

2/06/01

OVERVIEW

AK COMM.

POSTSEC.

ED.

SFIN

FILE



FACT:

Alaska students get the lowest number of federal Pell Grants of any state.

Source: Institute for Higher Education Policy, December 2000

FACT:

The average lifetime income of families headed by college graduates is \$1.6 million more than that of families headed by high school graduates.

Source: Postsecondary Education Opportunity, November 2000

FACT:

Key to expanding Alaska's economy is providing low cost access to higher education for Alaskans.

Source: National Alliance of Business, Fall 2000, and Alaska Department of Labor and Workforce Development, September 2000

FACT:

Each year, Alaska imports over 69,000 workers for jobs that could be filled by Alaskans – if they could get the training they need.

Source: Alaska Economic Trend, February 2000

AlaskAdvantage

is brought to you

by

The Alaska Commission on Postsecondary Education

www.state.ak.us/acpe

Customer Service: (800) 441-2962

Administrative Offices: (907) 465-6740

With gratitude to Alaska's accredited institutions of postsecondary education, partners delivering financial aid quality and service:

- University of Alaska
- Alaska Vocational Technical Center
- Ilisagvik College
- Alaska Pacific University
- Sheldon Jackson College
- Charter College
- Career Academy
- Alaska Bible College
- New Concepts Beauty School

AlaskAdvantage

*Student Financial Aid
for Alaska's Future*

Alaska Commission on Postsecondary Education

www.state.ak.us/acpe



Standing:
Commissioners Greg Middag, Lisa Froelich Demko, Senator Gary Wilken, Rosa Foster, Mark Bergich
Seated: Commissioners Frances Rose, Dr. Milton Burd, Bobette Bush
Not Pictured: Commissioners Representative Lisa Markowski, Skye Robidoux, Ernie Hall, Kristen Forrester, Dr. Lydia Hays



From your Commissioners

Dear Alaskan:

It is with great pleasure that the Commission introduces *AlaskAdvantage*, a revolution in financial aid services for Alaska.

AlaskAdvantage is a service-oriented financial aid packaging and delivery system designed to provide Alaskans access to the guaranteed lowest-cost financial aid, as well as to provide our students and our State with the rewards of increased access to higher education. The *AlaskAdvantage* program packages Alaska Student Loan and federal Title IV programs to provide borrowers with one-stop financial aid shopping, simultaneous grant and loan application, and significant cost reductions. The program additionally includes provisions to fund grant programs and to attract new students at Alaska institutions.

We're particularly proud that the *AlaskAdvantage* program will be managed and operated in Alaska, by Alaskans, for Alaska.

Your Alaska Commission on Postsecondary Education

Questions & Answers

Will the ASL go away?

The ASL will not go away. The ASL will continue to be available for students who are not eligible for federal Title IV aid, and for students whose need exceeds their Title IV aid.

Does this mean all students will be required to complete a free application for federal student aid (FAFSA)?

All students will have to complete a FAFSA. The FAFSA is also the application for federal grants, so this step will ensure that students do not borrow when they could be getting free grant aid.

What about students whose parents will not provide the tax information needed to complete a FAFSA?

Students who cannot complete the FAFSA because their parents do not provide required information may still be eligible to apply for the ASL. If these students have completed the other sections of the FAFSA, they won't even need to fill out a new application form. However, by not completing all sections of the FAFSA, they will be forfeiting their entitlement to any federal grants or loans for which they may be eligible.

What are the *AlaskAdvantage* benefits for Alaska's students?

- ❖ *One-stop financial aid shopping & info center*
- ❖ *One-form grant and loan application*
- ❖ *Lowest cost financial aid*
- ❖ *Options for students with poor credit histories*
- ❖ *Increased access to loan deferment or cancellation for borrowers with hardships*

What are the benefits for Alaska's higher education institutions?

- ❖ *Streamlined aid packaging and delivery*
- ❖ *Significantly reduced administrative burden*
- ❖ *Recruiting tool to attract students to Alaska*

And the benefits for Alaska?

- ❖ *New funding options for workforce development*
- ❖ *Creation of grant funding pool for Alaska*
- ❖ *Incentives for Alaska students to stay in Alaska*
- ❖ *Economic stimulation via in-state servicing of up to \$24 million in federal loans formerly serviced outside of Alaska*

AlaskAdvantage is scheduled to debut fall 2002

30 Years of Helping Alaskans Help Themselves

*A Report to Senate Finance on the Alaska
Commission on Postsecondary Education and the
Alaska Student Loan Corporation*

February 2001

by Diane Barrans, Executive Director

Kenneth Dodson, Director, Information Support Services

Sheila King, Finance Officer

AGENCY TIMELINE (the 70s)

- ✓ 1971--Pre-ACPE state student loans made through AK Department of Education
- ✓ 1974--ACPE established by AK Legislature to:
 - Administer student aid programs
 - Coordinate and plan for postsecondary education
 - Authorize and regulate postsecondary institutions in Alaska

TIMELINE (the 80s)

- ✓ 1987--ASLC created by the 15th AK Legislature to issue bonds to fund low-cost education loans.
- State appropriations continue under the “millenium” plan, a funding model designed to avoid need for annual appropriation beyond 2000 or for bonding beyond 2003.
- Public community colleges absorbed into statewide administration

TIMELINE (the 90s)

- ✓ 1992--Annual appropriations curtailed; ASLC directed to use self-sustaining funding strategies.
- ✓ 1994-1998--Statutory changes made to improve quality of loan collateral and loan collections.
- ✓ 1998--ASLC has first net income w/o GF
- ✓ 1999--ASLC receives full ratings upgrade to AA
- ✓ 1996-1999--On-going improvements to increase service; improve efficiency; reduce costs.

TIMELINE (2000/01)

- ✓ 2000--ASLC supports responsible method for returning contributed capital to the State
- ✓ 2000--Annual default rate below 10% (9.7%)
- ✓ 2000--ASLC directs program managers to develop strategy for enhancing products for Alaskans
- ✓ 2001--Lending interest rate below 8% for first time in ASLC history (7.8%)
- ✓ 2001--Program managers develop method to reduce costs on all new, and some older loans

The Future...con't

✓ 2000-2001--ACPE/ASLC approves *AKAdvantage* program redesign to create the foundation for a new era of expanded and improved educational financing assistance and service--tailored for Alaska.

AlaskAdvantage is a service-oriented financial aid packaging and delivery system, managed and operated in Alaska, by Alaskans, for Alaska.

AlaskAdvantage Borrower Benefits

✓ Student/Parent benefits--

- One-stop financial aid & info services
- One-form grant and loan application
- Lowest cost financial aid
- Options for students with poor credit histories
- Expanded options for loan deferment, repayment or cancellation due to hardship
- Ease of on-line application, renewal, and MPN

AlaskAdvantage School Benefits

- ✓ Institutional administrative benefits--
 - Streamlined aid packaging and delivery
 - Significantly reduced manual administration and improved control and oversight
 - Recruiting tool to attract and retain students
 - Potential source of grant/scholarship aid for at-risk students

AKAdvantage Benefits for Alaska

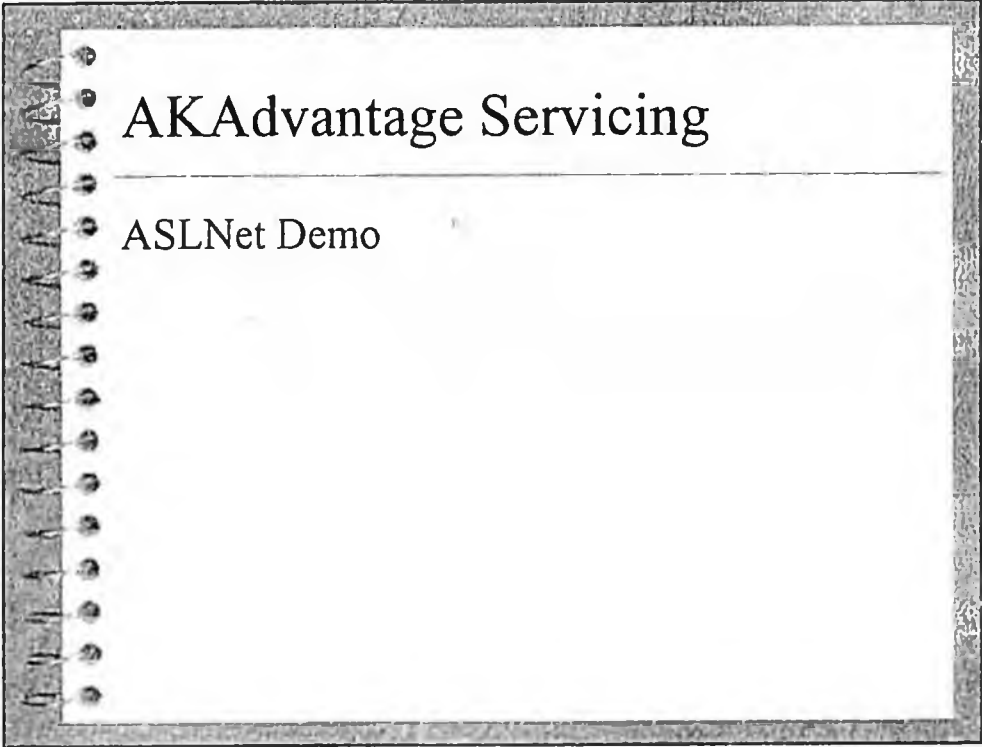
✓ Benefits for Alaska--

- New funding options for workforce development
- Creation of Alaska grant/scholarship fund
- Incentives for Alaska students to stay in Alaska
- Increased benefit from federal loan forgiveness for Teachers
- Annually shift \$24 million+ in federal loans to in-state lender/servicer

AK Advantage Financing

✓ Federal Loan Guarantee and Subsidies

- 98% guarantee of loan principle + interest on all Federal loans
- Interest subsidy during in-school period paid to ASLC on Subsidized Stafford Loans
- Special Allowance Payments to equalize cost of market interest rate fluctuations



Alaska Student Loan Corporation
Statement of Projected Revenues and Expenses
by Fiscal Year

(See Assumptions below)	2001	2002	2003	2004	2005	2006
Interest income on student loans	37,121,024	38,189,320	40,374,769	41,019,528	40,960,900	41,247,192
Provision for loan loss and forgiveness	(3,300,000)	(5,100,000)	(4,014,400)	(3,867,520)	(3,745,120)	(3,484,000)
Operating expenses and collection fees	(8,600,000)	(8,200,000)	(7,620,000)	(7,620,000)	(7,620,000)	(7,620,000)
Operating income	25,221,024	24,889,320	28,740,369	29,532,008	29,595,780	30,143,192
Investment interest income	14,207,316	15,065,378	15,776,685	16,322,383	16,328,141	15,888,162
Bond interest expense	(22,493,646)	(23,426,034)	(23,705,716)	(23,905,768)	(23,835,193)	(23,761,970)
Amort. of bond discounts	(308,000)	(275,000)	(205,000)	(180,000)	(155,000)	(130,000)
Amort. of bond issue costs	(870,000)	(890,000)	(910,000)	(930,000)	(950,000)	(970,000)
Net income	15,756,694	15,363,664	19,696,337	20,838,623	20,983,728	21,169,384

Net Income Projection Assumptions:

- > Includes an offset payment effective 7/1/2001 for 9%, 8.9% and 8.6% loans.
- > ASL rate at 7.8% rate beginning FY2002.
- > 3% origination fee beginning FY2002.
- > FFELP loans begin in FY2003 and ASLC gets 100% of freshman volume.

<u>Estimates of Federal Benefits:</u>	2003	2004	2005	2006
Federal loan guarantee based on 14% default rate		1,440,600	2,181,480	2,798,880
Stafford in-school interest subsidy	311,579	783,400	1,388,754	2,278,981
Special Allowance Payments	50,759	76,863	98,617	145,025
	362,338	2,300,863	3,668,851	5,222,886

<u>Estimate of interest rate reduction cost on federal volume in assumptions:</u>	2003	2004	2005	2006
50 basis points (.5%) reduction	31,974	80,389	142,505	233,852
100 basis point (1%) reduction	63,949	160,778	285,009	467,705

<u>Estimated ROC Payment to the State:</u>	2003	2004	2005	2006
Minimum threshold 10%	1,575,669	1,536,366	1,969,634	2,083,862
Maximum threshold 35%	5,514,843	5,377,282	6,893,718	7,293,518