of the FFELP portfolio

# Capital Provided to the State

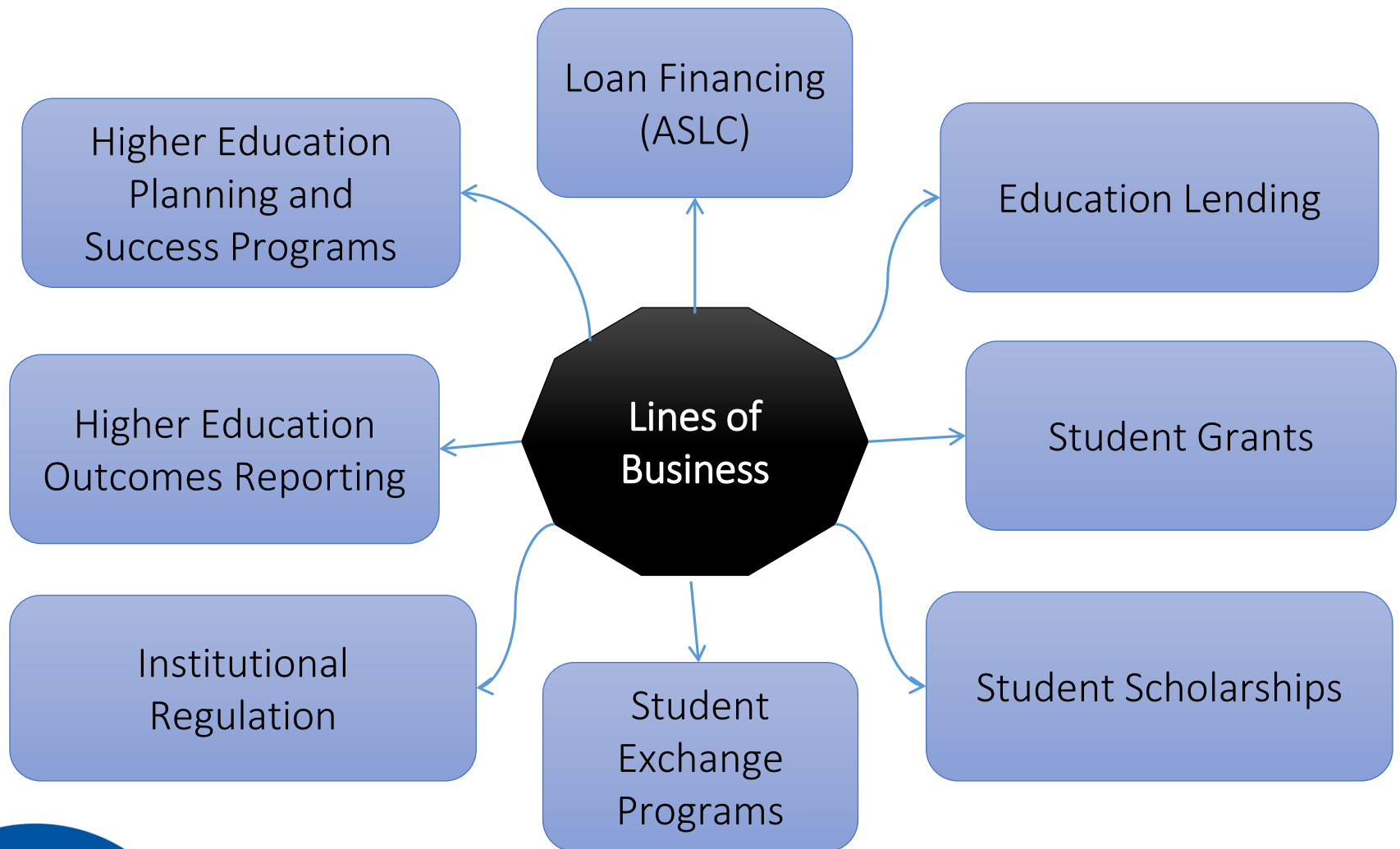
AS 14.42.295 gives the ASLC board authority to pay the state a dividend, for each base fiscal year that the corporation's net income equals or exceeds \$2,000,000. The payment may not be less than 10 percent nor more than 35 percent of the corporation's net income, and is subject to the provisions of 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
2018	1,200,000
Total Dividends paid	<u>33,550,000</u>

# ACPE Programs and Services

# ACPE/ASLC Core Services



# Student Financial Aid: Alaska Education Loans, Scholarships, and Exchange Programs

# Alaska State Education Loan Programs

## Alaska Supplemental Education Loans

- Alaska's primary state alternative education loan
- ACPE currently servicing approximately \$178 million in loans
- Currently offered at 5.75% fixed interest
- Eligibility requires credit-worthy borrower or cosigner (680 FICO)

## Alaska Family Education Loans

- Alaska's alternative to the federal PLUS permits family members to borrow to help pay a student's educational costs
- ACPE currently servicing approximately \$1.5 million in loans
- Currently offered at 5.75% fixed interest
- Eligibility requires residency of borrower and student and an absence of adverse credit history

## Federal Family Education Loans

- ASLC FFEL Program Lender from 2002—2009
- ACPE currently servicing approximately \$72 million in loans

# Alaska Education Loan Refinancing Program

- New program in 2016
- Goals include reducing costs for Alaskans repaying education loans, stemming ASLC's portfolio runoff and reducing costs of servicing, and eventually reducing interest rates on new loans
- Refinance qualified state, federal, and private loans into one low-cost loan, serviced in Alaska by ACPE
- \$13.1 million awarded since August 2016 through December 2017
- ACPE currently servicing approximately \$9.1 million in loans
- Fixed interest rate of 4.95 percent for program year 2018
- Requires Alaska residency and 720 FICO or qualifying cosigner

# 2017-2018 Interest Rates and Benefits

	Fixed Rate ASEL		Variable Rate ASEL <sup>1</sup>	Fixed Rate PSEP	Fixed Rate Refinance	Fixed Rate FEL
	In-School	Repayment	Repayment, unless indicated otherwise	Repayment		In-School and Repayment
Base Rate	5.75%	5.75%	3.60% 3.50% <sup>2</sup>	5.75%	4.95%	5.75%
Alaska Presence	0.50%	0.50% <sup>3</sup>	-	0.50% <sup>3</sup>	-	-
Online Auto Pay <sup>3</sup>	-	0.25%	0.25%	0.25%	-	0.25%
Lowest Rate Equivalent in Qualifying Periods	5.25%	5.00%	3.35% 3.50% <sup>2</sup>	5.00%	4.95%	5.50%

**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.

<sup>1</sup> No longer originating but rate is reset annually for existing variable rate loans.

<sup>2</sup> Applicable in-school interest rate.

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

# Alaska Performance Scholarship

- The Alaska Performance Scholarship (APS) is an opportunity for Alaska students to earn up to \$4,755 per year when they take a specific, rigorous course load in high school, earn good grades, and score well on college placement or work ready exams. This scholarship can be used at qualifying in-state colleges, universities, and/or vocational and technical programs.
- To date, 17,148 Alaskans have qualified to receive the APS.
- Funding for the scholarship awards comes from the Alaska Higher Education Investment Fund (AHEIF), which was established in 2012.
- ASLC absorbs costs of managing the APS (no draw on GF)
- ACPE publishes an annual APS Outcomes Report per AS 14.43.840 and reports specific data on the program outcomes.



## APS Delivers: 2011-2016

The Alaska legislature enacted the successful Alaska Performance Scholarship (APS) in 2011 to inspire our state's high school students to prepare for success in college and career training. Since inception, 14,674 Alaska high school graduates completed the rigorous requirements and have become eligible for scholarships to pursue postsecondary education in Alaska.



acpe.alaska.gov  
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800-441-2962

Goal #1

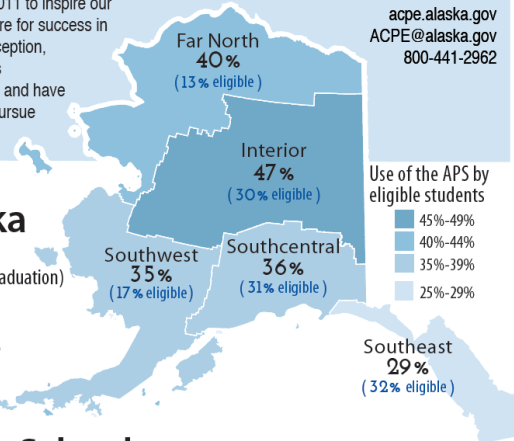
### Skilled Alaskans Stay in Alaska

25% higher rate of Alaska residency (5 years after graduation)

Source: PFD application data

83% influenced by APS to attend school in-state

Source: APS survey 2015



Goal #2

### Alaska Students Excel in High School

Eligible students report that APS made them more likely to:  
(Even those who never used the award)

- 67% Achieve better grades
- 64% Take placement exams
- 60% Seek out college/academic advising
- 56% Take challenging courses

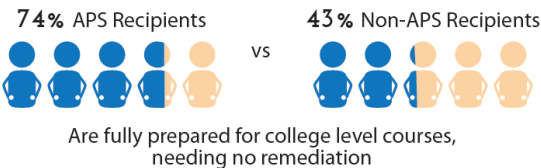
For 2014 high school graduates eligible for APS  
Source: APS survey 2015

*"This scholarship was the only reason I was able to go to college. I'm enrolled in the UAA nursing program, I never thought I'd be able to go to college until this scholarship helped me pay for most of it."*

—Alaska High School Graduate

Goal #3

### Alaska Students are Prepared for College or Training



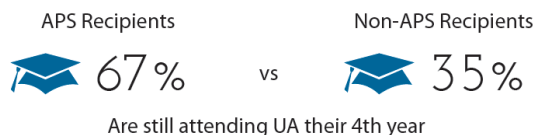
Did you know?

APS can be used for university studies as well as career or technical training.

High school students start working to qualify as early as freshman year, knowing that if they do their part, the award will be there for them.

Goal #4

### Alaska Students Succeed in College



APS recipients must meet further requirements in college/training to continue to receive the APS.

The APS is funded through earnings of the Alaska Higher Education Investment Fund, created by the legislature to ensure long-term sustainable funding.

# Alaska Education Grant

- The Alaska Education Grant (AEG) provides needs-based financial aid to eligible Alaskan students who attend qualifying postsecondary schools in-state.
- Awards range from \$500 to \$4,000 per academic year
- Criteria determining award priority includes:
  - Financial need of the student as determined by the Estimated Family Contribution from the Free Application for Federal Student Aid (FAFSA)
  - Date of filing of FAFSA, the earlier the better
  - Prior recipient of AEG
  - School enrollment at full-time versus half-time status
- AEG funding comes from the AHEIF
- ASLC absorbs costs of managing program

# APS and AEG Disbursements Ordered by Institution

## July 1, 2017 through December 31, 2017

School Name**	AEG Program		APS Program	
	Total # of Recipients	Total Disbursed	Total # of Recipients	Total Disbursed
Alaska Bible College	3	\$4,500	3	\$5,944
Alaska Career College	73	\$120,500	12	\$18,427
Alaska Christian College	38	\$73,250	5	\$7,133
Alaska Pacific University	27	\$37,500	21	\$36,260
AVTEC	22	\$35,000	23	\$41,016
Charter College	82	\$163,876	10	\$22,193
Glenda's Salon & Training Center	0	\$0	2	\$4,161
Ilisagvik College	0	\$0	1	\$1,783
MetrOasis*	0	\$0	2	\$2,378
Northern Industrial Training*	0	\$0	0	\$0
Trendsetters*	0	\$0	3	\$4,756
University of Alaska Anchorage	1,007	\$1,332,546	1,827	\$3,270,138
University of Alaska Fairbanks	396	\$495,621	1,048	\$1,931,416
University of Alaska Southeast	113	\$136,109	150	\$255,023
Wayland Baptist University	17	\$23,000	1	\$1,586
Totals	1,778	\$2,421,902	3,108	\$5,602,214

\*Participation in the APS program only.

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

# 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

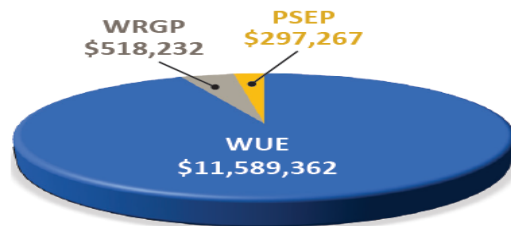
- Western Undergraduate Exchange
- Western Regional Graduate Exchange
- Professional Student Exchange

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

ASLC absorbs costs of Alaska WICHE participation at no cost to the General Fund

WICHE Commissioners: Susan Anderson, Jim Johnsen, Stephanie Butler

# ALASKA



ALASKA'S STUDENTS WHO STUDIED OUT-OF-STATE  
SAVED \$12.4 MILLION THROUGH WICHE STUDENT  
EXCHANGE PROGRAMS IN 2017-18

**83-FOLD** return-on-investment on  
WICHE dues of \$149,000

WUE

## WESTERN UNDERGRADUATE EXCHANGE (WUE) SAVINGS

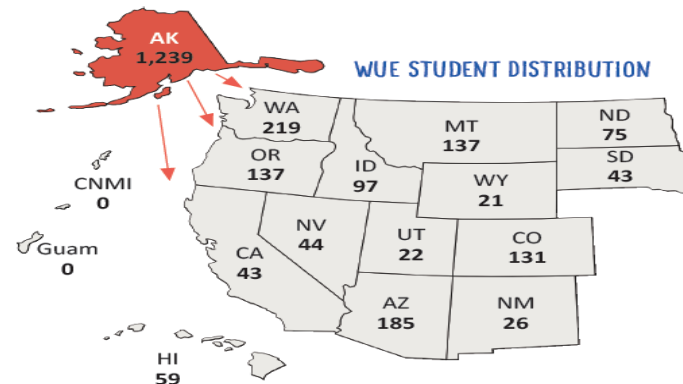
- ▶ 1,239 Alaska undergraduates paid 150% or less of resident tuition to save \$11.6 million

*Top schools:* Northern Arizona U. (132), Montana State U. Bozeman (70)

*Top majors:* Biology, Business

- ▶ Alaska residents saved \$220.8 million since 1988 on 35,000 annual tuition bills
- ▶ Alaska institutions enrolled 465 WUE students from other WICHE states

U. of Alaska, Anchorage (all UAA campuses and Prince William Sound Community College)	166
U. of Alaska, Fairbanks	243
U. of Alaska, Southeast	56



WUE STUDENT DISTRIBUTION

WRGP

## WESTERN REGIONAL GRADUATE PROGRAM (WRGP) SAVINGS

- ▶ 33 Alaska students paid resident tuition in other western states and saved \$518,200
- Top programs:* Doctorate of Nursing Practice (U. of Arizona) and Master's of Architecture (U. of Colorado Denver)
- ▶ Alaska universities enrolled 10 WRGP students
- Top programs:* Social Work (U. of Alaska Anchorage) and Administration of Justice (U. of Alaska Fairbanks)

PSEP

## PROFESSIONAL STUDENT EXCHANGE PROGRAM (PSEP) SAVINGS

- ▶ 15 students paid reduced tuition for healthcare studies not offered by public institutions in their home state and saved \$297,300

Field	# of Alaska students	Support fees paid
Dentistry	8	\$206,000
Optometry	2	35,450
Pharmacy	3	26,167
Physical Therapy	2	29,650
<b>TOTAL</b>	<b>15</b>	<b>\$297,267</b>
Alaska also supports residents studying Occupational Therapy, Physician Assistant, and Podiatry programs.		

**59%** of Alaska's PSEP graduates (from 2002 to 2011) returned home to practice; Alaska doesn't require them to do so.



"I wouldn't have come this far without WICHE's PSEP program. Health-professional education in Alaska seems limited without our own medical, dental, and pharmacy schools. However, WICHE's PSEP gave me an opportunity to pursue my dream to become a dentist."

— Alice, Alaska resident, Class of 2020,  
A.T. Still University, Arizona School of Dentistry & Oral Health

# WWAMI

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

- WWAMI stands for Washington, Wyoming, Alaska, Montana, and Idaho – the partner states for the program
- 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 \$11.2 million or 579 WWAMI loans (205 borrowers)
- 55 percent of WWAMI borrowers are licensed physicians practicing medicine in Alaska



# Alaska WWAMI Medical Education 2018

*Alaska's Medical School*



## AK WWAMI Facts

- Alaska needs 60+ new physicians/yr to meet demand. AK WWAMI contributes 14+ physicians/yr to meet that need.
- More than 500 Alaska residents have earned medical degrees through WWAMI (97% completion rate).
- The average return rate of AK students graduating from WWAMI is 60%; this number increases to over 70% return-on-investment, when including non-AK WWAMI graduates practicing in the state.
- Over 200 AK Physicians have clinical faculty appointments at UW and teach in WWAMI.
- It takes a minimum of 7 years from entry to practice to become a physician (4 years in medical school, 3 years in residency).
- Alaska has a shortage of physicians: primary care, psychiatry, emergency medicine
- AK WWAMI graduates choose primary care residencies (61%)
- More than 70% of state funds committed each year to the WWAMI program are spent in Alaska
- AK's aging population and rural/frontier nature combine to produce a large medically underserved population.

## Program Summary

In 1971, Alaska entered into a cooperative program with the University of Washington School of Medicine (UWSOM) and the states of Montana, Idaho and Wyoming subsequently joined, resulting in "WWAMI", the acronym for the partner states. WWAMI's goal is to make medical education accessible to students in northwestern states that do not have independent medical schools, and to help meet physician workforce needs for each of the states.

### Alaska WWAMI Program Goals:

- Access to public medical education for Alaska residents (UWSOM- top 10 US medical school)
- Alaska physician workforce: encourage graduates to choose careers in primary care medicine and locate their practices in underserved or rural areas in Alaska
- Support and encourage talented students, especially rural and minority students, to enter the field of medicine

### New Curriculum and new opportunity for Alaska

AK WWAMI is in the third year of the new Foundations Phase curriculum, where students now spend the equivalent of the 1<sup>st</sup> and 2<sup>nd</sup> year of medical school at UAA. Alaska WWAMI students no longer relocate to Seattle for classes. Clinical training (years 3 and 4) can be completed in Alaska, and across the WWAMI region. Both Anchorage and Juneau offer the full complement of third-year clinical training, and single-specialty clinical rotations for both the third and fourth years are available across Alaska (245 student rotations in 2017-open to all WWAMI students). This provision of clinical training in Alaska engages over 200 Alaska physicians in helping educate the next generation and helps recruit WWAMI students to Alaska communities.

### State Support

The state of Alaska provides a subsidy for each student enrolled in the program. For FY17 the state provided \$3.0 M to support 60 students in years 2-4 of the WWAMI program at an average subsidy per student of \$50,000 annually, while students pay an additional \$35,000 in tuition per year. Also, the University of Alaska supports the Foundations Phase program at UAA. Collectively, over 70% of state funds committed each year to the WWAMI program is spent in Alaska, supporting classroom teaching at UAA and clinical teaching of WWAMI students in 45 clerkships located throughout the state.

AK WWAMI students who do not return to AK to practice must 'payback' the state's subsidy, further reducing the cost of the program to the State. Students not returning currently pay \$75,000 back to the State.

### Alaska Physician Workforce

Alaska has a shortage of physicians, especially primary care doctors. The majority of Alaska WWAMI students choose to practice in primary care (61%). The average return rate of AK students graduating from WWAMI is 60%; this number increases to 70% return-on-investment, when including non-AK WWAMI graduates practicing in the state.

The partnership between the University of Washington School of Medicine and Alaska continues to be a productive and cost-effective approach for meeting the needs of the physician workforce in Alaska.

# Winn Brindle Memorial Education Loans (WB)

**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 five 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 \$3.3 million or 347 WB loans (133 borrowers)
- Funding of ~\$4.7 million available in a revolving loan fund

# Institutional Regulation

# Program Integrity and Consumer Protection

- 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 United States 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 from out-of-state institutions
  - Enables Alaska institutions to offer distance education to students in other states

# Higher Education Planning and Success Programs



Alaska Student  
Loan Corporation

# Postsecondary Planning Programs

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

- Build public knowledge on higher education and training access
  - Approximately 18,000 individuals served in FY17
  - Distance-delivery and training of local volunteers reduces costs and need for travel
- Provide AKCIS to all 54 school districts and 365 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 FY17, students at Alaska institutions received \$22.9+ million in federal Pell grants

# Postsecondary Partnerships

Used grant funds to develop and spin off cross-sector collaboration: the Alaska Postsecondary Access & Completion Network

- Statewide attainment goal of increasing the percentage of working-age Alaskans who hold a postsecondary credential to 65 percent by 2025.
- registered as an independent non-profit in January 2016

The Network secured approximately \$100,000 in private grant funds and other contributions to provide professional development, networking, and increased collaboration opportunities to Alaskans engaged in promoting education and training access and success

# Successes, Challenges, and Opportunities

# Success 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

# Challenges

Keeping costs of education loans as low as possible

- Ensuring access to low-cost funding for loan programs
- Stemming portfolio runoff
- Growing loan volume to leverage fixed costs associated with servicing loans
- Preventing/managing default

Operating state's financial aid and education planning programs at no cost to the General Fund

Regulatory burdens/budget challenges

- Mortgage crisis impacted investors' view of student loan supported debt and required implementation of credit criteria in order to finance loans at a reasonable cost
- Federal preferred lender prohibitions impacts volume
- State fiscal climate
- Growing culture of fear that student loans are inherently bad

# Strategic Plans to Address Challenges

Focus is to ensure a cost-efficient, sustainable organization that is prepared to best serve Alaska students over the long-term, by:

- Developing and deploying programs or program changes to responsibly serve borrowers not currently being served
  - Incorporate benefits into promissory note (lower rate for attending Alaska school)
  - Rate reduction for high-FICO borrowers
  - Options for young borrowers with limited credit histories
- Pursuing cost-savings initiatives
  - Lean continuous improvement
  - Outsourcing when efficient (collections, third party payer functionality)
- Pursuing federal law changes to enhance ability to meet Alaska's student loan needs

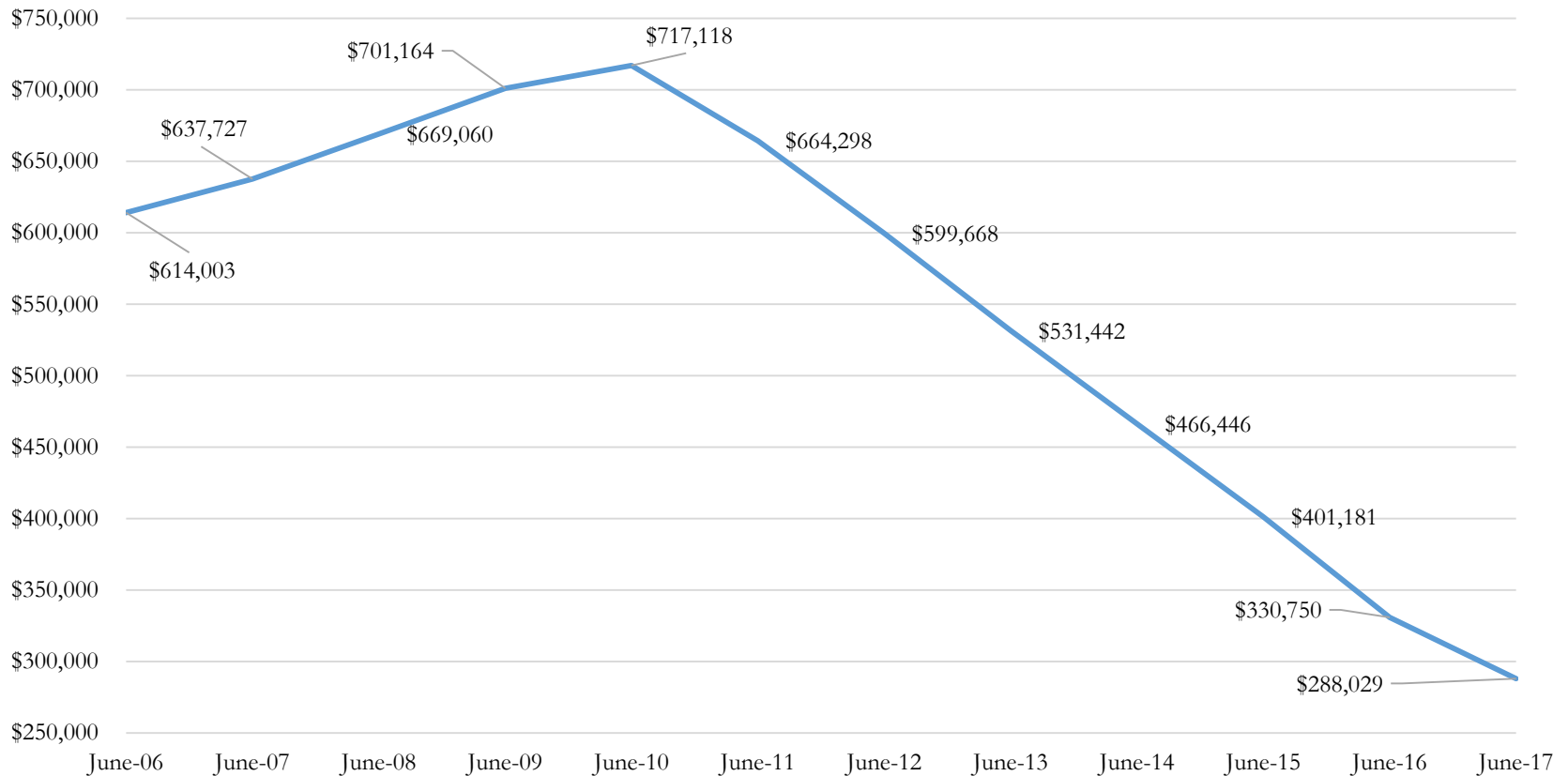
**Completed:** Develop and deploy refinancing program to attract new, high-quality borrowers

# Alaska State Education Lending Annual Originations

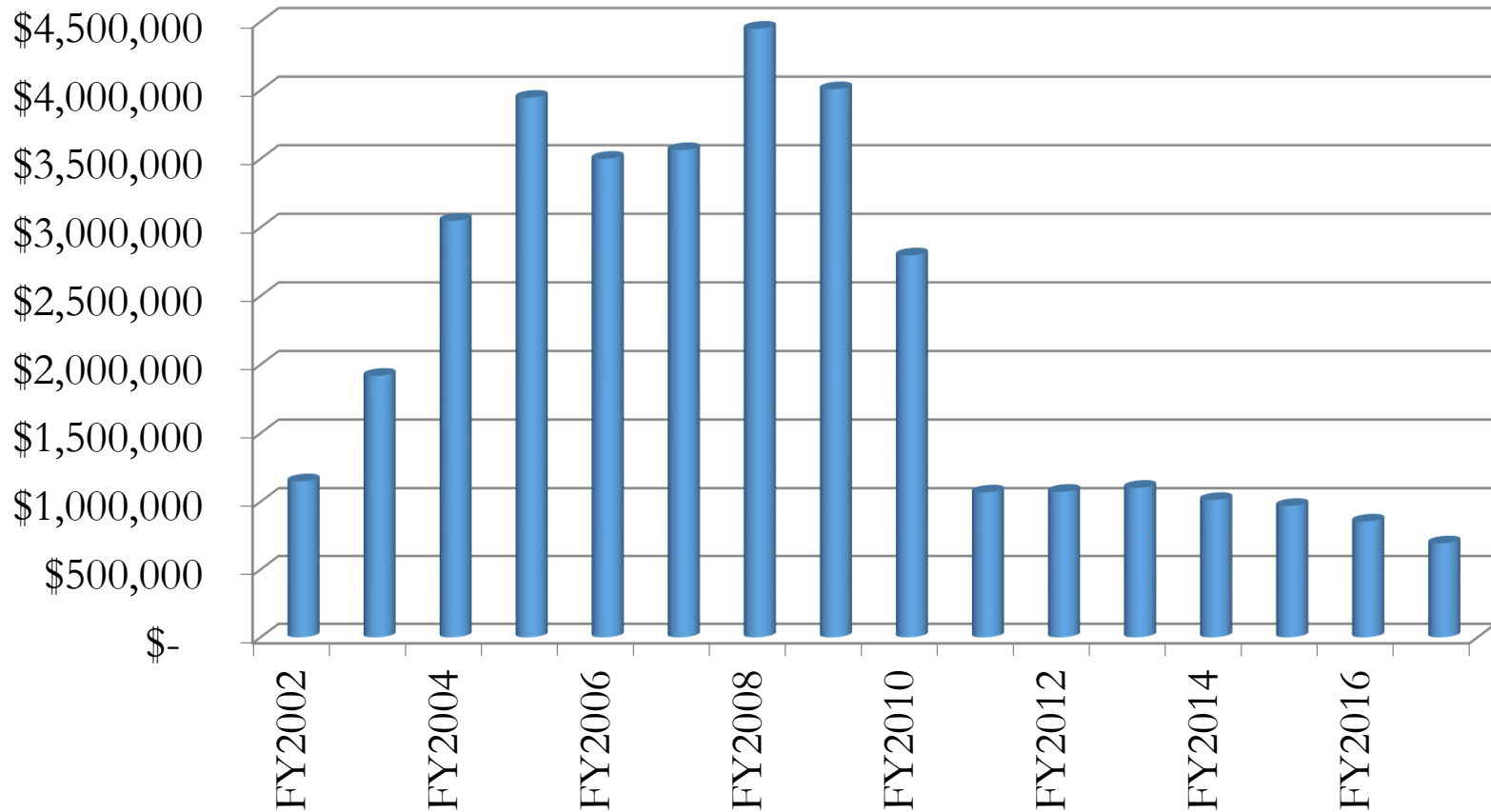


# Loan Portfolio Run Off

(principal in thousands)



# Borrower Benefits Awarded (\$34.5 million ITD)



# Cost Containment and Continuous Improvement

# Cost Containment and Continuous Improvement Activities

- Budget decreased by \$3.5 million (from FY15 to FY19)
- 24 fewer staff positions (from FY15 to FY19)
- Identified opportunities to outsource office functions when there is an opportunity to reduce operating costs, realizing over \$500,000 in savings
- Implemented agency-wide Lean continuous improvement initiative, with savings of:
  - FY 2016: \$500,000+
  - FY 2017: \$212,000
  - FY 2018 (Through Jan. 2018): \$40,000
- Actively fostering an agency culture of continuous improvement

# Alaska Commission on Postsecondary Education

## Alaska Student Loan Corporation

- 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)
- Outreach and Early Awareness: Sec. 1 ch 85, Temporary And Special Acts and Resolves (est. 2001)
- APS Outcomes Report: <https://acpe.alaska.gov/Reports/Reports>

# Thank you

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