

ALASKA LEGISLATURE

1355

HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996

these modifications will help to ensure the proper timing and amounts of disbursements.

- Provide forward and backward scrolling of the school segment of the SYSTEM-CNT-FILE and program edits of the school file to meet eligibility requirements. This modification will improve the maintenance of the school information file and ensure loans are granted to students attending eligible schools.
- Establish edits to the LMS system to determine the number of loan years prior to awarding a new loan. This modification will provide an automated control to comply with the established limit of granted loans.
- Establish edits of the LMS system to determine that a borrower is not delinquent in loan payments prior to awarding a new loan. This modification improves the efficiency by providing automated compliance with the program requirement.
- Establish edits of the bad address indicator prior to awarding a new loan. This automated control will improve collection activities through ensuring the quality of the borrower's demographic data.
- Currently the system will allow access to only 15 screens of anecdotal notes. Provide forward and backward scrolling of the entire anecdotal file. This modification will improve the process of making decisions on collections and status changes.
- Provide the capability to capture application information from the Federal Form - Multiple Data Entry process. This modification will improve the quality of the borrower data, reduce the data entry effort, and improve the Commission's ability to reach needy borrowers.
- Provide the capability to refinance loans and maintain an audit trail of this activity. This modification will provide the Commission with a tool to combine loans and ease a borrower's payment obligations.
- Develop automated procedures to handle various loan types with differing repayment terms. The system should automatically set up the repayment terms, first payment due date, and provide a proper truth in lending disclosure.
- Provide the capability to produce disclosure statements on demand without affecting the terms of the loan. Additionally, the disclosure statements should properly disclose the interest begin date and the amount of interest accrued during the period of post deferment grace.
- Provide an automated interface to the general ledger system, AKSAS. This will facilitate the balancing and reconciliation of accounting activity.

- Provide Electronic Funds Transfer support as an alternative to cutting disbursement checks to borrowers attending volume schools. This will reduce the cost of disbursement activity.
- Use a combination of anticipated graduation date and student status verification with the school to automatically convert borrowers into repayment. This eliminates the need to manually change the borrower's status each academic year and will improve collection through timely conversion to repayment.
- Provide the capability to accelerate payment of the borrower's debt at default and change the interest rate on defaulted loans. This will properly record the total borrower's indebtedness.
- Provide a means to back out misapplied or NSF payments and to automatically reapply payments calculating the correct interest and principal balances. This will improve the timeliness of correcting the borrower balances by reducing the manual process of reapplying payments.
- The payment application algorithm should be changed to handle payments less than and greater than the normal monthly payment amount. Payments should be first applied to bring the borrower current. Multiple partial payments should be combined to form a full payment and reduce the delinquency by the number of full payments received. Payments greater than the normal monthly payment amount should be applied to the outstanding principal balance. The system should also have the flexibility to pay the borrower's account into the future when the borrower has indicated that is the intent of the overpayment.
- Re-activate the automated sixty day and ninety day delinquency letters. This will ensure timely collection activities and improve collections on delinquent accounts.
- Provide a check digit routine for the borrower's social security number to reduce the number of payment posting errors.
- The system does not maintain audit trails of changes to critical monetary and non-monetary fields. Due amounts, interest rates, graduation dates, monthly payment amounts, and borrower demographic information are specific areas of concern. When critical monetary and non-monetary data elements are changed, provide an audit trail including the information that was changed.
- Additional payment transaction codes are needed to identify payments from garnishments and bankruptcy trustees. By identifying these payments separately, ACPE can avoid an erroneous status change to the borrower's account.
- The data and processing needs of each operational area should be reviewed and screens designed to optimize inquiry and maintenance of the borrower's account.

- The word processing function should be modified to either allow form paragraphs or to customize the text portion of the letter, allowing more than two lines of text. Additionally, the system should calculate borrower level financial information and insert this information into the letters.
- The system does not provide management information on departmental backlogs, employee performance, or allow one to anticipate staffing levels. Additionally, ad hoc reporting requires assistance for already strained data processing resources. Additional management reporting should be developed or software implemented to support ad hoc reporting by the operating staff.

System Support Matrix

The following pages contain a summary and detail matrix which defines the level of sufficiency of the system support. For each function, the matrix is divided into liability potential, systems, manual, and internal control.

Liability Potential

Liability potential is defined as the potential financial exposure if major errors go undetected. This perspective is drawn from the possible liability, volume, and relative complexity of the task. The possible ratings include:

- 1 High Liability
- 2 Medium Liability
- 3 Low Liability

Systems

The effectiveness and the functionality of the current system(s) supporting the activity in question. The possible ratings include:

- 1 Major System Deficiencies
- 2 Some System Deficiencies
- 3 Few or No System Deficiencies

Manual

The effectiveness of the current manual procedures supporting the activity in question. The possible ratings include:

- 1 Difficult tasks with no documented procedures
- 2 Medium difficulty tasks with little or no documented procedures
- 3 Limited tasks and/or well documented procedures

Controls

The degree to which adequate controls are in place to monitor the effectiveness of the current system and manual procedures. The possible ratings include:

- 1 Little or no controls in place
- 2 Controls in place to identify only major problems
- 3 Effective combination of Detective and preventive controls are in place

The total scores for each area is used to determine the priority that should be given to enhancing the processing or improving the existing controls. The priority levels are assigned as follows:

Priority	Total Score
High Priority	4 - 7
Medium Priority	8 - 9
Low Priority	10 - 12

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

DETAILED FUNCTIONS

AREA OR PROCESS	LLA. POT.	SYS.	MAN.	INT. CON.	TOT SCORE	GENERAL COMMENTS
Hardware	2.00	3.00	3.00	2.00	10.00	ACPE Relies on Division of Information Services
Systems Controls	2.00	3.00	3.00	2.00	10.00	ACPE Relies on Division of Information Services
Job Production	2.00	3.00	3.00	2.00	10.00	ACPE Relies on Division of Information Services
Disaster Recovery	1.00	1.00	1.00	1.00	4.00	Non existent: ACPE relies upon the State Division of Information Services
Interfaces	1.00	1.00	2.00	1.00	5.00	None to GL or even between some system functions
Phone Systems	3.00	3.00	3.00	3.00	12.00	Switch and ACD in use
Auto Dialers	3.00	3.00	3.00	3.00	12.00	Not in place - volume of outgoing calls low
Voice Response Tech.	3.00	3.00	3.00	3.00	12.00	Not in place - volume of calls low
Microfilming	2.00	1.80	2.00	2.00	7.80	Microfiche used
Document Control	2.00	1.00	2.00	1.00	6.00	No backup of master; No system updates which note document location or filming
System Tracer #'s	2.00	1.00	1.00	1.00	5.00	No tracer number used; documents stored by borrower name reverse SSN
Turnaround Time	2.00	3.00	3.00	3.00	11.00	Outside processor
Retrieval	2.00	1.00	3.00	3.00	9.00	Manual - Microfiche
Quality Control	2.00	3.00	1.00	2.00	8.00	Fiche is spot checked for quality
Mail Sorting & Distribution	2.67	1.67	1.67	2.33	8.33	
Date & Time Stamp	3.00	1.00	1.00	2.00	7.00	Date Stamp Only
Batch & Distribution	2.00	1.00	1.00	2.00	6.00	No Batch Control in the Mail Room Operations
Turnaround	3.00	3.00	3.00	3.00	12.00	Same day to awards for processing.
Loan Origination	2.17	2.06	2.17	2.17	8.56	
Batching	2.00	2.00	2.00	2.00	8.00	Applications are batched but no batch balancing
Electronic Processing	2.00	0.00	0.00	0.00	2.00	Applications are received and processed manually
Cosigner & References	3.00	2.00	1.00	1.00	7.00	Maintained in the Demo record of LMS files - Not entered at origination
Student Processing	3.00	2.00	2.00	2.00	9.00	
System Edits of Application	2.00	1.00	2.00	2.00	7.00	Limited edits for eligibility (child support & loan delinquency, number of yrs. funded)
Data Entry	2.00	3.00	2.00	2.00	9.00	On-line entry using multiple CICS screens for entry.
Awards notification	3.00	3.00	3.00	3.00	12.00	
Appeal Processing	2.00	3.00	2.00	2.00	9.00	
Setting of Disburse Date	1.00	2.00	2.00	2.00	7.00	Manual adjustments necessary on all except annual awards
Truth in Lending	1.00	3.00	3.00	3.00	10.00	
Denied & Reject Processing	2.00	3.00	3.00	3.00	11.00	Canceled after 60 days
Application Tracking	2.00	1.00	3.00	3.00	9.00	Small Volume - done manually
Transaction History	2.00	3.00	3.00	2.00	10.00	Hard code and standard abbreviations need to be developed. Limited to 15 screens.
Audit Trail	3.00	2.00	2.00	2.00	9.00	Anecdotal - Limited; no trail on original entry
Award Reductions	2.00	3.00	3.00	3.00	11.00	
Refinancing of Loans	2.00	1.00	2.00	2.00	7.00	Not automated
Annual Application Renewal	3.00	2.00	1.00	2.00	8.00	Not automated

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DETAILED FUNCTIONS

AREA OR PROCESS	LIA. POT.	SYS.	MAN.	INT. CON.	TOT SCORE	GENERAL COMMENTS
Quality Control	2.00	1.00	3.00	3.00	9.00	Manual selection & review
Disbursement	1.29	1.71	1.76	1.72	6.47	
Scheduling	2.00	2.00	3.00	1.00	8.00	Programmer maintains table
School Eligibility	1.00	1.00	2.00	3.00	7.00	No scrolling capability and table not maintained.
Bonds Funds Availability	2.00	1.00	2.00	3.00	8.00	Awards checks with accounting to determine.
School Budget Funds	2.00	1.00	2.00	3.00	8.00	One budget for undergraduate & post work, Award's maintains a rolodex for multi plans.
Check Production	1.00	3.00	2.00	1.00	7.00	Processed in batch mode and controlled by the state.
Electronic Fund Transfer	1.00	0.00	0.00	0.00	1.00	Not available
Fee Deduction	2.00	3.00	3.00	3.00	11.00	First year in use.
Reconciliation	1.00	3.00	3.00	3.00	10.00	
Monitoring	3.00	1.00	2.00	3.00	9.00	
Scheduling	1.75	1.00	1.00	1.75	5.50	
Student Status Monitoring	2.00	1.00	1.00	1.00	5.00	No formal methods - relies on new applications to update grad date
Repayment Terms	2.00	1.00	1.00	2.00	6.00	100 % QC required -can't handle 5 year loans-man. calc. for extended terms
Truth In Lending	1.00	1.00	1.00	2.00	5.00	100 % QC required -can't handle 5 year loans-man. calc. for extended terms
1st Payment Due Date	2.00	1.00	1.00	2.00	6.00	Retroactive processing requires manual calculation of 1st due date
Tracking Payment Arrangements	1.00	1.71	1.71	1.71	6.14	Needs include back to back schedules - manual calcs. and follow-up
Payment Amounts	1.00	1.00	1.00	1.00	4.00	All manually calculated - must have tickler to make mandatory changes
Disclosures	1.00	1.00	1.00	1.00	4.00	Must be requested, amounts calc. entered on system, disclosed multiple times.
Inquiry Capability	1.00	2.00	2.00	2.00	7.00	Reports used for tracking, must refer to tickler file for follow-up.
Billing	1.00	2.00	2.00	2.00	7.00	System produces bills, info. accurate, no manual intervention.
Missed Payments	1.00	2.00	2.00	2.00	7.00	System reports missed pays., auto expires after 3. Lists must be reviewed.
Transaction History	1.00	2.00	2.00	2.00	7.00	System has DD, must refer to multiple screens to get complete picture
Borrower Contacts	1.00	2.00	2.00	2.00	7.00	All automated notices, no phone call due diligence
Billing	1.00	1.20	1.80	1.40	5.40	
Data Elements	1.00	1.00	3.00	2.00	7.00	Grace accrued interest is not captured
Accuracy of Data	1.00	2.00	3.00	2.00	8.00	Conversion and defer grace problems affecting accuracy of bills - prepay issue
Production	1.00	1.00	1.00	1.00	4.00	Tape sent to Utah, delays in printing, no capability for QC
Turnaround	1.00	1.00	1.00	1.00	4.00	Tape sent to Utah, delays in printing, no capability for QC
Quality Control	1.00	1.00	1.00	1.00	4.00	No QC - System bugs prevent accurate billing
Payment Processing	1.12	1.94	1.76	1.53	6.35	
Lock Box	1.00	3.00	3.00	1.00	8.00	May be problems with payment posting at lock box in Anchorage
Coupons/Bills	1.00	1.00	1.00	1.00	4.00	Overpayments does not meet ACPE's policy needs - requires extensive adj.
Payment Application	1.00	3.00	3.00	3.00	10.00	Seems to work as far as payment hierarchy
Interest Only	1.00	1.00	1.00	1.00	4.00	Done by technicians- no system calcs - very labor intensive
Backdating Transactions	1.00	1.00	1.00	1.00	4.00	Done by technicians - no system calcs - very labor intensive

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DETAILED FUNCTIONS

AREA OR PROCESS	LJA. POT.	SYS.	MAN.	INT. CON.	TOT SCORE	GENERAL COMMENTS
Back out & Reapplying	1.00	3.00	3.00	3.00	10.00	Applies per specifications.
Pay Exact	1.00	3.00	3.00	3.00	10.00	Applies per specifications
Underpays	1.00	1.00	1.00	1.00	4.00	Applies per specifications - does not meet ACPE's needs partial pays. does not clear delinquency
Overpays	1.00	1.00	1.00	1.00	4.00	Applies per specifications - does not meet ACPE's needs
Prepays	1.00	2.00	1.00	1.00	5.00	Applies per specifications - does not meet ACPE's needs
No Coupons/Bills	1.00	3.00	2.00	2.00	8.00	Bank Deposits and send to ACPE to clear
Non-OCR	1.00	3.00	2.00	2.00	8.00	Bank Deposits and send to ACPE to clear
Rejects	1.00	1.00	1.00	1.00	4.00	Done by technicians - no system calcs -very labor intensive
NSF	1.00	1.00	1.00	1.00	4.00	Done by technicians - no system calcs -very labor intensive
Paid-in-Full Notices	3.00	0.00	0.00	0.00	3.00	Not Used
Deposits	1.00	3.00	3.00	1.00	8.00	Manual Process
Reconciliation	1.00	3.00	3.00	3.00	10.00	Checks and RSR's
Cancellation	2.00	3.00	2.00	2.00	9.00	Requires manual adjustments.
Refunds	2.00	3.00	2.00	2.00	9.00	Requires manual adjustments.
GL Interface	1.00	0.00	0.00	0.00	1.00	No interface to states AKSAS system.
Due Diligence	1.36	1.45	1.91	1.91	6.64	
Tracking Reports	1.00	2.00	1.00	1.00	5.00	Systems errors and conversion. makes tracking inefficient
Notice Generation	1.00	1.00	1.00	1.00	4.00	60 and 90 day notices done manually and at irregular intervals
Data Elements	1.00	1.00	1.00	1.00	4.00	System errors and conversion. makes data inaccurate - requires manual audit
Accuracy of Data	1.00	1.00	1.00	1.00	4.00	System errors and conversion. makes data inaccurate - requires manual audit
Production	1.00	3.00	1.00	1.00	6.00	Few controls in place to insure production is properly running
Turnaround	1.00	3.00	3.00	3.00	10.00	Seems timely
Quality Control	1.00	1.00	1.00	1.00	4.00	Too manually driven, high number of errors requires constant audits
Phone Calls	2.00	1.00	3.00	3.00	9.00	Requires only 2 per 120 day delinquency
Frequency of Calls	2.00	1.00	3.00	3.00	9.00	
Scheduling of Calls	2.00	1.00	3.00	3.00	9.00	Manual
Quality Control of Calls	2.00	1.00	3.00	3.00	9.00	
Collections	2.20	1.40	1.80	1.80	7.20	
Notice Scheduling	2.00	3.00	3.00	3.00	11.00	
Tickler Files	3.00	0.00	0.00	0.00	3.00	Not Used
Quality Control	2.00	1.00	3.00	3.00	9.00	
Collection Agency	2.00	2.00	2.00	2.00	8.00	Collection fees not captured
Perform. Monitor	2.00	1.00	1.00	1.00	5.00	
Skip Tracing	2.00	1.00	2.00	2.00	7.00	
Identification	2.00	1.00	2.00	2.00	7.00	Manual Process and Tracking
Distribution	2.00	1.00	2.00	2.00	7.00	Manual Process and Tracking

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DETAILED FUNCTIONS

AREA OR PROCESS	LIA. POT.	SYS.	MAN.	INT. CON.	TOT SCORE	GENERAL COMMENTS
Phone Skip Method	2.00	1.00	2.00	2.00	7.00	Manual Process and Tracking
Mail Skip Method	2.00	1.00	2.00	2.00	7.00	Manual Process and Tracking
Follow-up	2.00	1.00	2.00	2.00	7.00	Manual Process and Tracking
Forgiveness	1.00	1.80	1.60	2.40	6.80	Manual Process and Tracking
Identifying Eligible Borrowers	1.00	2.00	1.00	3.00	7.00	Borrower has responsibility for initial request - review of forms totally manual
Notifying Eligible Borrowers	1.00	3.00	3.00	3.00	10.00	System generated at time of approval - no problems
Death	1.00	2.00	2.00	3.00	8.00	Some automated support - procedure well within industry standards
Disability	1.00	2.00	2.00	3.00	8.00	Some automated support - procedure well within industry standards
Bankruptcy	1.00	2.00	2.00	3.00	8.00	Some automated support - procedure well within industry standards
Forms Processing	1.00	2.00	2.00	3.00	8.00	Some automated support - procedure well within industry standards
Accuracy of Calculations	1.00	2.00	1.00	2.00	6.00	IA provides worksheet, requires manual calcs, accounting does final process.
Reconciliation	1.00	1.00	1.00	1.00	4.00	Not done regularly - problem with refunds control
Fund Reimbursement	1.00	1.00	1.00	1.00	4.00	May be overpaying interest - policy problem
Quality Control	1.00	1.00	1.00	2.00	5.00	Some controls - labor intensive
Borrower Tracking	2.33	2.00	2.67	1.00	8.00	
Reporting	3.00	2.00	3.00	1.00	9.00	Weak audit trail for recording changes
Status Changes	2.00	2.00	2.00	1.00	7.00	No calculations occur, everything must be manually calc. and updated
Demographic Changes	2.00	2.00	3.00	1.00	8.00	Weak records, updates from a single screen
Student Status Tracking	3.00	1.25	1.25	1.25	6.75	
Schools Contact	3.00	1.00	1.00	1.00	6.00	Minimal contact with schools to verify status
Borrower Contact	3.00	2.00	2.00	2.00	9.00	Limited contact for other reasons, i.e. new application requests
Follow-ups	3.00	1.00	1.00	1.00	6.00	Non existent
Updates	3.00	1.00	1.00	1.00	6.00	No calculations occur, manual, done on all in-school accounts annually
Entitlement Processing	1.00	1.82	1.18	1.36	5.36	
Forms Receipt	1.00	3.00	1.00	2.00	7.00	Manual process - just implementing distribution controls
Batching	1.00	3.00	1.00	2.00	7.00	Manual process - just implementing distribution controls
Review	1.00	3.00	1.00	1.00	6.00	Manual process - Little QC to verify accuracy
Data Entry	1.00	1.00	1.00	1.00	4.00	Very Cumbersome - requires multiple screens and procedures
System Calculations	1.00	1.00	1.00	1.00	4.00	System calcs are non existent - system just stores information
Interest Accrual	1.00	1.00	1.00	1.00	4.00	Major system error re: post defer grace interest accrual
Next Due Date	1.00	1.00	1.00	1.00	4.00	Must be manually calc. and entered
Expiration Notices	1.00	3.00	3.00	3.00	10.00	Entirely automated - seems to work well
Disclosure	1.00	1.00	1.00	1.00	4.00	Totally manual - done constantly
Cancellations	1.00	1.00	1.00	1.00	4.00	Very manual - must calculate all retroactive accruals
Systems Edits	1.00	2.00	1.00	1.00	5.00	Some edits regarding limits
Customer Service	3.00	2.50	1.75	3.00	10.25	

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DETAILED FUNCTIONS

AREA OR PROCESS	IJA. POT.	SYS.	MAN.	INT. CON.	TOT SCORE	GENERAL COMMENTS
Correspondence	3.00	2.00	1.00	3.00	9.00	
Inquiry	3.00	2.00	2.00	3.00	10.00	
Data Elements	3.00	3.00	2.00	3.00	11.00	
Phone Calls	3.00	3.00	2.00	3.00	11.00	
Reporting	2.32	2.05	2.47	2.63	9.47	
Electronic App. Report	0.00	0.00	0.00	0.00	0.00	Electronic Application Not Used
Paper App. Report	3.00	3.00	3.00	3.00	12.00	Awards Listing
Weekly Production	3.00	1.00	3.00	3.00	10.00	Small Volume - Not Necessary
New Loan Activity	3.00	3.00	3.00	3.00	12.00	Class Information
Check Register	2.00	3.00	3.00	3.00	11.00	Warrants
Refund Report	2.00	3.00	2.00	1.00	8.00	Included on PIF report, potential problem with defaulted loans - int. escalation
Roster Transmittal	2.00	1.00	3.00	3.00	9.00	Not available
Cash Report	2.00	3.00	3.00	3.00	11.00	Lock box, Payroll Deduction, Collection Agency & On-line Batch entry
Deleted Loans	2.00	3.00	3.00	3.00	11.00	Cancellations
Portfolio/Bond Reporting	2.00	3.00	2.00	2.00	9.00	Not a separate report
Skip Tracing	2.00	1.00	3.00	3.00	9.00	No
Transaction Detail	2.00	3.00	3.00	3.00	11.00	Transaction Journal
Loan Journal	3.00	1.00	3.00	3.00	10.00	No
Due Diligence	2.00	0.00	0.00	0.00	2.00	No
Suspense Reports	2.00	3.00	3.00	3.00	11.00	Handled in AKSAS
Past Due	2.00	1.00	2.00	2.00	7.00	Collector Aging
Paid in Full	2.00	3.00	2.00	3.00	10.00	Yes
Collection Agency	2.00	2.00	2.00	3.00	9.00	Placement and Aging reports
Ad Hoc Reporting	3.00	1.00	3.00	3.00	10.00	System has capability - not user friendly - not really used (Also Easytrieve)
Performance Statistics	3.00	1.00	1.00	3.00	8.00	
Electronic Funds Transfer					0.00	Not Used
Loan Consolidation	3.00	2.00	1.00	2.00	8.00	Just being introduced - fully manual
Other Requirements	3.00	2.00	2.00	2.00	9.00	
Imaging System	3.00	3.00	3.00	3.00	12.00	Volume does not justify
Cash Module					0.00	Not A Requirement
Performance Standards	3.00	1.00	1.00	1.00	6.00	Just developing - little support from system

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

PRIORITY MATRIX

SUMMARY FUNCTIONS

FUNCTION	LIABILITY POTENTIAL	SYSTEMS	MANUAL	INTERNAL CONTROLS	TOTAL SCORE
Disaster Recovery	1.00	1.00	1.00	1.00	4.00
Electronic Funds Tran	2.00	0.00	0.00	2.00	4.00
Interfaces	1.00	1.00	2.00	1.00	5.00
Entitlement Processing	1.00	1.82	1.18	1.36	5.36
Billing	1.00	1.20	1.80	1.40	5.40
Scheduling	1.75	1.00	1.00	1.75	5.50
Tracking Payment Arr	1.00	1.71	1.71	1.71	6.14
Payment Processing	1.12	1.84	1.76	1.53	6.35
Disbursement	1.29	1.71	1.76	1.72	6.47
Due Diligence	1.36	1.45	1.91	1.91	6.64
Student Status Tracing	3.00	1.25	1.25	1.25	6.75
Forgiveness	1.00	1.80	1.60	2.40	6.80
Skip Tracing	2.00	1.00	2.00	2.00	7.00
Collections	2.20	1.40	1.80	1.80	7.20
Microfilming	2.00	1.80	2.00	2.00	7.80
Borrower Tracking	2.33	2.00	2.67	1.00	8.00
Loan Consolidation	3.00	2.00	1.00	2.00	8.00
Mail Sorting & Distrib	2.67	1.67	1.67	2.33	8.33
Loan Origination	2.17	2.06	2.17	2.17	8.56
Reporting	2.32	2.05	2.47	2.63	9.47
Hardware	2.00	3.00	3.00	2.00	10.00

ALASKA COMMISSION ON POSTSECONDARY EDUCATION

PRIORITY MATRIX

SUMMARY FUNCTIONS

FUNCTION	LIABILITY POTENTIAL	SYSTEMS	MANUAL	INTERNAL CONTROLS	TOTAL SCORE
Systems Controls	2.00	3.00	3.00	2.00	10.00
Job Production	2.00	3.00	3.00	2.00	10.00
Customer Service	3.00	2.50	1.75	3.00	10.25
Phone Systems	3.00	3.00	3.00	3.00	12.00
Auto Dialers	3.00	3.00	3.00	3.00	12.00
Voice Response Tech	3.00	3.00	3.00	3.00	12.00
Other	3.00	3.00	3.00	3.00	12.00

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ORGANIZATIONAL ANALYSIS

This section contains our overall analysis of areas within the ACPE's organizational structure, policies, and procedures which we believe the Commission should consider changing as part of any solution for improved servicing and data management.

Our information gathering consisted of:

- Reviewing the Commission's organizational structure and functions with the Executive Director and department directors to gain an understanding of the work flow within the organization and its departments
- Obtaining each director's assessment of how their departments interrelate with each other and are affected by other departments
- Meeting with department directors and supervisors to review how each area functions and each area is supported by the current system

Our objectives in this analysis were to identify areas or functions within the Commission where re-engineering of work flows and procedures and implementation of specific management directives would result in improvements in problem areas and enhance the impact of any recommended systems solution. We evaluated each area to determine:

- Are the functions performed appropriate to the department or would they be more efficiently handled by another area?
- Are procedures performed too manually driven where automated solutions are available?
- Is the department performing on a timely and accurate basis?
- Is the department's staffing adequate to handle the tasks and volumes?
- Does management provide adequate training and quality control oversight?
- Is the flow of critical information and documents under adequate controls to ensure proper and timely processing?
- Is documentation and training adequate to ensure accurate processing?
- Are the resources available to provide quality customer service?

The recommendations we have developed stem from our understanding of how the student loan servicing industry manages portfolios through the most productive and effective use of their resources. We are also recommending changes to policies and procedures in certain operational areas which are not serviceable by any systems solution

without extensive and costly customization. By implementing these changes, the Commission will bring them in line with industry norms and make feasible the use of the servicing options that are available.

Overall Organizational Findings and Recommendations

The Information Technology Group does not have the depth and technical skill sets necessary to effectively maintain the application.

ACPE's Information Technology group consists of three programmers reporting to an individual who does not have an information technology background. Only one of the programmers has experience with the application and the application's language, COBOL. The application system has been modified, but the documentation has not been maintained to reflect these modifications. ACPE is relying on the knowledge of the programmers to maintain this application.

Most of the programming resources have been utilized to correct problems from the original conversion and to make changes necessary to support technology changes implemented by the Division of Information Services. Therefore, little progress has been made toward implementing traditional information technology policies and procedures related to:

- Audit trails for program changes
- Testing procedures
- Disaster Contingency Planning
- Necessary skill set training
- Project Management

The Commission should consider hiring an individual with information technology and lending experience to direct the group.

The Compliance Officer is not reporting to a level within the organization to provide complete coverage.

The Compliance Officer currently reports to the Director of SFA Programs. The Compliance Officer should deal with issues broader than SFA programs. This staff function should report to a high enough level to promote lateral coverage throughout the organization.

ACPE should consider having the Compliance Officer report to the Internal Auditor and expanding the compliance coverage throughout the organization.

Operations

ACPE does not have a business resumption plan.

The Division of Information Services (DIS) which provides data processing services to ACPE has a disaster contingency plan and hot site in Anchorage. If the computer operations has to be moved to the Anchorage site, ACPE could resume processing provided that the Governor specified ACPE as a priority.

ACPE may not be able to continue to provide services if ACPE personnel could not get into their building or a large number of key employees were unavailable for an extended period. Business continuation or business resumption planning is not part of the services provided by DIS. ACPE does not have a plan to deal with these types of interruptions.

ACPE should develop a business resumption plan. At a minimum this plan should include a list of employees and their home phone number, a skill set/experience inventory, operational policies and procedures, and a list of vendors.

Origination and Disbursements

Borrower reference information is not added to the loan servicing system at the time the loan is established. When skip tracing is required, the reference information is not readily available; therefore, skip tracing is not initiated timely.

In a recent operational review performed by another consulting firm, a recommendation was made to the Commission that turn-around time on origination could be improved by not immediately entering the borrower's reference information. However, interviews with Collections has indicated this new procedure is causing delays in the initiation of skip tracing procedures. Since the reference information is not being maintained on the system, collectors must request microfiche copies of the borrower's loan application to obtain reference information and data enter that information onto the system. This negatively impacts the collectors' ability to contact references timely and increases the time between contacts with the debtor.

Most well run collection areas initiate skip tracing within three days after notification of either a telephone skip or bad address. We believe that it is critical for effective collections that collectors have ready access to all of the tools they need to perform their activity. Therefore, the Commission should consider reinstating their procedures for including reference information in a borrower's record at the time a loan is set up on the loan servicing system.

Segregation of duties over disbursement checks has not been established.

The Division of Finance, which is not a part of ACPE, maintains the check stock, signature plates or stamps, and controls the computer jobs that create the checks. Under this situation, the Division of Finance has complete control of the disbursement check

process. This does not provide for sound internal control through a proper separation of duties and responsibilities. Also, when disbursement checks are delayed or incorrectly processed, this can be a major source of borrower complaints and cause strain on ACPE's customer service staff. The Commission should work with the Division of Finance to set up proper segregation of duties over the disbursement check procedures. One method would be to let ACPE control the check printing process and the Department of Finance control the check stock and the signature plate or stamp.

In-School and Grace Servicing

Borrowers may be classified in the wrong status due to timing and the amount of manual processing involved.

ACPE assumes that a borrower will enter repayment at the end of the academic term for which a loan is awarded. This assumption is changed only if the borrower applies for another loan in the subsequent year or if the borrower notifies the Commission of their continuing in school status. In either case, the Commission must manually update the borrower's account with the new information to retain the borrower's correct status. With this approach, ACPE must manually update the status of the majority of in-school borrowers yearly. This process is inefficient and frequently subjects the borrower's account to being reported in the wrong status. This can result in complaint calls from the borrowers that unnecessarily consumes customer service time.

A second concern is the Commission only "verifies" a student's status once a year. They have no systematic approach for identifying students who withdraw during the academic year and should be placed in a repayment status. The Commission must rely on the student contacting them in order to establish their repayment schedule. This is a major control weakness as failure to receive timely notification of early withdrawal risks losing contact with the borrower, thus negatively affecting the collectability of the account.

The student loan servicing industry and the federal loan programs have established a far more efficient method to monitor borrowers who are in-school. This method requires regular communications between schools and the servicing agency. Usually twice a year the servicing system will produce a file of in-school borrowers recorded as currently attending a given institution. The servicing agency submits that file, either in the form of a report or a file transmission, to the school. The school compares the servicing agency's records with their own and updates the agency with their current information. The agency will then only update accounts which have a change in information. These updates are performed manually if transmitted via reports or can be done automatically when the information is electronically transmitted to them.

Any Alaskan school which participates in the federal student loan programs must perform this student status verification. As a result, they already have in place the procedures and mechanisms for providing the Commission with timely and accurate student status information. We recommend that the Commission develop the procedures for obtaining this information from schools. It will not only reduce the labor involved in monitoring in-

school accounts, but also ensure that the Commission obtains timely information on early withdrawals.

To implement this procedure, the Commission will need to do the following:

- When processing an application, the Commission should begin using the anticipated graduation date which the borrower completes as the scheduled date for the loan to enter repayment.
- With each subsequent application, continue to update the repayment begin date with the new anticipated graduation date from the application.
- Contact schools and develop the procedures for exchanging student status information. We recommend starting with the State University System since they account for the majority of new loans.
- Develop programming specifications to create a file of in-school accounts according to school of attendance which can either be printed on a report or transmitted electronically.
- Establish a regular schedule for performing the student status verification procedures. This should be done a minimum of twice a year such as late Fall/early Winter (December or January) and Spring (April or May).

Borrower accounts are not converted from in-school to grace on a timely basis.

The system schedules accounts to convert from in-school to grace period status five months after the grace begin date. This routine prevents the borrowers from receiving pre-grace and early grace period notices and, for certain loan programs, requires the system to retroactively accrue interest.

Early and timely contact with borrowers at the time they enter repayment is an important control for ensuring that the borrower will begin payments as scheduled. It is also an important means for knowing the borrower's location during this critical time when they are leaving school and moving elsewhere.

The Commission should implement procedures to timely convert accounts from in-school to grace and to send status change notification to the borrower within 90 days prior to a borrower's scheduled grace begin date. This will:

- Enable the system to produce notices and disclosures on a significantly more timely basis
- Give the borrower ample time to contact the Commission with questions or changes to their status

- Begin to establish a more solid relationship between the Commission and the borrower thus reducing the risk of the borrower defaulting on loans during the first critical year of repayment

Customer Service

The Customer Service Representatives are processing financial transactions that are normally handled by the accounting area thus circumventing proper separation of duties.

The Customer Service area has fourteen Customer Service Representatives, three Technicians, and one Receptionist. Customer Service is responsible for handling all incoming correspondence with the borrowers. The Technicians research the more complicated requests from borrowers such as repayment histories. They also perform manual adjustments to accounts resulting from such processing as NSF checks and misapplied payments.

To ensure consistent accounting controls are established, the responsibility for processing monetary transactions should be transferred to the Accounting Department.

Customer Service Representative are operating below the industry standards for handling incoming telephone calls.

The Customer Service area handles between three and four hundred calls a day and seven hundred during peak periods. This averages between twenty and thirty calls a day per person for the fourteen representatives. During peak periods, representatives may handle up to fifty calls per day per person. The industry standard states that a customer service phone representative should handle between seventy and one hundred calls per day in addition to performing correspondence processing functions. These standards have been achieved through such methods as:

- Automatic call distribution systems
- Systems that display the borrower's account at the same time a call is routed to a representative
- Well designed borrower inquiry screens
- Telephone training techniques designed to keep the length of calls to a minimum
- Supervisory monitoring of phone calls
- Ready access to complete and accurate account information

The Commission should evaluate its Customer Service area and develop new methods and procedures to increase the area's productivity standards. By doing so they can reduce the number of required CSRs and redirect the remaining manpower resources to other areas of the organization or implement new services which are part of the Commission's long term objectives.

Repayment Servicing

Customer billings can be delayed by inclement weather.

The Commission currently uses a third party, located in Utah, to produce and mail billing statements. A file tape is created each billing cycle and shipped to the facility for processing. Given the variable weather in Juneau, outbound flights can be delayed for several days at a time.

We recommend that the Commission investigate the feasibility of printing the billing statements locally or transmitting the data files electronically to the vendor.

Deferment and Forbearance Processing

Interest is not accruing properly on accounts during post deferment grace periods.

Since conversion, a systems deficiency has affected interest accruals on certain loan programs for which the borrower is responsible for interest during any post deferment grace period. The system accrues interest during the grace period but automatically adjusts the interest to \$0.00 when the account moves from grace to repayment. ACPE estimates that approximately 17,000 borrowers required review and possible adjustment of the interest field.

To avoid borrower complaints, the operation staff decided to discontinue generating delinquency notices and credit reporting until the problem and accounts were fixed. In addition, the turnaround time for staff in processing forms and answering questions has been hampered by the need to reconstruct accounts to determine the accrued interest.

The Commission should consider forgiving this accrued interest and subsidizing it until the system problems have been fixed. Prior to establishing this policy, the Commission should discuss the impact of this decision with its external auditors.

Rescheduling loans for a fifteen year repayment, under forbearance, is a highly manual process and subjects the borrower account to errors in processing.

The Commission offers borrowers relief from monthly payments by one of the following forbearance options:

- Rescheduling the loan to a 15 year repayment term,
- Temporary reduction in payments followed by a reschedule to a 15 year repayment period, or
- Temporary deferment of principal payments followed by a reschedule to a 15 year repayment period.

Anytime a loan has been scheduled for a 15 year repayment term, the borrower's account must be reviewed annually to determine if the borrower's financial condition justifies continuing the repayment terms. While similar options are available in the federal programs, they are seldom used by lenders and servicing agencies. There are several reasons for this:

- For the vast majority of borrowers, the inability to make payments is a temporary condition and can be resolved through a short term change in the payment arrangements
- Extending repayment terms is not in the best interest of borrowers as it extends their debt obligation and ends up costing them more money in terms of interest payments
- The use of extended repayment terms is primarily intended for borrowers with large debt balances (in excess of \$50,000 for example) where, long term, the student loan repayment will represent a significant percentage of income.

Various standards for forbearance processing have been established by both the federal government and the servicing industry. These standards have been translated into significant systems support making the process easy to perform and administer. The following represents typical techniques employed:

Interest Only Payments

For a temporary period, defer the scheduled principal installments on a loan and accrue interest. At the end of the period:

- Either bill or capitalize the accrued interest, or
- Either permanently change the payment amount of the loan to pay it off within the normal schedule or balloon the final payment to reflect the deferred principal installments, and
- Generate a new disclosure statement for the borrower.

Temporary Reduction in Payments

Provide the borrower with a temporary reduction in payments. At the end of the time period, the borrower will owe a lump sum amount equal to the difference between the regular payment amount and the reduced amount. The borrower can be given the option of:

- Repaying the difference,
- Having the payment permanently increased to pay the loan within the standard repayment terms, or

- Having the final scheduled payment ballooned to reflect the difference.

Generally, under such an arrangement, the system monitors repayment, generates reminder notices if payments are missed and will cancel the arrangement if three payments are missed.

Temporary Increases in Payments

Provide a delinquent borrower with a temporary increase in payments for a specific length of time to gradually bring the borrower current. This requires no rescheduling of the loan or permanent changes in the regular payment amount. Again, the system monitors repayment, generates reminder notices if payments are missed, and will cancel the arrangement if three payments are missed.

Permanent Reschedule of Payment Amount

In exchange for a good faith effort to make payments, the borrower's past due payments are forgiven. The payment amount is permanently increased to retire the loan within the standard repayment terms or the final scheduled payment is ballooned to account for the forgiven installments.

The Commission should take the following actions for forbearance processing:

- Immediately discontinue the policy of automatically utilizing a 15 year rescheduling of borrowers who are granted forbearance. Only offer this option to borrowers in cases of extreme and documented hardship.
- Utilize the current system functions for forbearance processing that will require minimal manual updates and follow-up.
- Incorporate in the Commission's system solution requirements a broad range of support for forbearance processing. Again, the industry has developed a set of standards and methodologies which have the automated support to perform efficiently and effectively.

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KEY OPERATING INDICATORS

On several occasions we were asked to compare ACPE servicing to other student loan servicing agencies. The following is a table that indicates how ACPE compares to industry norms in servicing statistics.

Key Operating Indicators	Norms	ACPE's Performance as of 6/30/94
Loans Serviced Per Employee	1,300 - 2,500*	1,340
Customer Service Abandonment Rate	< 5 %	6 %
Customer Service Hold Time	< 60 seconds	avg. 45 seconds
Calls Answered Per Employee	75 calls per day	20 calls per day
Deferment/ Forbearance Processing	< 10 days	< 6 days
Legal Correspondence	< 2 days	not available
Customer Service Backlog	< 10 days	< 6 days
Skip Tracing Initiated - Telephone	Within 1 day of notice	Within 1 day of notice
Skip Tracing Initiated - Address	Within 1 day of notice	Within 2 days of notice
Origination to Award	Within 3 days	Notices mailed weekly
Microfiche	Within 3 days	Outside processing
Compliant Log	24 hr. turnaround	not available
Status Changes	< 10 days	See Def. & Forb.
Payment Processing - Manual	Within 3 days	Within 5 days
Misapplied Payments		15 days backlog
PIF Processing	Within 60 days	127 days backlog
NSF Processing	Within 3 days	Within 3 days

* - The range varies based upon the services provided and the inclusion of staff support functions such as accounting.

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ALTERNATIVE SYSTEM SOLUTIONS

To assist ACPE in developing a plan to address the system and operating deficiencies, KPMG investigated alternative approaches. These alternatives included:

- Fix the Current System
- Purchase or Lease New Servicing Software
- Purchase Turn-key Hardware and Software
- Remote Timeshare Servicing
- Out-source Servicing

Fix the Current System

In the section titled "System Background" we identified a number of system weaknesses that need to be addressed. Our major concern is focused on the maintenance of the current system. ACPE is relying on the knowledge of one programmer to maintain the system. The documentation does not reflect the way the system operates. Additionally, the lack of automation negatively impacts the performance of the servicing staff and the amount of manual processing unnecessarily subjects the loan portfolio to errors.

Addressing these system deficiencies will require resources with skill sets that ACPE does not currently have and that are not readily available. Additionally, the architecture of the system precludes adequate servicing of a program as large as the ASLP. Therefore, fixing the current system is not a viable alternative.

Purchase or Lease New Servicing Software

There are a number of loan servicing software packages produced that are available. While we did not review all software products available, we did find four vendors with software that could fit ACPE's needs. The following is a list of vendors, operating platforms, and programming languages used:

Vendor Name	Operating Platform	Programming Language
ECSI	Personal Computer LANS	Microfocus COBOL
UNIPAC	IBM Mainframe	COBOL II
Charter Account Systems	IBM Mainframe	COBOL II
Systematics	IBM Mainframe	COBOL II

The prices for these software packages ranges from \$150,000 to \$1 million. Documentation and training is included. Each company provides programming support, additional training, and conversion assistance based upon standard fee structure for time and material.

Purchase Turn-key Hardware and Software

Our search did not reveal any alternatives in this category.

Remote Timeshare Servicing

Timeshare servicing is provided by a number of FFELP servicing companies. The major obstacles to this alternative are availability of data communication channels, time zone differences affecting the batch processing windows, and the availability of programming resources and cost to customize processing to fit ACPE's needs. The price of servicing ranges from 64 cents per month per note to 86 cents per borrower per month. Programming resources will cost between \$45 to \$75 per hour. The following is a list of vendors contacted concerning timeshare services:

BTI Services, Inc.
UNIPAC
COSTEP
EDUSERV

Outsource Servicing

Outsource servicing like timeshare is provided by a number of FFELP servicing companies. The major obstacles are that time zone differences may affect servicing activities, the availability of programming resources and the cost to customize the processing to fit ACPE's needs, and conversions cost. The estimated servicing fees would be between \$1.50 and \$3.00 per month per account depending upon the status of the borrower.

ACPE does not have the resources with the right skill sets to timely implement the necessary changes to the current servicing system. Outsourcing the servicing to an existing student loan servicer is the most attractive alternative solution from an economic viewpoint. However, the existing student loan servicers do not have the experience in dealing with the unique requirements of an alternative loan program such as the Alaska program. Additionally, outsourcing the servicing would eliminate the need for most of the current employees at ACPE. This would have a negative impact on the Juneau economy. We also believe the Commission may experience start up problems and borrower complaints by selecting outsourcing as an alternative solution.

In the following chart we identified the major task to be considered in selecting an alternative. The "x" in the matrix indicates the task applies to the alternative.

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MAJOR TASK TO BE CONSIDERED

Issues	Keep Current System	Purchase Replacement Package	Turn-Key Software Hardware	Timeshare	Out-Source	Comments
Fix Current Data Problems	x	x	x	x	x	24 - 36 man months
Re-engineering processes	x					Resources not available
Add necessary automation	x					120 - 144 man months - Resources not available
Documentation up to standard	x					6 - 12 man months - Resources not available
Request for proposal		x	x	x	x	2 - 3 months
Analyze responses		x	x	x	x	2 - 3 months
Award contract		x	x	x	x	1 month
Train Users		x	x	x	x	3 - 6 months
Install package		x	x	x	x	6 - 9 months
Develop test plan		x	x	x	x	6 - 9 months
Test system		x	x	x	x	6 - 12 months parallel test
Conversion		x	x	x	x	3 months
Site preparation			x			6 - 9 months
Wiring			x			1 month
Data communications			x			3 - 6 months
Staffing			x			
Maintenance	x	x				
Support Software		x	x			The purchase of additional software maybe required
Equipment			x	x	x	
Business Resumption Plan	x	x	x	x		
IT contingency plan			x	Vendor	Vendor	
Insurance			x	Vendor	Vendor	

Note: All comments related to resources required to take corrective action on the issues are based upon interviews with ACPE staff and our estimates of the effort required to complete the task.

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COST ANALYSIS (in thousands)

FIRST YEAR COSTS

Cost	Keep Current System	Purchase Replacement Package	Timeshare	Out-Source	Comments
Current Operating Budget	6,200	6,200	6,200	6,200	
Programming and Testing	630 - 806				Assumes \$ 4,200 per month programmer cost
Hardware			50	25	Assumes lease of networking equipment
Software License		150 - 650*			Prices vary. Assumes will meet 80% of requirements
Network			36		Assumes \$3,000 per month
Servicing			900 - 1,032	2,500 - 4,000	Assumes .75 - .86 per borrower on time sharing and 2.00 - 3.00 on full service.
Training					
Conversion		100	100	100	Assumes ACPE will provide resources.
Software Customization			200	200	Assumes 2666 hrs. at \$75 per hr.
Reduction in Operating Cost			(200)	(4,700 - 4200)	
Total First Year Cost	6,830 - 7,006	6,450 - 6,950	7,286 - 7,418	4,325 - 6,325	

* - One vendor priced his software at \$1 million. This vendor was removed from the list reducing the range to between \$150 - \$650 thousand.

Five-Year Cost Analysis

The following is five-year cost analysis using each of the suggested alternative solutions. This analysis includes a detailed breakdown of the conversion costs prorated over two years. The costs for each alternative are then summarized using actual and present value dollars. Note: for components which have a range of value, we generally used a median amount in our assumptions.

Five-Year Cost Comparisons of Servicing Alternatives (in thousands)

Baseline Assumptions

Inflation Rate 5.0%
 Investment Rate 7.5%
 Average Employee Salary + Benefits \$
 \$4,200 per month programmer cost
 \$0.75 to \$0.86 per borrower on time sharing and \$2.00 to \$3.00 on full service
 \$75 per hour for 1333 hours

Keep Current System

Positions Eliminated From Servicing: 0

	Year 1	Year 2	Year 3	Year 4	Year 5
Operating Budget	\$6,200	\$6,510	\$6,836	\$7,177	\$7,536
Data Clean-up	200				
Programming & Testing	718	200	200	200	200
Reductions in Cost*	0	0	0	0	0
Total	\$7,118	\$6,710	\$7,036	\$7,377	\$7,736

* Reductions in costs are based upon eliminating staff from servicing.

Purchase Replacement Package

Positions Eliminated From Servicing: 9

	Year 1	Year 2	Year 3	Year 4	Year 5
Operating Budget	\$6,200	\$6,510	\$6,836	\$7,177	\$7,536
Software License	650				
Data Clean-up	200				
Project Management	200	100			
Software Customization	150	50			
Parallel Test	250	78			
Conversion	75	25			
Maintenance	25	25	25	25	25
Reduction in Costs*	450	473	496	521	547
Total	\$7,300	\$6,316	\$6,364	\$6,681	\$7,014

* Reductions in costs are based upon eliminating staff from servicing.

Timeshare

Positions Eliminated From Servicing: 9

Positions Eliminated From MIS: 3

	Year 1	Year 2	Year 3	Year 4	Year 5
Operating Budget	\$6,200	\$6,510	\$6,836	\$7,177	\$7,536
Hardware	50				
Network	36	38	40	42	44
Servicing	975	1,024	1,075	1,129	1,185
Data Clean-up	200				
Project Management	200	100			
Software Customization	150	50			
Parallel Test	250	78			
Conversion	75	25			
Reduction in Costs*	600	630	662	695	729
Total	\$7,356	\$7,195	\$7,289	\$7,653	\$8,036

* Reductions in costs are based upon eliminating staff from servicing.

Out-source

	Year 1	Year 2	Year 3	Year 4	Year 5
Operating Budget	\$6,200	\$6,510	\$6,836	\$7,177	\$7,536
Hardware	25				
Servicing	3,300	3,465	3,638	3,820	4,011
Data Clean-up	200				
Project Management	200	100			
Software Customization	150	50			
Parallel Test	250	78			
Conversion	75	25			
Reduction in Costs*	4,500	4,725	4,961	5,209	5,470
Total	\$5,900	\$5,503	\$5,513	\$5,788	\$6,078

* Reductions in costs are based upon eliminating staff from servicing.

Summary

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Keep Current System	\$7,118	6,710	7,036	7,377	7,736	\$35,977
Purchase Replacement	\$7,300	6,316	6,364	6,681	7,014	\$33,675
Timeshare	\$7,536	7,195	7,289	7,653	8,036	\$37,708
Out-source	\$5,900	5,503	5,513	5,788	6,078	\$28,781

Present Value

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Keep Current System	\$6,621	5,806	5,663	5,524	5,389	\$29,004
Purchase Replacement	\$6,791	5,465	5,123	5,003	4,886	\$27,268
Timeshare	\$7,010	6,226	5,867	5,731	5,597	\$30,431
Out-source	\$5,488	4,762	4,437	4,334	4,233	\$23,255

Workplan for the ACPE's Conversion to a New Servicing Environment

The following is our initial work and budgetary estimates for ACPE's conversion to a new servicing environment. The accompanying Gantt Chart summarizes the key tasks to perform. Based on our analysis, we believe that with proper management, planning, and testing, the conversion to a new servicing system can be achieved by December month-end, 1995. The following is a brief description of the key tasks.

Project Management

The project management for the conversion will be an ongoing function which will last the full duration of the conversion project. It will require the full-time dedication of resources from both the ACPE and the selected vendor. The staff assigned to this task will have involvement in managing all tasks in this project. They will be the decision makers in defining requirements, determining when they are met, and when to move forward.

Data Clean-up

The data clean-up will be a critical task which should begin when ACPE decides to convert to a new servicing system. The initial phase for clean-up should involve correcting known system deficiencies and errors. The second phase will depend on the servicing system selected and involve correcting known inconsistencies between the current system and the new system. The goal will be to correct those incompatibilities prior to conversion in order to minimize the disruption to processing once conversion has been completed.

Request for Proposal

With the functional requirements definition developed by KPMG, ACPE should be readily able to issue an RFP within one month of deciding to change servicing systems.

Analyze Responses

This task will involve analyzing the responses to ACPE's RFP. Based on experience, ACPE should anticipate extensive responses to the requirements definition. They should plan the full-time use of two staff members for at least six weeks to evaluate the responses.

Award Contract

The awarding of the contract could reasonably take place within three months after the decision is made to change systems. On average, we are assuming the awarded contract to be budgeted at \$650,000.

Package Customization

Under our assumption that any of the servicing alternatives will meet 80% of ACPE's needs, we anticipate that it will take at least five months for the design, programming, and testing of the new software components. Our estimated cost relates to the programming charges assessed by the vendor.

Develop Conversion Plan

The conversion plan must be as detailed and comprehensive as possible. Its key components will be:

- Data mapping specifications for the conversion
- Implementation schedule
- Staff training schedule
- Training documentation
- Post-conversion plan

As a result, at least four months will be required to complete this task.

Develop Conversion Programs

This task will consist of the actual development and coding of the conversion programs and is contingent upon the specifications developed in the conversion plan.

Develop Test Plan

This task can be performed at the same time as the conversion plan development. The test plan focuses on defining the extent and scope of the parallel test runs that will be performed prior to the live conversion.

Train Users

The training program should be developed with the selected vendor and included in their overall servicing fee contract. Therefore, there should be minimal associated costs with this task.

Install System

This task involves the basic installation of the software, hardware, and networking equipment needed for operating the new servicing system.

Parallel Test

Due the sensitive and critical nature of this conversion, we are allowing six months for a completed parallel test phase. This will require extensive use of the DIS computer, however, it is critical that all systems and conversion bugs be identified and minimized prior to the live conversion. The goal is to eliminate any post conversion clean-up requirements as much as possible to avoid disruption to ACPE's services, the borrowers, and ACPE's employees.

Conversion

Based on this workplan, the conversion to the new servicing system could take place by December month-end, 1995.

FEASIBILITY STUDY
ALASKA COMMISSION ON POSTSECONDARY EDUCATION
FINAL REPORT

CONTENTS

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FUNCTIONAL SPECIFICATIONS

Loan Origination

Application Entry

The system must be capable of receiving differing application data from a variety of sources:

- On-line entry of application forms mailed or otherwise delivered
- Electronic application data transmitted via telephone lines (including PC (Personal Computer) to PC or PC to mainframe)
- Magnetic Tape
- Diskettes
- Receiving application information electronically from the Federal Multiple Data Entry Form

Batch Processing

The system must provide batch processing control to ensure that applications received are processed. The batch processing technique should include date, batch number, and the number of applications in the batch

Cosigners and References

The system must have the capability to capture a combination of at least four references and cosigners. This information must be readily available to collections staff.

Editing of Application Data

The system must include a comprehensive set of edits to determine a loan application's completeness and eligibility consistent with the ACPE requirements. These edits should include:

- Aggregate of no more than eight years of loans
- Dollar level limits
- Default on previous loan
- Default of child support payments
- Residency Requirements
- Type of Loan
- Borrower Name
- Social Security Number
- Borrower Permanent Address
- Borrower Mailing Address
- Borrower Permanent Telephone Number
- Borrower Daytime Telephone Number
- Borrower Date of Birth

Borrower Gender
Borrower Marital Status
Major Course Code
Major Course Title
Enrollment Level
School Eligibility
Tuition Type
Type of Housing
References
Duplicate Application

The system should place the applications that do not pass the initial edits in a hold status for corrections. The system should then prepare written or electronic notice to accompany each hold status application, giving the reason it was placed on hold. To provide application tracking, the system must indicate the date the application was put on hold status, the individual that initially enter the application, and when the hold item was cleared. Applications not returned within a specified time should automatically be canceled

Appeal Processing

The system must identify applications that are incomplete or incorrect during the edit process. The system then must produce a Rejection Notice. This Notice must list the reason(s) for the rejection. When the application is rejected the system must place the application in a hold status for an appeal process. To provide application tracking, the system must indicate the date the application was put on hold status, the individual that initially entered the application, and when the hold item was cleared. The system should have the capability to automatically cancel loan applications when appeals have not been made within a specified time.

Setting Disbursement Dates

The system must edit for valid dates and for dates that are consistent with the academic term. The system must have the capability to cancel or change the disbursement dates.

Disclosure Statements

The system must produce plain English disclosure statements for all approved loans. In the case that the disclosure is lost or destroyed, the system must have the capability to produce a duplicate disclosure on request. The system must also produce disclosure statements if there is a change in the award.

Application Tracking

The system must allow on-line inquiry capability to view any application or pending award. It also must indicate the status of the application plus a history of the application process to date.

Annual Application Renewal

The system must be able to identify borrowers that have a need for serialized loans and will generate a partially completed application. This partially completed application will allow the borrower to fill in the missing date and sign the application.

Award Notification

The system must have the capability to produce a flexible award notice that will be sent to the borrower. At a minimum, this notice should include the award amount, the date of the award, the school, and the term.

Disbursement

School Eligibility

The system must contain a file of eligible schools. This file should be used to determine disbursement dates and the amount of awards for various schools and majors.

Bond Funds

The system must have the capability to determine the availability of funds prior to scheduling a disbursement.

Warrant Production

The system must be capable of producing checks or electronic funds transfers to the schools for borrower awards. The system must have the ability to track outstanding checks and produce reports to support the reconciliation process.

Fee Deduction

The system must provide the means for automatically deducting and accounting for application fees. The fee percentage should be table driven for easy maintenance.

Reconciliation

The system should provide a method of determining which check or EFT funds are outstanding. If the funds are outstanding after a specified time, the checks or funds should be marked as stale and a stop payment order issued.

Cancellation

The system must provide a means to cancel and/or reschedule a disbursement. If the first disbursement is canceled the loan should be canceled.

Refunds

School refunds should be applied to the disbursement.

Borrower Level Records

The system must maintain certain borrower level records including:

- Scheduled payment amount
- Total amount due
- The first payment due date
- The next payment due date
- Original loan balance
- Current principal balance
- Current Payoff Amount
- Principal and interest past due
- Late and other fees due
- Last payment amount and date received
- Excess principal paid

In-School Status Functions

Enrollment Verification

The system must store the following account level records for in-school borrowers:

- In-School Status
- Enrollment Status (i.e., full-time, half-time, less than half-time)
- Anticipated Graduation Date

The system must provide a means to verify a borrower's student status. This means should include:

- The capability to produce a file of in-school borrowers to interface with a school's database confirming the borrower is enrolled and the level of enrollment, i.e. full time, half time or less than half time.
- The capability to receive file transmissions from a school containing the results of the student status confirmation. The file should be formatted to post the results directly to the borrower's account records and update the graduation date, student status, and enrollment status.
- A Student Status Confirmation report which can be mailed to schools for verifying the enrolled status of borrowers.

- Optional: A report of in-school borrowers who have not received disbursements during the current fiscal year. This list would be used to identify borrowers who have possibly left school.

Separation Notification

Sixty to one hundred and twenty days prior to a borrower's graduation date, the system must be capable of generating a notification to borrowers informing them that they are scheduled to enter into repayment of their loans.

Truth-in-Lending Disclosure Statements

- The system must be able to calculate and produce truth-in-lending disclosure statements either for individual borrowers or for a population of borrowers based on graduation date.
- The truth-in-lending schedules must have the following features:
 - Designated on a per loan/account basis. In addition, the system must be able to produce combined repayment schedules for multiple loan types within a loan fund.
 - For certain loan funds, disclose for interest accruals during the initial grace period and inform the borrower that initial payments will be applied to this interest accrual.
 - The system must allow for various lengths of repayment including 5, 10, and 15 years.
 - The system must allow for minimum payment amounts.
 - Estimate the final payment amount.

Late Separation Processing

If a borrower's graduation date is set into the past, the system must:

- Generate a disclosure statement
- Convert the account into the appropriate status
- Calculate and update the next due date
- Accrue and bill for any installments which have come due as of the date of the late separation transaction

Grace Status Functions

Grace Notices

The system must produce a series of grace notices. The frequency, timing, and message of the notices shall be determined by the loan fund.

Grace Period Interest Accrual

The system must have the capability of accruing interest during the grace period based upon the type of loan. The system must also have the following options of treating the accrued interest:

- Bill the borrower for accrued interest only during the grace period
- Accrue the interest during the grace period and bill the interest when the borrower enters repayment in installments equal to the borrower's scheduled payment amount or provide the ability to lump sum bill the borrower for the accrued interest at the end of the grace period
- Capitalize the interest when the borrower enters repayment and reschedule the loan and adjust the payment amount accordingly.

Repayment Scheduling

Standard Repayment Scheduling

The system must handle repayment scheduling as follows:

- Varying lengths of repayment terms based upon the loan type
- Allow for graduated repayment installments
- Allow for minimum repayment terms based upon the loan type. If a borrower has multiple loans of the same type, the system must prorate that minimum amount among the loans.
- Allow the user to extend the length of repayment beyond the normal terms. The system should calculate the new payment amount based on the new length of the term.
- Lump sum billing of final scheduled payment to include the remainder of the principal balance and unpaid interest

Interest Calculations

The system must provide a flexible means of change interest rates. One option could be a table driven interest rate that would provide automatic escalation of the interest rate upon default. The system should also have the ability to accrue interest at differing start dates and during periods of post deferment grace based upon the loan date and loan type.

Grace Period Interest

For loans that accrue interest during the grace period, the system must be capable of calculating a repayment amount to retire the loan within the length of the repayment period.

For loan funds which accrue interest during the post deferment grace period, the system must be capable of recalculating and updating the repayment amount to retire the loan within the remaining length of the loan repayment period.

Hardship/Forbearance Interest

At the end of a hardship/forbearance period, the system must be capable of monthly billing, lump sum billing, or capitalizing the accrued interest. For either option, the system must recalculate and update the repayment amount to retire the loan within the remaining length of the repayment period.

Extended Repayment Terms

The system must provide the capability to extend the repayment terms of the loan beyond the beyond the normal repayment terms. The system should calculate and update the payment amount based on parameters entered by the user.

Payout Calculations

The system must be able to calculate a payout amount upon request for a specified date. The user must be able to enter in a future date and the system must calculate interest as of that date and display the total payoff amount. The user must also be able to generate a letter to the borrower which quotes that payoff amount.

Converted Loans

The system must be able to properly schedule converted loans from ACPE's prior system. All repayment scheduling functions must apply to converted loans. Assume that the system must utilize the converted original loan amount, current principal balance, interest rate, and payment amount to perform the functions.

Transaction History Audit Trail

The system must provide a detailed historical audit trail of all payment scheduling and rescheduling transaction activity.

Billing

Combined Billing

The system must be able to produce a single billing invoice which combines and itemizes all of a borrower's loans on the statement with a summary total due to be paid.

Frequency

The system must have the ability to generate bills on a monthly, quarterly, or annual basis. The system should also have the ability to produce a bill on demand for an individual borrower.

Bill Format

The billing statement should include the following data elements;

- Borrower Name
- Address
- An Optical Character Recognition line for payment processing
- Basic account information including:
 - Scheduled payment amount
 - The loan fund
 - Total amount
 - Annual interest rate
 - The payment due date
 - Original loan balance
 - Current principal balance
 - Principal and interest now due
 - Principal and interest past due
 - Late and other fees due
 - Last payment amount and date received
 - Excess principal paid
 - A due diligence message text

Interest

At the fund level, the system must have the option of accruing interest during the post deferment grace period and either:

- Billing the borrower for the interest during the grace period,
- Accruing the interest and billing the borrower after the grace period has expired. Billing should be in installments equal to the payment amount, or
- Capitalizing accrued interest after the grace period has expired.

Late Payment Fees

The system must allow, by loan fund type, the specification of whether or not to assess late fees. The formula for assessing late fees must be controllable by loan fund type. For example, late fees can be calculated as a percentage of the last payment due, as a fixed fee, and/or as a percentage of loan amounts other than payment due.

Special Messages

The system must have the ability to include special messages on the bills to all or a select group of borrowers.

If, after a grace or post deferment grace period, the loan fund bills interest which has accrued during the grace or post deferment grace period, the billing statement must include the outstanding accrued interest which must be paid.

Due Diligence Billing Notices

Additional Notices

In addition to past due messages appearing on the combined bill, the system must generate additional past due notices for individual accounts according to the type of loan and due diligence requirements. The text of the notices must be specified by the ACPE and defined for each loan type.

Payment Processing

Payment Application Hierarchy

By loan type, the system must allow for the setting of a priority sequence in applying payments to principal, interest, late fees, and other charges. If the payment is less than the amount due and the borrower has multiple accounts, the system must have a routine for allocating the payment among the accounts based on some proration methodology. The system must allow the prescribed method of payment application to be overridden.

Payment Processing

The system must be able to handle payments in batch (bank lock box, direct deposit, automated clearing house) as well as on-line real time at the borrower and account level.

Overpayments

If the borrower makes more than the scheduled payment, the system must be able to apply the excess to the subsequent accruals until that excess is equal to \$0.00. After retiring outstanding interest and fees, the remaining overpayment should be applied to principal. If the overpayments are equal to whole factors of the payment amount and the borrower has requested, the system must be able to apply each segment to future installments and advance the borrower's due date.

NSF Checks, misapplied payments, etc.

In the case of bad checks, misapplied payments, etc. the system must allow for the reversal of the distribution through a simple transaction (i.e. enter transaction code, payment amount, and

effective date) and reset the account as if the payment had never occurred. An audit trail must be maintained reflecting the payment reversal.

Retroactive Payments

The system must have the capability of applying payments with effective dates in the past and then reapply any subsequent transactions. An audit trail must be maintained reflecting this activity.

Payment Types

The system must have separate transaction codes for the following types of payments:

- Regular Cash payments
- Non-Cash Payments
- Permanent Fund Dividend Payments
- Tax-Offset Payment
- Collection Agency Payments
- Bankruptcy Payments

Historical Audit Trail

The financial history for each payment must show at the account level:

- Payment Posting Date
- Payment Effective Date
- Payment Amount
- Payment Type
- Principal Paid
- Interest Paid
- Late Charges
- Other Charges
- Principal Balance Resulting from Payment
- Who or how the payment was posted

Reconciliation

The system must provide control totals for reconciliation purposes. Daily balancing totals by loan type, bond or portfolio source id, transaction type, and batch must be provided. The system must be able to produce an interface file for posting to the ACPE's accounting system. The file must include the necessary account and object codes for making accounting entries.

Deferment Processing

The system must allow deferment types and limits for each type of loan. This activity would preferably be handled in a table for easy maintenance. The deferment types must include:

- Full time student
- Half-time student
- Active duty as a member of the armed forces of the United States
- Full-time volunteer under the Peace Corps Act
- Full-time volunteer under the Domestic Volunteer Service Act of 1973
- Unemployment
- Disability
- Internship or residency

The system must have the capacity for adding deferment types as needed.

For each deferment type listed, the system must have the option of deferring only principal during the deferment period. The system must also include edits to determine eligibility based upon the number and type of deferments used.

The system must capture the borrower's account number, deferment type, and begin and end date. The processing must:

- Determine the borrower's status and next due date
- Prevent deferments from exceeding the maximum period allowed
- Calculate and update due amounts
- For retroactive deferments, reapply any transactions subsequent to the deferment begin date.

Post Deferment Grace Period

At the fund level, the system must have the option of providing a grace period for a specified length of time following each deferment period.

Borrower Notification

The borrower must be notified of the deferment expiration at least 30 days prior to the grace begin date. The borrower must also be notified of the grace period expiration at least 30 days prior to the next due date.

Rescheduling

For accounts with interest accruals during the post deferment grace period, the system must determine if the payment amount is sufficient to retire the loan within the maximum repayment

period. If it is not, the system must calculate and update the payment amount to conform to the repayment period. At the same time the payment amount is changed, the system must generate a disclosure statement to be sent to the borrower.

Forgiveness (Partial Cancellation) Processing

The system must allow for partial cancellation benefits and limits for each loan fund. The cancellation eligibility, rates, and maximums must be set and edited at the loan fund level.

The system must have the capability for adding additional forgiveness types as needed.

The system must capture the borrower's account number, forgiveness type, and begin and end date. The processing must:

- Determine the borrower's status and next due date
- Prevent the forgiveness from exceeding the maximum period allowed
- Calculate and update amounts due

The forgiveness cancellation amount must be based on the original loan amount and, when appropriate, be allowed to create a credit balance on the loan so that ACPE can process the necessary refund checks.

Death and Total Disability

The system must have the capability to write-off a loan due to either the death or total disability of the borrower. The system must have an identifier on the borrower's account which notes the reason the account was written off. Upon entry of the write-off, the system must:

- Calculate the interest due as of the effective date
- Close the account and stop all further processing activity

Bankruptcy Processing

The system must have the capability to capture a change in the borrower's status when bankruptcy has been declared. The system must be able to indicate whether the filing is chapter 7 or chapter 13.

Upon receipt of bankruptcy notification, the user enters the bankruptcy type and the effective date of the notification. The system must:

- Calculate and display a payout amount effective as of the date of notification
- Stop further billing on the account
- Stop further interest accrual on the account

Upon receipt of notice of discharge, the user records the discharge date. If the loan is dischargeable under bankruptcy proceedings, the system must write-off the principal balance of the loan and the interest accrued as of the date of notification.

If the loan is not dischargeable under bankruptcy proceedings, the system must:

- Calculate and update the due amounts on the account
- Resume regular billing

Default Write-Off

The system must allow for the write-off of defaulted loans when no payment has been received after a specified time. The system must have an identifier on the borrower's account which indicates the reason the loan was written off. Upon entry of the write-off status, the system must:

- Calculate the interest due as of the effective date
- Close the account and stop all further processing activity

The user must have the option to reverse the defaulted write-off. The system must:

- Calculate and update the due amounts on the account
- Resume regular billing

Forbearance/Hardship Processing

The system must allow forbearance/hardship processing for each loan fund. The system must capture the borrower's account number, and forbearance begin and end date. The processing should:

- Determine the borrower's status and next due date
- Calculate and update due amounts
- For retroactive forbearance, reapply any transactions subsequent to the deferment begin date
- Accrue interest for billing during the forbearance period.

Borrower Notification

The borrower must be notified of the forbearance expiration at least 30 days prior to the next due date.

Rescheduling

After the forbearance has expired, the system must determine if the payment amount is sufficient to retire the loan within the maximum repayment period. If it is not, the system must calculate and update the payment amount to conform to the repayment period.

At the same time the payment amount is changed, the system must generate a disclosure statement to be sent to the borrower.

Temporary Repayment Arrangements

The system must support temporary repayment arrangements for borrowers. The types of arrangements include temporary reductions and increases in the payment amount. This process must have the option of being performed at the borrower or the account level.

System functions must:

- Perform edits to prevent processing the arrangement more than a set number of months in the future
- Calculate the amount due at the end of the period and displays that amount
- At user's option, calculate payment amount or end date based on the type of arrangement being made
- Not update records until the user presses enter a second time
- Include updates changing the status of the accounts to reflect the repayment arrangement and updating the next due date, as needed.
- Continue to accrue principal and interest based on the regular payment amount but bills the borrower at the temporary repayment amount.
- Generate a disclosure schedule/temporary repayment agreement to be mailed to the borrower as verification of the arrangement

Billing and Due Diligence

The system must generate monthly billing notices on a combined invoice for all accounts set up on a temporary repayment arrangement.

The system must send reminder notices for missed payments of a set number over a set period of time. Each notice must have a due diligence message reminding the borrower to make payments.

The system must cancel the temporary repayment arrangement a set number of days after the missed payment. When this happens, a final notice must be generated to be sent to the borrower. The system must also:

- Change the status of the account to its correct value
- Resume billing at the regular payment amount

Skip Trace Support

The system should be able to record that a borrower's address and phone number are bad and require skip tracing activity. Separate designators for addresses and phone numbers must be available. Additionally, the system must maintain an audit trail of changes made to the address and phone numbers.

When a user codes an address as bad, the system will stop billing the account until the code is changed to good.

The system must create a report of all accounts with bad addresses and phone numbers.

The system must place accounts with a bad address and phone number into a queue to enable the user to pursue skip tracing efforts.

The system must create a file capable of downloading to an auto dialer system to support phone call skip trace efforts.

The system must support historical comments related to skip trace efforts.

The system must have edit checks in place to identify accounts with invalid zip code or phone numbers.

Permanent Reschedule within the Payout Period or Extended Payout Period

The system must have the capability of rescheduling the payment amount of an account based on either the standard repayment period of the loan fund or on a user defined period which overrides the standard. The system must calculate the payment amount and update the system records and adjust due amounts accordingly.

Credit Bureau Reporting

At the fund level, parameters must be defined for reporting accounts to credit bureaus. Options available must include:

- Report or not report eligible borrowers
- All borrowers
- Delinquent borrowers at a set number of days past due

A report must be generated identifying accounts to be reported to the credit bureau.

A file or tape of accounts to be reported must be created to send to credit bureaus. This tape must be formatted according to the most universally acceptable format.

The credit bureau reporting status and date must be indicated on the borrower's account.

A history must be kept of accounts reported to credit bureau.

The system must allow the user to suppress credit bureau reporting at the borrower and/or account level.

Collection Support

Due Diligence Phone Calls

At prescribed intervals of delinquency, defined by loan fund, the system must select eligible accounts and:

- Generate a list of accounts requiring a phone call
- Place account records into a file queue which can be accessed by the caller
- Produce a file of accounts which can be fed into an auto dialer system

The system must be capable of receiving uploaded data from an auto dialer system which records the results of the phone activity.

The system must continue selecting eligible accounts until the user or auto dialer system indicates on the system that the phone attempt/contact requirement has been fulfilled.

Collector Comments

The system must allow for entry of both pre-defined and free form comments into the system. The comments should be part of an account's overall historical file.

In-house Collection Assignment

The system must identify and assign past due accounts to ACPE's in-house collections department. The system must store a set criteria by which it determines which collectors receive accounts. This criteria will allow the system to determine which accounts meet specific criteria and then assign them to the appropriate collector.

On-line Information

The collector must either have regular access to the on-line system to review borrower records, or the collection module must contain comprehensive and current account information requiring the use of minimal screens to review information.

Collector Activity

The system must store and report records of collector activity such as phone calls attempted, letters sent, and responses received from borrowers. The system must allow the collector to update borrower records based on user defined security access parameters. This capability must be efficient and require minimal screens and key strokes to perform.

Word Processing

The system must have the capability of maintaining pre-formed letters and paragraphs which collectors can use to correspond with borrowers. Records of all letters sent must be included in the borrower historical records.

Tickler File

The system must maintain a tickler file which schedules accounts to be worked by the collectors. Newly selected accounts must be scheduled by the system; the collectors must be able to schedule accounts for follow-up.

Loan Acceleration

The system must have the capability of accelerating the principal balance of a loan upon a user command. Upon accelerating the loan, the system must:

- Flag the account as having been accelerated
- Display the principal balance as due
- Have the ability to display the actual amounts due on the account as if the account had not been accelerated
- Increase the interest rate as specified by the user
- Have the ability to reverse the acceleration upon user command and update all amounts due on the account

Collection Agency Placement

Agency Coding

The system must identify and report accounts assigned to a collection agency. An indicator of this assignment by specific agency must be displayed on the account.

Account Placement

At the option of ACPE, loans can be placed at either the account or borrower level.

Agency Placement

At the option of ACPE, the system must generate a file to interface the placement of accounts with the agency, or a report, by agency, listing the accounts, amounts due, and current demographic information.

Billing Suppression

The system must suppress billing for accounts assigned to collection agencies. The system must have the capability to process borrower payments received from the collection agency without changing the borrower's status.

Reconciliation

The system must provide a method by which ACPE can reconcile collection agency activity to activity on the system.

Collection Costs

The system must have the capability of recording collection costs paid by the borrower to the collection agency.

Name/Address/Phone Number

Changes to name, address, and phone numbers must be performed on-line directly to a borrower's records. The system must be able to maintain historical records of all changes to a borrower's name, address, and phone number.

Other Non-Financial Information

Co-signer/references

The system must be able to store the names, addresses and telephone numbers of borrower references. There must be the capacity to store at least three references per borrower.

Anecdotal Notes

The system must be capable of storing free form notes which the user can enter. These notes must be stored within the historical file of the system. There must be no limits to the number or length of the notes that can be entered.

On-line Screens and Support

The on-line system must be easy to access. Information to perform functions must be readily accessible using a minimal number of screens. Transaction procedures must be simple to perform and require as few screens as possible.

On-line History

The on-line history must be comprehensive and include in a chronological format:

- All financial transactions
- All non-financial transactions

- All rescheduling activity
- All billing and due diligence records
- All anecdotal comments

Paging through the on-line history must enable the user to page forward, backward, and to be able to enter a starting page number.

Optional: The system should allow the user to sort historical information by transaction type, i.e., payment transactions, billing transactions, and deferment transactions.

Word Processing

The word processing functions must include:

- Standard form letters
- Standard form paragraphs which can be assembled into a letter
- Complete access to borrower and loan level records as variables for the letters/paragraphs
- The ability to easily create new form letters/paragraphs

The system must be able to generate letters for individual borrowers or for populations of borrowers based on user defined parameters.

Testing Institute of Alaska, Inc.

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Fax 1907) 279-7093

Welding : Quality
Inspection : Integrity

April 18, 1995

Representative Mark Hanley
State Capitol, Room 507
Juneau, AK 99801-1182

APR 18 1995

Subject: House Bill 257

The Testing Institute of Alaska, Inc. has conducted a Post Secondary Vocational welder training program in Anchorage for the past 19 years and has made it possible for literally hundreds of Alaskans to be employed as welders.

The new House Bill 257, Section 1 AS 14.43.110, Item (a) 4, reduces the amount of funds a full time vocational student may borrow to \$3,000.00 from the current \$5,500.00. This will eliminate vocational training in Alaska for programs less than nine months such as ours. Students that are prone to vocational training are usually not candidates for higher academic programs of college with degrees, but can be productive citizens through vocational certifications.

I urge you to keep the current vocational amount of \$5,500.00 for the less than nine month programs.

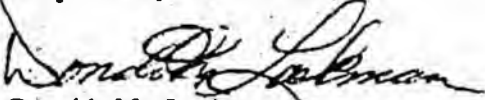
It is difficult, with rising costs, to maintain a quality training program without an increase in funding, but it is impossible to continue a meaningful program with a reduction of 45% in funding. If this revision is passed, I am sure it will be a devastating blow to all vocational programs in Alaska, as many residents rely on this program for their funding.

The residents of Alaska need the option of vocational training if we are to reduce the dependency on our social programs. The Testing Institute of Alaska provides a tremendous wealth of information to students due to the fact we conduct other welding services and testing of welds which relate to the training programs.

If this reduction of loan amount is directed toward eliminating vocational programs in Alaska, then it will surely hit that mark. If it is directed to reduce the default rate, there are better ways to accomplish that goal than to just eliminate the students.

What a message to send to our citizens, If your cut out to be college material, we will loan you even more money, but if your not, we will not consider you worthy of a Alaska student loan, that will be meaningful.

Respectfully Submitted,



Donald M. Lockman
President



***Bill Analysis for HB 257 (HESS), "An Act relating to student loan programs, interstate compacts for Postsecondary education, and fees for review of Postsecondary education institutions; and providing for an effective date." Sponsored by the House HESS Committee
March 30, 1995***

BACKGROUND:

The goal of the Alaska Commission on Postsecondary Education is to improve customer service and ensure that student loan funds are available for future generations of Alaskan borrowers. To achieve this, we must move the Alaska Student Loan Program toward a completely self-sustaining financially sound future. A number of programmatic changes must be made in order to achieve these goals.

The Alaska Student Loan Program is funded solely by corporate receipts. No general fund dollars have been appropriated to the program since FY 92. As a result, the Program has been forced to absorb losses due to death, disability, default, forgiveness on loans prior to 1987 and interest-free deferment periods. The loan fund cannot continue to absorb these losses. In order to ensure that student loan funds are available for Alaskans in the future, the changes made in HB 257 must occur.

ANALYSIS OF BILL/PROGRAM EFFECTS:

Provisions of HB 257 (in the order they appear in the bill):

- ◆ raises graduate and undergraduate loan limits
- ◆ increases loan origination fees to cover loan losses
- ◆ allows ACPE to insure the financial and administrative capability of institutions receiving ASL funds
- ◆ sets the borrowing maximum at a dollar amount rather than the number of loan years
- ◆ provides for the accrual of interest during periods of deferment
- ◆ amends repayment options
- ◆ reduces administrative costs
- ◆ alters the terms of student deferments
- ◆ extends the period before a loan goes into default
- ◆ expands students' financial aid options
- ◆ establishes wage garnishment priority (behind Child Support Enforcement)
- ◆ amends Alaska's participation in the Western Interstate Commission on Higher Education (WICHE) Program to provide for more directed student funding
- ◆ establishes fees for institutional review
- ◆ requires institutions to sign a program participation agreement
- ◆ makes various technical amendments which are intended to improve program administration.

These changes are intended to improve the overall financial stability of the Alaska Student Loan Program as well as elevate levels of customer service.

(Please see attached sectional analysis for more detail.)

CSHB 257(HES) - SECTIONAL BILL ANALYSIS

Revised 3/23/95

Section 1 -- increases the annual borrowing maximum for college and university undergraduate and graduate students. The University of Alaska, which receives 60% of the ASLs, recently increased the tuition rates for all levels of study. Over the past 10 years, the University of Alaska has increased tuition by 140%, and during that same time, there have been no increase in loan limits. Loan limits for career education programs were adjusted to reflect costs relative to program length. The number of financial aid sources available for graduate students has dwindled, while the cost of education has increased at a steady pace. National statistics show that graduate/professional students repay their loans in the greatest numbers.

Section 2 -- changes guarantee fee to origination fee to more accurately describe the fee being assessed -- to offset for loan losses to the Revolving Loan Fund due to death, permanent and complete disability, bankruptcy, or default of the borrower.

Section 3 -- clarifies the Commission's authority to ensure the financial and administrative capability of an institution participating in the ASL. This section strengthens consumer protection and protects the ASL fund from unnecessary losses due to defaults and school closures.

Section 4 -- sets the borrowing maximum at a **dollar** amount rather than the **number of loan years** that a borrower is eligible. This is a more flexible and practical means of tracking student eligibility.

Section 5 -- eliminates the drain on the Revolving Loan Fund resulting from interest-free deferment periods. Under Sections 9 and 13, the borrower will become responsible for the interest if the State does not appropriate the money rather than placing the loss on the Alaska Student Loan program.

Section 6 -- amends the terms of repayment of the ASL as follows:

- a) the traditional 12-month grace period prior to the beginning of repayment is reduced to six months.
- b) a minimum monthly payment of \$50 per month is established.
- c) the number of years required to repay the loan is extended to fifteen years.

Section 7 -- simplifies the procedure for collection of the origination fee.

Section 8 -- eliminates requirement for certified or registered mail thus eliminating an unnecessary cost of administration. Once a loan is in a default status, the borrower will be notified by mail at the most recent address provided by the borrower.

Section 9 -- alters the following terms and conditions involving student loan deferments:

- a) interest on the loan will continue to accrue during periods of deferment as provided in Section 5;
- b) the six years of military deferment is reduced to three years; and
- c) borrower must be totally disabled to qualify for a medical deferment.

In order to move the Alaska Student Loan Program toward a self-sustaining, actuarially sound basis, these changes are essential.

Section 10 -- clarifies when a borrower's accrued interest will be paid by the State of Alaska.

Section 11 -- reduces administrative expenses by eliminating the need for continued renewal of a hardship deferment.

Section 12 -- extends the due diligence period on a loan from 120 to 180 days. This allows the borrower an additional 60 days to recover from temporary financial problems and prevent the loan from being declared in default.

Section 13 -- conforms with changes made in Section 5 and 9.

Section 14 -- provides consistency with changes made in Sections 2, 7 and 19, and allows the ACPE to set the origination fee amount by regulation, but not to exceed five percent of the loan amount. Additionally the fee is to be deducted from the disbursement rather than added to the principal and then deducted.

Section 15 -- contains technical amendments and amends the residence requirement to comply with a court decision reducing the residency requirement from two year to one year. The allowable absence length for military service is reduced from six to three years.

Section 16 -- allows a student to borrow on the student's own behalf in the ASL program at the same time a parent or spouse borrows on the student's behalf in the Family Education Loan program (FEL). **The total amount borrowed in both programs cannot exceed the student's cost of attendance.**

Section 17 -- makes incarcerated persons eligible for ASL funds only if the scheduled graduation date for the program is no more than two months before the incarcerated individual is scheduled for release.

Section 18 -- gives delinquent student loans priority, behind child support enforcement, for garnishment of wages.

Section 19 -- provides consistency with Sections 7 and 14.

Section 20 -- caps the level in the Teacher Scholarship Loan (TSL) program to \$37,500 rather than the number of years of borrowing. This is consistent with changes in the ASL program in Section 4.

Section 21 -- consistent with the change in Section 16, allows a TSL recipient to borrow on the student's own behalf while a family member also borrows on the student's behalf.

Section 22 -- technical amendment: repeal of duplicitous language for graduate loan limits that is now covered in Section 1 of this bill.

Section 23 -- consistent with the change in Section 12, extending the due diligence period on the Family Education Loan from 120 to 180 days.

Section 24 -- clarifies that a loan obtained illegally by a person who does not meet the eligibility criteria must be paid in full upon demand.

Section 25 -- allows the ACPE to target funds administered as part of the Western Interstate Commission on Higher Education's (WICHE) Professional Student Exchange Program, and eliminates the specific categories previously in statute. This change would make possible the allotment of these funds in accordance with over-all needs of Alaskans.

Section 26 -- allows the ACPE to initiate user fees from non-accredited Postsecondary institutions, outside of Alaska, that wish to receive the proceeds of

ASL loans. The fees would ensure that the state does not subsidize the review of outside institutions.

Section 27 -- repeals limits on the amount of loans that can be awarded in any one year; repeals separate section for graduate loan limits; and enables a family member to borrow a loan for a student at the same time the student is borrowing an ASL or TSL as referenced in Sections 16 and 21 of this bill.

Section 28 -- provides the Commission with interim authority to promulgate regulations to implement this bill.

Section 29 -- clarifies that loans disbursed after June 30, 1995 will be obligated to pay interest during deferments as referenced in Section 5.

Section 30 -- provides for an immediate effective date to promulgate regulations referenced in Section 28.

Section 31 -- provides for an effective date of this bill at the beginning of the fiscal year.

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HB

268

HFIN

FILE

9-GH0024\G
Cramer
5/6/95

SENATE CS FOR CS FOR HOUSE BILL NO. 268()
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act making and amending appropriations; and providing for an effective
2 date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 * Section 1. Federal or other program receipts as defined under AS 37.05.146 that exceed
5 the amount appropriated by sec. 17 of this Act are appropriated conditioned upon compliance
6 with the program review provisions of AS 37.07.080(h).

7 * Sec. 2. The sum of \$18,300,000 is appropriated from the general fund to the municipal
8 capital project matching grant fund (AS 37.06.010(b)) in the Department of Administration
9 to provide grants to municipalities under the municipal capital project matching grant program.

10 * Sec. 3. The sum of \$1,700,000 is appropriated from the general fund to the
11 unincorporated community capital project matching grant fund (AS 37.06.020(b)) in the
12 Department of Community and Regional Affairs to provide grants to unincorporated
13 communities under the unincorporated community capital project matching grant program.

14 * Sec. 4. (a) An amount equal to the sum of the balances of the individual grant accounts

1 established under AS 37.06.010 as of close of business on June 30, 1995, multiplied by the
 2 average percentage rate at which interest is received by other accounts in the state's general
 3 investment fund that receive interest during fiscal year 1995, is appropriated from the general
 4 fund to the municipal capital project matching grant fund (AS 37.06.010).

5 (b) The appropriation made by (a) of this section is allocated pro rata to the individual
 6 grant accounts established under AS 37.06.010 according to the portion of the sum of the
 7 balances of those individual grant accounts as of close of business on June 30, 1995, that is
 8 attributable to each individual grant account.

9 * Sec. 5. (a) An amount equal to the sum of the balances of the individual grant accounts
 10 established under AS 37.06.020 as of close of business on June 30, 1995, multiplied by the
 11 average percentage rate at which interest is received by other accounts in the state's general
 12 investment fund that receive interest during fiscal year 1995, is appropriated from the general
 13 fund to the unincorporated community capital project matching grant fund (AS 37.06.020).

14 (b) The appropriation made by (a) of this section is allocated pro rata to the individual
 15 grant accounts established under AS 37.06.020 according to the portion of the sum of the
 16 balances of those individual grant accounts as of close of business on June 30, 1995, that is
 17 attributable to each individual grant account.

18 * Sec. 6. (a) Contingent upon an agreement by the federal government to match the
 19 amount appropriated under this section on a dollar-for-dollar basis, the sum of \$4,850,000, or
 20 a lesser amount equal to the amount the federal government agrees to match on a dollar-for-
 21 dollar basis, is appropriated from the general fund to the Department of Education for the
 22 construction of a new elementary school facility at Eielson Air Force Base.

23 (b) Contingent upon an agreement by the federal government to match the amount
 24 appropriated for upgrade of an existing school facility listed in this section on a dollar-for-
 25 dollar basis, the amount set out in this section, or a lesser amount equal to the amount the
 26 federal government agrees to match on a dollar-for-dollar basis, is appropriated from the
 27 general fund to the Department of Education for upgrade of that facility:

FACILITY	APPROPRIATION AMOUNT
Aurora Elementary School	\$2,550,000
Ursa Minor Elementary School	3,100,000.

31 (c) If the Department of Education has not entered into an agreement with the federal

1 government that the federal government will match the maximum amount appropriated under
2 (a) and (b) of this section for a particular facility on a dollar-for-dollar basis, the portion of
3 the appropriation made by (a) and (b) of this section for that facility that is not subject to an
4 agreement with the federal government is repealed June 30, 1996.

5 (d) If the Department of Education has entered into an agreement with the federal
6 government that the federal government will match the amount appropriated under (a) and (b)
7 of this section for a particular facility on a dollar-for-dollar basis, the appropriation made by
8 (a) and (b) of this section for that facility lapses under AS 37.25.020.

9 * **Sec. 7.** The sum of \$2,000,000 is appropriated from the Alaska marine highway system
10 vessel replacement fund (AS 37.05.550) to the Department of Transportation and Public
11 Facilities for marine highway system improvements/overhaul.

12 * **Sec. 8.** (a) Subject to the condition set out in (b) of this section, an amount not to
13 exceed the unexpended matching balances of the appropriations set out in the Office of
14 Management and Budget Capital Authorization Status Report as of May 1, 1995, for highway
15 planning, design, construction, and related activities, is appropriated from the sources of those
16 appropriations to the Department of Transportation and Public Facilities for the purpose of
17 highway planning, design, construction, and related activities.

18 (b) Money may be expended under the appropriation made by (a) of this section only
19 to the extent that the Department of Transportation and Public Facilities records a reduction
20 of expenditure authorization with the Department of Administration for an appropriation for
21 highway planning, design, construction, and related activities, set out in the Office of
22 Management and Budget Capital Authorization Status Report as of May 1, 1995.

23 * **Sec. 9.** (a) Subject to the condition set out in (b) of this section, an amount not to
24 exceed the unexpended matching balances of the appropriations set out in the Office of
25 Management and Budget Capital Authorization Status Report as of May 1, 1995, for aviation
26 planning, design, construction, and related activities, is appropriated from the sources of those
27 appropriations to the Department of Transportation and Public Facilities for the purpose of
28 aviation planning, design, construction, and related activities.

29 (b) Money may be expended under the appropriation made by (a) of this section only
30 to the extent that the Department of Transportation and Public Facilities records a reduction
31 of expenditure authorization with the Department of Administration for an appropriation for

1 aviation planning, design, construction, and related activities, set out in the Office of
2 Management and Budget Capital Authorization Status Report as of May 1, 1995.

3 * Sec. 10. The sum of \$100,000 is appropriated from the general fund to the Department
4 of Natural Resources, state land reforestation fund (AS 41.17.300).

5 * Sec. 11. (a) Subject to the conditions set out in (c) of this section, the sum of \$868,386
6 is appropriated from the appropriate individual grant accounts in the municipal capital project
7 matching fund (AS 37.06.010) for payment as grants under AS 37.06.010 to the following
8 municipalities in the amounts and for the purposes stated:

9 MUNICIPALITY	PURPOSE	APPROPRIATION
10 City of Akhiok	Community facilities and equipment	\$25,000
11 City of Allakaket	Community facilities and equipment	25,000
12 City of Ambler	Community facilities and equipment	25,000
13 City of Angoon	Community facilities and equipment	28,978
14 City of Anvik	Community facilities and equipment	25,000
15 City of Atnautluak	Community facilities and equipment	25,000
16 City of Atqasuk	Community facilities and equipment	25,000
17 Bristol Bay Borough	Community facilities and equipment	58,530
18 City of Buckland	Community facilities and equipment	25,000
19 City of Chuathbaluk	Community facilities and equipment	25,000
20 City of Clark's Point	Community facilities and equipment	25,000
21 City of Diomede	Community facilities and equipment	25,000
22 City of Eek	Community facilities and equipment	25,000
23 City of Holy Cross	Community facilities and equipment	25,000
24 City of Kake	Community facilities and equipment	30,297
25 City of Kasigluk	Community facilities and equipment	25,000
26 City of Kobuk	Community facilities and equipment	25,000
27 City of Koyukuk	Community facilities and equipment	25,000
28 City of Larsen Bay	Community facilities and equipment	25,000
29 City of Lower Kalskag	Community facilities and equipment	25,000
30 City of Newtok	Community facilities and equipment	25,000
31 City of Nightmute	Community facilities and equipment	25,000

	WORK DRAFT	WORK DRAFT	WORK DRAFT
1	City of Nondalton	Community facilities and equipment	25,000
2	Northwest Arctic Borough	Community facilities and equipment	25,000
3	City of Nuiqsut	Community facilities and equipment	25,000
4	City of Pilot Point	Community facilities and equipment	25,000
5	City of Russian Mission	Community facilities and equipment	25,000
6	City of Selawik	Community facilities and equipment	25,581
7	City of Shageluk	Community facilities and equipment	25,000
8	City of Stebbins	Community facilities and equipment	25,000
9	City of Toksook Bay	Community facilities and equipment	25,000
10	City of Upper Kalskag	Community facilities and equipment	25,000
11	City of White Mountain	Community facilities and equipment	25,000.

12 (b) Subject to the conditions set out in (c) of this section, the sum of \$475,000 is
13 appropriated from the appropriate individual grant accounts in the unincorporated community
14 capital project matching grant fund (AS 37.06.010) for payment as grants under AS 37.06.020
15 to the following unincorporated communities in the amounts and for the purposes stated:

16 **UNINCORPORATED**

	COMMUNITY	PURPOSE	APPROPRIATION
18	Circle	Community facilities and equipment	\$25,000
19	Copper Center	Community facilities and equipment	25,000
20	Eagle	Community facilities and equipment	25,000
21	Elfin Cove	Community facilities and equipment	25,000
22	Gakona	Community facilities and equipment	25,000
23	Hyder	Community facilities and equipment	25,000
24	Klukwan	Community facilities and equipment	25,000
25	Lake Minchumina	Community facilities and equipment	25,000
26	Nelchina/Mendeltna	Community facilities and equipment	25,000
27	Nikolski	Community facilities and equipment	25,000
28	Oscarville	Community facilities and equipment	25,000
29	Paxson	Community facilities and equipment	25,000
30	Pitka's Point	Community facilities and equipment	25,000
31	Point Baker	Community facilities and equipment	25,000

1	Red Devil	Community facilities and equipment	25,000
2	Slana	Community facilities and equipment	25,000
3	Sleetmute	Community facilities and equipment	25,000
4	Stony River	Community facilities and equipment	25,000
5	Tok	Community facilities and equipment	25,000.

6 (c) The appropriations made by (a) and (b) of this section are made contingent on the
7 municipality or unincorporated community complying before July 1, 1996, with the
8 requirements, other than the deadlines, set out in AS 37.06.

9 * **Sec. 12.** If the unrestricted state revenue available for appropriation in fiscal year 1996
10 is insufficient to cover the general fund appropriations made for fiscal year 1996, the amount
11 necessary to balance revenue and general fund appropriations is appropriated to the general
12 fund from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska). If
13 the appropriation made by this section is approved by the affirmative vote of at least three-
14 fourths of the members of each house of the legislature, the appropriation is made under art.
15 IX, sec. 17(c), Constitution of the State of Alaska. If the appropriation made by this section
16 is not approved by at least three-fourths vote of each house of the legislature, then the
17 appropriation is made under art. IX, sec. 17(b), Constitution of the State of Alaska and the
18 amount appropriated under this section is limited to the amount permitted under art. IX,
19 sec. 17(b).

20 * **Sec. 13.** The appropriations made by secs. 1 and 7 of this Act are for capital projects and
21 lapse under AS 37.25.020.

22 * **Sec. 14.** The appropriations made by secs. 2 - 5 and 10 of this Act are to capitalize funds
23 and do not lapse under AS 37.25.010.

24 (SECTION 15 OF THIS ACT BEGINS ON PAGE 7)

1 * Sec. 15 The following appropriation items are for capital projects and grants
 2 from the general fund or other funds as set out in Section 16 of this act by funding
 3 source to the agencies named for the purposes expressed and lapse under AS
 4 37.25.020, unless otherwise noted.

	Appropriation	General	Other
	Allocations	Fund	Funds
5			
6			
7	*****		
8	***** Office of the Governor		
9	*****		
10	Americans with Disabilities Act	500,000	500,000
11	(ED 99)		
12	*****		
13	***** Department of Administration		
14	*****		
15	Overhaul of State Personnel	300,000	300,000
16	Management System and Personnel		
17	Records Automation (ED 99)		
18	Statewide Information Services	1,446,000	1,446,000
19	Equipment Replacement (ED 99)		
20	Statewide Consolidated Data	300,000	300,000
21	Network (ED 99)		
22	Retirement and Benefits	997,000	997,000
23	Electronic Imaging and		
24	Automation (ED 99)		
25	Statewide Satellite	2,400,000	300,000
26	Communication Project (ED 99)		2,100,000
27	*****		
28	***** Department of Law		
29	*****		
30	Federal Litigation/Endangered	500,000	500,000
31	Species Act, etc. (ED 99)		
32	*****		
33	***** Department of Revenue		
34	*****		
35	Alaska Housing Finance		
36	Corporation Projects		

37 The appropriations to Alaska Housing Finance Corporation projects are contingent on
 38 the enactment into law during calendar year 1995 of a bill making the Alaska Housing

1	Appropriation	General	Other
2	Allocations	Fund	Funds
3	Finance Corporation subject to the Executive Budget Act (AS 37.07).		
4	Housing and Urban Development	4,326,000	4,326,000
5	Comprehensive Grant Program		
6	(ED 99)		
7	Low Income Weatherization	6,300,000	6,300,000
8	Program (ED 99)		
9	Supplemental Housing Development	4,800,000	4,800,000
10	Program (ED 99)		
11	Public Housing Environmental	250,000	250,000
12	Cleanup/Abatement (ED 99)		
13	Emergency Housing Assistance	250,000	250,000
14	Program (ED 99)		
15	Senior and Statewide Deferred	500,000	500,000
16	Maintenance (ED 99)		
17	Senior Citizens Housing	750,000	750,000
18	Development Program (ED 99)		
19	Housing and Urban Development	3,750,000	3,750,000
20	Federal HOME Grant (ED 99)		
21	Public Housing Energy	1,000,000	1,000,000
22	Performance Contracting Program		
23	(ED 99)		
24	Energy Rated Homes of Alaska	300,000	300,000
25	(ED 99)		
26	Alaska Craftsman Home Program	300,000	300,000
27	(ED 99)		
28	Public Housing Support Building	250,000	250,000
29	Construction (ED 10-25)		
30	Federal Competitive Grants -	3,000,000	3,000,000
31	Public Housing (ED 99)		
32	Federal Competitive Grants	5,500,000	5,500,000
33	(ED 99)		
34	Health and Social Services	1,200,000	1,200,000
35	Special Needs Housing Program		
36	(ED 99)		
37	Pioneer Homes Renovation and	326,000	326,000
38	Repair (ED 99)		

1 Department of Revenue (cont.)		Appropriation		General	Other
2		Allocations	Items	Fund	Funds
3					
4	Energy Conservation Retrofit		440,000		440,000
5	(ED 99)				
6	Permanent Fund Corporation				
7	Alaska Permanent Fund		519,400		519,400
8	Corporation Investment Systems				
9	Upgrade (ED 99)				
10	*****		*****		
11	***** Department of Education		*****		
12	*****		*****		
13	Mt. Edgecumbe Boarding School		214,900	214,900	
14	Renovations and Equipment (ED 2)				
15	Public Library Construction		140,000		140,000
16	Grants (ED 99)				
17	Postsecondary Education		1,400,000		1,400,000
18	Commission Loan Servicing System				
19	Enhancements (ED 99)				
20	*****			*****	
21	***** Department of Health and Social Services			*****	
22	*****			*****	
23	Adoption and Foster Care		1,960,000	490,000	1,470,000
24	Analysis Reporting System (ED 99)				
25	Statewide Renovation, Repair and		800,000	500,000	300,000
26	Equipment (ED 99)				
27	Departmentwide Computer Aided		400,000	200,000	200,000
28	Productivity Improvements (ED 99)				
29	Medicaid Management Information		8,069,600	807,000	7,262,600
30	System Reprocurement (ED 99)				
31	Eligibility Information System		1,050,000	382,000	668,000
32	(EIS) Enhancement/Electronic				
33	Benefit Transfer Feasibility				
34	Study (ED 99)				
35	*****			*****	
36	***** Department of Commerce and Economic Development			*****	
37	*****			*****	

1 Department of Commerce and Economic Development (cont.)				
2		Appropriation	General	Other
3		Allocations	Fund	Funds
4	Economic Development Matching	400,000	400,000	
5	Grant Program (ED 99)			
6	Alaska Small Business Assistance	436,000	436,000	
7	and Development (ED 99)			
8	*****		*****	
9	***** Department of Military and Veterans Affairs		*****	
10	*****		*****	
11	Deferred Maintenance Statewide	500,000	500,000	
12	(ED 99)			
13	Bethel Army Aviation Operating	6,880,000	500,000	6,380,000
14	Facility (ED 39)			
15	*****		*****	
16	***** Department of Natural Resources		*****	
17	*****		*****	
18	Childs Pad Contaminated Site	300,000		300,000
19	Assessment and Remediation			
20	(ED 99)			
21	Forward Alaska Pad Contaminated	250,000		250,000
22	Site Assessment and Remediation			
23	(ED 99)			
24	Reforestation Site Preparation	100,000		100,000
25	and Replanting (ED 99)			
26	Mental Health Trust Lands	538,000	538,000	
27	Reconstitution Implementation			
28	Project (ED 99)			
29	Oil and Gas Basin Analysis and	100,000	100,000	
30	Assessment Program (ED 99)			
31	Oil and Gas Basin Analysis and	200,000	200,000	
32	Assessment Program Yukon			
33	Kuskokwim Delta (ED 39)			
34	Forest Health Initiative (ED 99)	325,900	100,000	225,900
35	Stream Gaging Network -	300,000	150,000	150,000
36	Collection of Streamflow Data			
37	(ED 99)			

1 Department of Natural Resources (cont.)				
2		Appropriation	General	Other
3	Allocations	Items	Fund	Funds
4	National Historic Preservation	640,000		640,000
5	Fund Federal Grants (ED 99)			
6	Land and Water Conservation Fund	500,000		500,000
7	Federal Grants (ED 99)			
8	Geophysical/Geological Mineral	400,000	400,000	
9	Inventory (ED 99)			
10	*****	*****		
11	***** Department of Fish and Game	*****		
12	*****	*****		
13	Sport Fish and Wildlife	4,000,000		4,000,000
14	Conservation Fairbanks Facility			
15	Addition (ED 29-34)			
16	Replace and Enhance Salmon	300,000	300,000	
17	Escapement Sonar Systems (ED 99)			
18	Rabbit Creek Rifle Range	475,000		475,000
19	Improvements (ED 10-25)			
20	Statewide Facility Maintenance	200,000	200,000	
21	and Repair Projects (ED 99)			
22	Assert and Protect the State's	300,000	100,000	200,000
23	Right to Manage and Utilize			
24	Resources (ED 99)			
25	Kenai River Salmon Habitat	850,000		850,000
26	Protection and Restoration			
27	(ED 99)			
28	Public Access Development (ED 99)	1,600,000		1,600,000
29	*****	*****		
30	***** Department of Public Safety	*****		
31	*****	*****		
32	Fish and Wildlife Protection	250,000	250,000	
33	Aircraft Equipment/Overhaul/			
34	Repairs (ED 99)			
35	Fish and Wildlife Protection	250,000	250,000	
36	Vessel Repair/Overhaul/Equipment			
37	(ED 99)			

1 Department of Public Safety (cont.)				
2		Appropriation	General	Other
3	Allocations	Items	Fund	Funds
4	Motor Vehicles License Plates/	400,000	400,000	
5	Manuals/Equipment (ED 99)			
6	Troopers Replacement Equipment	34,000	34,000	
7	(ED 99)			
8	Civil Air Patrol-Merril Field	35,000	35,000	
9	Roof Repair (ED 99)			
10	* * * * *		* * * * *	
11	* * * * * Department of Transportation/Public Facilities		* * * * *	
12	* * * * *		* * * * *	
13	Statewide Programs	57,890,000	31,620,000	26,270,000
14	Facilities Energy and Code	500,000		
15	Upgrade, Non-Routine			
16	Maintenance and Emergency			
17	Repairs (ED 99)			
18	State Equipment Fleet	11,800,000		
19	Replacement/Refurbishment/			
20	Capitalization Program (ED 99)			
21	Cost Allocation Plans (ED 99)	1,500,000		
22	Federal Transit	940,000		
23	Administration Grants (ED 99)			
24	Federal Railroad Assistance	250,000		
25	(ED 99)			
26	General Fund Match for	26,100,000		
27	Federal-Aid Highway Projects			
28	(ED 99)			
29	State Match for Federal-Aid	5,800,000		
30	Aviation Projects (ED 99)			
31	Corps of Engineers Program	1,000,000		
32	(ED 99)			
33	Statewide Emergency Projects	5,000,000		
34	(ED 99)			
35	Statewide Funding Contingency	5,000,000		
36	(ED 99)			
37	Federal Surface Transportation	164,974,000		164,974,000
38	Program			

1 Department of Transportation/Public Facilities (cont.)					
2		3 Appropriation		4 General	5 Other
6		7 Allocations	8 Items	9 Fund	10 Funds
11	Ketchikan - Deermont	1,250,000			
12	Reconstruction (ED 1)				
13	Ketchikan - Herring Bay and	200,000			
14	Ketchikan Creek Bridge				
15	Repainting (ED 1)				
16	Ketchikan - Saxman Road	100,000			
17	Paving (ED 1)				
18	Ketchikan - Third Avenue	4,000,000			
19	Reconstruction and Extension				
20	(ED 1)				
21	Ketchikan - Tongass Avenue	3,200,000			
22	Rehabilitation (ED 1)				
23	Sitka - Castle Hill	630,000			
24	Transportation Enhancement				
25	(ED 2)				
26	Sitka - Lake, Lincoln and	330,000			
27	Harbor Drive Intersection				
28	Signalization (ED 2)				
29	Sitka - Sawmill Creek Left	350,000			
30	Turn Lane-Safety (ED 2)				
31	Juneau - Egan Expressway:	50,000			
32	Aurora Harbor to Whittier				
33	Street Pedestrian Facility -				
34	Transportation Enhancement				
35	(ED 3)				
36	Juneau - Egan Expressway:	1,600,000			
37	Main Street to Norway Point				
38	Rehabilitation and Safety				
39	(ED 3)				
40	Juneau - Egan Expressway:	300,000			
41	McNugget to Vanderbilt				
42	Intersection Improvements				
43	(ED 3)				

1 Department of Transportation/Public Facilities (cont.)

2		Appropriation	General	Other
3		Allocations	Fund	Funds
4	Juneau - Willoughby and	200,000		
5	Glacier Avenue Rehabilitation			
6	(ED 3)			
7	Juneau - Access Improvements	1,000,000		
8	(ED 4)			
9	Juneau - Glacier Highway:	200,000		
10	Eagle Beach to Echo Cove			
11	Rehabilitation (ED 4)			
12	Juneau - Glacier Highway:	1,250,000		
13	Engineers Cutoff to Fritz			
14	Cove Rehabilitation (ED 4)			
15	Gustavus Road Paving (ED 5)	40,000		
16	Haines - Mosquito Lake Road	200,000		
17	Rehabilitation (ED 5)			
18	Haines Highway Eagle Viewing -	200,000		
19	Transportation Enhancement			
20	(ED 5)			
21	Haines Highway MP24 - Border	3,800,000		
22	Reconstruction (ED 5)			
23	Haines Highway:	350,000		
24	Rehabilitation Ferry Terminal			
25	- MP 24 (ED 5)			
26	Hoonah Ramp/Apron	320,000		
27	Improvements (ED 5)			
28	Pelican - Boardwalk Upgrade -	100,000		
29	Transportation Enhancement			
30	(ED 5)			
31	Prince of Wales - Hydaburg	300,000		
32	Highway Paving (ED 5)			
33	Skagway - Klondike Highway:	50,000		
34	Gold Rush Centennial Signage -			
35	Transportation Enhancement			
36	(ED 5)			
37	Skagway Dock Modifications	2,000,000		
38	and Improvements (ED 5)			

1 Department of Transportation/Public Facilities (cont.)					
2		3 Appropriation		4 General	5 Other
6		7 Allocations	8 Items	9 Fund	10 Funds
11	Tenakee Boardwalk (ED 5)	200,000			
12	Yakutat - Bayview Drive	600,000			
13	Retaining Wall and Guardrail				
14	(ED 5)				
15	Yakutat - Railroad Trail from	200,000			
16	School to the Airport				
17	Transportation Enhancement				
18	(ED 5)				
19	Kodiak - Chiniak Highway	910,000			
20	Hazard Removal (Kalsin Hill)				
21	(ED 6)				
22	Homer - Lake Street	1,550,000			
23	Rehabilitation/Signalization				
24	(ED 7)				
25	Seward - Joint Industry	6,000,000			
26	Marine Facility (ED 8)				
27	Soldotna - K-Beach Road: MP	1,360,000			
28	16.4-22.4 Rehabilitation				
29	(ED 8)				
30	Kenai - Fort Kenay: Mission	260,000			
31	Street Improvement (ED 9)				
32	Anchorage - 5th/6th Avenue: L	1,820,000			
33	Street to Gambell				
34	Rehabilitation (ED 10-25)				
35	Anchorage - Abbott Road: New	2,500,000			
36	Seward to 88th Ave				
37	Reconstruction (ED 10-25)				
38	Anchorage - Congestion	570,000			
39	Mitigation Air Quality				
40	Ridesharing (ED 10-25)				
41	Anchorage - Congestion	1,620,000			
42	Mitigation and Air Quality:				
43	Compressed Natural Gas Fleet/				
44	Filling Stations (ED 10-25)				

1 Department of Transportation/Public Facilities (cont.)				
2		3 Appropriation		4
5		6 Allocations	7 Items	8 General
9				10 Fund
11				12 Other
13				14 Funds
4	Anchorage - Glenn Highway:	2,730,000		
5	Muldoon to South Birchwood			
6	(Interstate Maintenance)			
7	(ED 10-25)			
8	Anchorage - Seward Highway:	10,010,000		
9	Girdwood to Bird Point			
10	Rehabilitation (ED 10-25)			
11	Anchorage Transportation	1,120,000		
12	Enhancement - Tudor Road			
13	Pedestrian Overcrossing Phase			
14	II (ED 10-25)			
15	Lake Louise Road: Turnouts/	300,000		
16	Trailhead Construction (ED 27)			
17	Old Glenn Highway Matanuska	6,000,000		
18	River Bridge Replacement			
19	(ED 27)			
20	Matanuska-Susitna - Church	230,000		
21	Road: Parks to Schrock			
22	Upgrade (ED 28)			
23	Matanuska-Susitna - Talkeetna	320,000		
24	Spur Elementary School			
25	Intersections Improvements			
26	(ED 28)			
27	Matanuska-Susitna - Valley	560,000		
28	High School Intersection			
29	Improvements (ED 28)			
30	Matanuska-Susitna	450,000		
31	Transportation Enhancement:			
32	Big Lake Pedestrian/Bike Path			
33	(ED 28)			
34	Wasilla-Fishhook Nelson	360,000		
35	Bogard Highway Safety			
36	Improvement Program (ED 28)			
37	Chena Hot Springs Road: MP 7-	850,000		
38	22 Rehabilitation (ED 29-34)			

1 Department of Transportation/Public Facilities (cont.)				
2		Appropriation	General	Other
3		Allocations	Fund	Funds
4	Fairbanks - College Road	350,000		
5	Intersection Safety (ED 29-34)			
6	Fairbanks - McGrath Road Bike/	380,000		
7	Pedestrian Trail			
8	Transportation Enhancement			
9	(ED 29-34)			
10	Fairbanks - Santa Claus Lane	80,000		
11	Upgrade (North Pole) (ED 29-			
12	34)			
13	Fairbanks - Steese Highway/	1,080,000		
14	Third Street Intersection			
15	Improvements (ED 29-34)			
16	Fairbanks - Trainor Gate Road	250,000		
17	Upgrade (ED 29-34)			
18	Fairbanks North Star Borough	154,000		
19	Emissions Sensor Device			
20	(ED 29-34)			
21	Parks Highway: Chena Ridge	3,000,000		
22	Interchange (ED 29-34)			
23	Parks Highway: Nenana Canyon	300,000		
24	Frontage Road Construction			
25	(ED 29-34)			
26	Steese/White Mountain Access	1,200,000		
27	Construction (ED 29-34)			
28	Kenny Lake - Willow Loop Road	200,000		
29	(ED 35)			
30	Richardson Highway: MP 262.5	100,000		
31	Scenic Wayside (Delta),			
32	Transportation Enhancement			
33	(ED 35)			
34	Richardson Highway:	800,000		
35	Worthington Glacier Scenic			
36	View, Transportation			
37	Enhancement (ED 35)			

1 Department of Transportation/Public Facilities (cont.)					
2		Appropriation		General	Other
3		Allocations	Items	Fund	Funds
4	Valdez Terminal Replacement	3,970,000			
5	Phase A (ED 35)				
6	Allakaket - Landfill Road	250,000			
7	Construction (ED 36)				
8	Dot Lake - Community Road	400,000			
9	Improvements (ED 36)				
10	Elliott Highway: Eureka-Baker	200,000			
11	Creek Rehabilitation (ED 36)				
12	Elliott Highway: Manley	700,000			
13	Slough-Tanana River				
14	Rehabilitation (ED 36)				
15	Evansville - Landfill Road	150,000			
16	Construction (ED 36)				
17	McCarthy - Kennicott River	800,000			
18	Footbridge, Transportation				
19	Enhancement (ED 36)				
20	McCarthy Road: MP 44-47	400,000			
21	Rehabilitation (ED 36)				
22	Minto - Sanitation Road	200,000			
23	Construction (ED 36)				
24	Nenana - City Streets	80,000			
25	Resurface (ED 36)				
26	Stevens Village - Sanitation	270,000			
27	Road Construction (ED 36)				
28	Kiana - Landfill Road	170,000			
29	Construction (ED 37)				
30	Noorvik - Hotham Peak Road	3,000,000			
31	Construction (ED 37)				
32	Shungnak - Community and	50,000			
33	Landfill Road Construction				
34	(ED 37)				
35	Wales - Sanitation Road	130,000			
36	Construction (ED 37)				
37	Chevak - Sanitation Access	910,000			
38	Road Construction (ED 38)				

1 Department of Transportation/Public Facilities (cont.)				
2		3 Appropriation		4
3		Allocations	Items	General
4				Fund
5				Other
6				Funds
4	Emmonak - Airport Road	1,000,000		
5	Construction and Erosion			
6	Control (ED 38)			
7	Koyuk - Gravel Source Road	1,000,000		
8	Construction (ED 38)			
9	Nome - Bering Street and	30,000		
10	Rocker Gulch Park,			
11	Transportation Enhancement			
12	(ED 38)			
13	Saint Mary's - Airport Road	200,000		
14	Rehabilitation (ED 38)			
15	Saint Michael - Sanitation	150,000		
16	Road Construction (ED 38)			
17	Scammon Bay - Sanitation Road	2,400,000		
18	Construction (ED 38)			
19	Shaktoolik - Landfill Road	250,000		
20	Construction (ED 38)			
21	Toksook Bay - Sanitation Road	730,000		
22	Construction (ED 38)			
23	Unalakleet - Landfill Road	500,000		
24	Construction (ED 38)			
25	Bethel - Ridgecrest Drive	2,000,000		
26	Rehabilitation (ED 39)			
27	Dillingham - Aleknagik Road:	1,360,000		
28	Rehabilitation MP 0-23 (ED 39)			
29	Kwigillingok - Airport Access	730,000		
30	Road Improvements (ED 39)			
31	Napakiaak - Sanitation Road	910,000		
32	Construction (ED 39)			
33	Tuntutuliak - Airport Sewage	1,050,000		
34	Lagoon Boardwalk Construction			
35	(ED 39)			
36	Igiugig Landfill Access Road	580,000		
37	Construction (ED 40)			

1 Department of Transportation/Public Facilities (cont.)				
2		3 Appropriation		4
5		6 Allocations	7 Items	8 General
9				10 Fund
11				12 Other
13				14 Funds
15	Sand Point - Main Street to	450,000		
16	Airport Road Rehabilitation			
17	(ED 40)			
18	Alaska Marine Highway System	600,000		
19	Compliance Monitoring and			
20	Communications (ED 99)			
21	Alaska Marine Highway System	2,700,000		
22	Damaged Stability Compliance			
23	(ED 99)			
24	Alaska Marine Highway System	2,700,000		
25	Fire Safety Compliance (ED 99)			
26	Dalton Highway: MP 111-175	1,500,000		
27	Rehabilitation (ED 99)			
28	Dalton Highway: MP 37-49	8,000,000		
29	Reconstruction (ED 99)			
30	Elliott Highway: MP 120-127	2,000,000		
31	Rehabilitation (ED 99)			
32	Glenn Highway: MP 109-118	6,500,000		
33	(Regional Boundary)			
34	Rehabilitation (ED 99)			
35	Glenn Highway: MP 56-68	820,000		
36	(Kings River) Rehabilitation			
37	(ED 99)			
38	Glenn Highway: MP 97-100.5	250,000		
39	(Pinochle Hill)			
40	Rehabilitation (ED 99)			
41	Northern Region Highway	500,000		
42	Safety Improvement Program			
43	(ED 99)			
44	Northern Region Safety	150,000		
45	Management System			
46	Implementation (ED 99)			
47	Northern Region Tourist	50,000		
48	Signage, Transportation			
49	Enhancement (ED 99)			

1 Department of Transportation/Public Facilities (cont.)					
2		3 Appropriation		4 General	5 Other
6		7 Allocations	8 Items	9 Fund	10 Funds
11	Pavement Management System	250,000			
12	Skid Testing (ED 99)				
13	Statewide Annual Planning,	6,500,000			
14	Research and Analysis				
15	Projects (ED 99)				
16	Statewide Preliminary	32,000,000			
17	Engineering, Right of Way,				
18	and Utilities (ED 99)				
19	Statewide Rural Roads (ED 99)	5,000,000			
20	Federal Aviation Improvement		131,250,000		131,250,000
21	Program				
22	Ketchikan Airport Seaplane	2,700,000			
23	Float and Ramp Improvements				
24	(ED 1)				
25	Ketchikan Airport Snow	550,000			
26	Removal Equipment (ED 1)				
27	Petersburg Airport Rescue and	550,000			
28	Fire Fighting Vehicle				
29	Purchase (ED 2)				
30	Sitka Airport Master Plan	150,000			
31	Update Supplemental (ED 2)				
32	Wrangell Airport Rescue and	1,400,000			
33	Fire Fighting Building and				
34	Water Line Extension (ED 2)				
35	Wrangell Airport Rescue and	550,000			
36	Fire Fighting Vehicle (ED 2)				
37	Gustavus Apron Expansion	2,700,000			
38	(ED 5)				
39	Yakutat Airport Rescue and	1,000,000			
40	Fire Fighting Building (ED 5)				
41	Yakutat Seaplane Supplemental	900,000			
42	(ED 5)				
43	Homer Airport Improvements	4,000,000			
44	(ED 7)				

1 Department of Transportation/Public Facilities (cont.)				
2		3 Appropriation		4
3		Allocations	Items	General
4				Fund
5				Other
6				Funds
4	Port Graham Airport Master	300,000		
5	Plan (ED 7)			
6	Anchorage International	2,700,000		
7	Airport Aircraft Terminal			
8	Ramp Reconstruction (ED 10-25)			
9	Anchorage International	680,000		
10	Airport Centerline Lights for			
11	Taxiways E and R (ED 10-25)			
12	Anchorage International	2,250,000		
13	Airport Runway 14/32 Overlay			
14	and Grooving (ED 10-25)			
15	Anchorage International	1,300,000		
16	Airport Terminal Reroof Phase			
17	III (ED 10-25)			
18	Talkeetna Airport	1,000,000		
19	Improvements (ED 28)			
20	Talkeetna Airport Master Plan	300,000		
21	(ED 28)			
22	Fairbanks International	450,000		
23	Airport Drainage Improvements			
24	(ED 29-34)			
25	Fairbanks International	8,100,000		
26	Airport Runway Extension			
27	(ED 29-34)			
28	Fairbanks International	840,000		
29	Airport Taxiway D Extension			
30	(ED 29-34)			
31	Cordova Airport Master Plan	20,000		
32	Update (ED 35)			
33	Tatitlek Runway	430,000		
34	Reconstruction and Lights			
35	(ED 35)			
36	Valdez Airport Improvements	2,500,000		
37	(ED 35)			