

State of Alaska FY2004 Governor's Operating Budget

Department of Education and Early Development Alaska Postsecondary Education Commission Budget Request Unit Budget Summary

Alaska Postsecondary Education Commission Budget Request Unit

Contact: Diane Barrans, Director

Tel: (907) 465-6757 **Fax:** (907) 465-3293 **E-mail:** Diane_Barrans@acpe.state.ak.us

BRU Mission

- (1) provide postsecondary educational financial assistance to Alaskans, including offering loan rates and conditions competitive with and less than those offered by the private sector;
- (2) authorize the operation of postsecondary institutions in the state.

WWAMI - To improve the general health of state residents.

BRU Services Provided

The Alaska Commission on Postsecondary Education (ACPE or Commission) was created by the Alaska Legislature to:

- a) provide and inform all Alaskans of opportunities to pursue postsecondary education both in and outside Alaska;
- b) develop and administer student financial aid programs designed to insure access to those educational opportunities;
- c) protect the consumer rights of Alaska students in their pursuit of an education beyond high school; and
- d) license for operation and regulate postsecondary educational institutions in Alaska.

Under agreement with the Alaska Student Loan Corporation (ASLC or Corporation), the Commission also administers Alaska education loan programs.

ACPE continually monitors postsecondary educational opportunities both in and outside Alaska and provides Alaskan education consumers with information on these opportunities on a regular basis. The Commission strives to develop policies and programs to provide all Alaskans with access to postsecondary education. These programs include: the AlaskAdvantage federal and Supplemental Education Loan Programs and other student aid programs authorized by the state. During FY2002 over 9000 Alaskans received in excess of \$56 million dollars. The WWAMI Medical Education program and the WICHE Student Exchange Loan Programs have provided educational opportunities not available in Alaska.

Except for certain exempt institutions, ACPE is the regulatory agency for all postsecondary schools that operate in the state. The Commission emphasizes quality in postsecondary education and training to ensure value for Alaskans in their pursuit of lifelong learning. This emphasis is necessary to provide education consumer protection in Alaska. One of the agency goals is to provide Alaskans with the tools and information to make sound postsecondary education/training investments and decisions by developing an electronic resource of education/training/labor information. This developing resource for all Alaskans expands ACPE's consumer protection function by providing information to not only students but also to parents, families, policymakers, professional colleagues, communities, and co-workers.

ACPE provides full loan servicing for over 170,000 loans with a total loan portfolio of over \$600 million. This is a complex administrative function requiring 104 full-time staff. It is ACPE's expressed policy to assist the Corporation in maintaining the viability of Alaska's education loan programs.

To support the Department's goal of setting standards of quality to protect the interest of individual Alaskans and the ASLC, it is vital that the Commission enforce compliance with state statutes and regulations. Review activity related to collection vendor contract compliance will also continue to be a priority to ensure vendors provide contracted services to ACPE for approximately 24,000 loans valued at \$89.9 million currently serviced through the private sector.

No less important are the ACPE's activities to reduce education loan default losses to ensure the self-sustainability and marketability of the Alaska education loan programs through the 21st century. Monitoring school compliance, educating consumers on the importance of financial planning and debt management, and collection agency effectiveness are key to the effort of default management and will ensure the programs continue to meet the needs of Alaskans for years to come.

BRU Goals and Strategies

- A. Expand financial aid products for Alaska education consumers. Provide the lowest cost possible to borrowers. Continue to improve financial stability of the Alaska Student Loan Corporation. Continue to develop and implement early awareness and outreach activities to insure Alaskans are appropriately aware of the value of higher education and the need for advance planning to finance their education. Improve services to postsecondary education institutions. Maintain current services to students at the highest possible levels.
- B. Continue to identify and implement program efficiencies through improved management, processes, and technology.
- C. Continue to improve education loan collection efforts and minimize losses to the loan fund. Increased communication with borrowers and postsecondary institutions, use of effective collection agencies, and an aggressive pursuit of defaulted borrowers will continue to produce positive results in our efforts to reduce program losses due to default. Growth of the AlaskAdvantage Loan Program will effectively reduce the financial risk to the Corporation by securing the federal guaranty on a larger portion of the loan portfolio.
- D. Continue to improve the integrity of our programs by improving school compliance efforts and licensing requirements, and expand the quality control measurements for schools and collection vendors. Enforce statutory thresholds for borrower default rates by institution to ensure that schools, whose students default on their loans at high rates, no longer benefit from access to loan program funds.

Key BRU Issues for FY2003 – 2004

- * To increase AlaskAdvantage Federal Family Education Loan Program (FFELP) volume.
- * To develop and offer a low cost consolidation loan for borrowers with existing Alaska Student Loans.
- * To proactively assist borrowers in preventing default through expanded loan repayment options.
- * To continue to administer and provide policy direction for the ACPE programs, achieving efficiencies and delivering value-added service to Alaskans through improved management, processes and technology.
- * To review and oversee postsecondary programs and institutions operating in the state, with the exception of the University of Alaska system, emphasizing quality in postsecondary education and training to ensure value for Alaskans in their pursuit of lifelong learning
- * To provide Alaskans with information about: the benefits of higher education, the educational opportunities in Alaska, and financial aid programs available to assist in accessing those opportunities
- * To ensure the quality of the loan portfolio through effective collections and enhanced revenues
- * To continue improving service to loan borrowers through informed use of technology
- * To continue quality internal operations through increased accountability and quality control

Major BRU Accomplishments in 2002

- * Successfully implemented the AlaskAdvantage Loan Program offering Stafford education loans at below market rates ranging from 1.46% to 1.96%.
- * Introduced the first borrower benefit package in the Corporation's history, to provide incentives and rewards to borrowers who demonstrate certain positive repayment practices.
- * Reduced financing costs by \$1.1 million for existing borrowers whose loan rates exceeded 8.3% (up to 9%) to an effective rate of 8.3%.
- * Expanded loan funding options for postsecondary institutions to include third party disbursing agents.
- * Enhanced ASLNet, the Web-based service-oriented financial aid packaging and delivery system which allows schools to streamline the financial aid process and allows borrowers to view their loan data on-line 24-hours per day.
- * Issued tax-exempt variable rate bonds at a low rate to fund the loan program.
- * Ended FY2002 with sufficient net income to afford a dividend payment to the State of \$5 million for FY2004.

Key Performance Measures for FY2004

Measure:

1) Upon consideration of the advice provided by the consultation services of Craig Holt, the Department of Education & Early Development recommends the measure cited as Sec 58(b)(1) Ch 124, SLA 2002(HB 515) be deleted and not replaced. This change is reflected under the tab reserved for Alaska's Target & Progress.

Alaska's Target & Progress:

[THE COMPLETION AND PLACEMENT RATE OF STUDENTS ATTENDING ALASKA INSTITUTIONS THAT OFFER JOB-SPECIFIC TRAINING PROGRAMS;]

Sec 58(b)(1) Ch 124, SLA 2002(HB 515)

New text underlined [DELETED TEXT BRACKETED]

Measure:

2) Upon consideration of the advice provided by the consultation services of Craig Holt, the Department of Education & Early Development recommends the measure cited as Sec 58(b)(4) Ch 124 SLA 2002(HB 515) be deleted and not replaced. This change is reflected under the tab reserved for Alaska's Target & Progress.

Alaska's Target & Progress:

[THE PERCENTAGE CHANGE IN ADMINISTRATIVE COST PER LOAN OUTSTANDING.]

Sec 58(b)(4) Ch 124, SLA 2002(HB 515)

New text underlined [DELETED TEXT BRACKETED]

Measure:

3) In support of the mission of the Alaska Commission on Postsecondary Education, 6 additional performance measures have been proposed. These new measures have been placed under the tab reserved for Alaska's Target & Progress.

Alaska's Target & Progress:

Additional measure:

The percent of schools in compliance with AS 14.48 and related regulation of 20 AAC 17 and 20 AAC 15 as applicable/change in percentage

Additional measure:

Cost (to student) of ACPE financial aid compared to non-ACPE financial aid cost

Additional measure:

Percent of secondary school population receiving outreach services/change in percentage

Additional measure:

Percent of Alaska's postsecondary students receiving ACPE financial aid services/change in percentage

Additional measure:

Percent of DOL Jobs Centers receiving outreach services/change in percentage

Additional measure:

Percent of college-age Alaskans attending postsecondary education/change in percentage

New text underlined [DELETED TEXT BRACKETED]

Measure:

the completion and placement rate of students attending Alaska institutions that offer job-specific training programs;

Sec 58(b)(1) Ch 124, SLA 2002(HB 515)

Alaska's Target & Progress:

ACPE relies on participating postsecondary institutions to provide the data on which this measurement is based. Effective July 1, 2002 ACPE executed a Memorandum of Agreement with the Department of Labor's Alaska Workforce Investment Board (formerly Alaska Human Resource Investment Council). The rational of this MOA is to reduce the costs of compliance for schools without any reduction in quality or level of oversight and without increased costs to the public. ACPE thus relies on Department of Labor (DOL) to obtain these measurements from participating institutions. Based on DOL data reflecting students exiting training programs in FY2000 and FY2001 the overall performance measures are as follows: 52% completion rate; 80% employment rate.

Benchmark Comparisons:

FY2000 and FY2001 are the first assessment periods this data was made available. These rates will be the benchmark comparisons for subsequent fiscal years.

Background and Strategies:

By regulation the Commission requires institutions under its purview to collect and report completion rates. Once this information is readily available to consumers, it will increase their ability to select a school with high completion or "success" rates. ACPE will continue to work with other agencies to streamline the reporting of completion and placement rates.

Measure:

the percentage of loans issued by the commission that are in default;

Sec 58(b)(2) Ch 124, SLA 2002(HB 515)

Alaska's Target & Progress:

The 2000 program default rate is 6.8%.

Benchmark Comparisons:

The 1997 program default rate was 13.7%.

Background and Strategies:

Continue to expand collections tools and improve revenues:

Implement technology to allow borrowers to pay by phone or online

Implement repayment counseling program to avert default by providing increased assistance in early delinquency

Implement consumer awareness campaigns that emphasis education debt management

Expand repayment options to alternative loans

Ongoing credit reporting on entire portfolio

Increase accountability for private sector collection contractors

Expand occupational license denial

Expand use of administrative wage garnishment

Measure:

the change in the defaulted loan recovery rate; and

Sec 58(b)(3) Ch 124, SLA 2002(HB 515)

Alaska's Target & Progress:

The 2002 annual recovery on defaulted loans is 7.11%.

Benchmark Comparisons:

The 1999 annual recovery on defaulted loans was 9.03%. This is the first year for which recovery data was readily available.

Background and Strategies:

Strategic efforts related to this measurement are noted under the default rate measurement discussed above.

Measure:

the percentage change in administrative cost per loan outstanding.

Sec 58(b)(4) Ch 124, SLA 2002(HB 515)

Alaska's Target & Progress:

ACPE continues to focus its energies on implementation of the AlaskAdvantage Loan Program and gaining operating efficiencies through electronic processing.

Benchmark Comparisons:

Between 06/30/2001 and 06/30/2002 the administrative cost per loan outstanding decreased by 2.3%.

Background and Strategies:

Management continues to pursue options designed to reduce costs, including maximizing the use of electronic processes, increased communication with borrowers and postsecondary institutions, improved collection efforts and modifications to the loan program. The success of ACPE's federally guaranteed loan program will help reduce the costs associated with those loans.

Measure:

WWAMI - the percentage change in the number of Alaska communities with access to medical services associated with WWAMI/UW;

Sec 59(b)(1) Ch 124, SLA 2002(HB 515)

Alaska's Target & Progress:

Most Alaskans communities have direct access to medical and health services associated with the WWAMI program. In addition to providing services in all of Alaska's cities and major towns, WWAMI and its graduates, faculty and students perform various health-related activities in several Alaskan villages. In 2002 these activities occurred in several north west Alaska villages including Gambell, Shishmaref, Wales and Kiana and in some communities along the Aleutian chain.

Background and Strategies:

Listed below are some of the services and programs provided in Alaskan communities through WWAMI/University of Washington:

1. MEDCON

Within the state of Alaska, virtually every community has increased access or enhanced medical services associated with WWAMI/University of Washington through the MEDCON consulting service. In 2001, almost 4,000 calls were made or roughly 11 calls a day. This service allows physicians from Ketchikan to Barrow to consult with a specialist and get recommendations on patient care.

2. Alaska Family Practice Residency

The Alaska Family Practice Residency graduated its third class of eight residents. Sixteen of the twenty-two Family Practice Residency graduates have remained in Alaska to practice medicine in the following communities: Anchorage, Fairbanks, Juneau, Seward, Wasilla and Wrangell. This year residents will be doing rotations in Bethel (8), Fairbanks (2), Kodiak (2), Wasilla (3), and Soldotna (2).

The residency patient care has increased about 10% over last year. In FY2002, the faculty physicians and residents conducted about 23,000 patient visits. Seventy-five percent of the patient population is medically under-served.

3. Telemedicine

WWAMI Telemedicine capabilities were increased, especially in telepsychiatry. We anticipate expanded usage of this format in the future.

4. Clerkships

A general surgery clerkship is being implemented this year in Fairbanks. The WWAMI Program started new elective clerkships in Advanced Internal Medicine and Plastic and Re-constructive Surgery this year in Fairbanks. Over 10

physicians in Fairbanks received clinical faculty appointments from the University of Washington School of Medicine. Alaska WWAMI students will be able to complete all of their third year rotations in Alaska.

5. Pediatric Sub-specialty clinics

Each year, Alaskan children needing care from sub-specialist pediatricians are seen in Anchorage by University of Washington School of Medicine faculty that travel to Anchorage. For the year 2001, there was an increase in the number of patient visits.

6. UDOC Program

Most of the high school students invited to participate in the WWAMI UDOC Summer Enrichment Program are Alaskan native people and come from rural communities.

Measure:

WWAMI - the percentage of WWAMI participants who return to the state to practice medicine;

Sec 59(b)(2) Ch 124, SLA 2002(HB 515)

Alaska's Target & Progress:

In year 2002, 60% of the WWAMI graduates finishing their training returned to Alaska to practice medicine. Six WWAMI physicians returned to Alaska to practice, representing sixty percent of the graduating class. Seventy-five percent of the graduating residents are now working in Alaska.

Benchmark Comparisons:

The average return rate for Alaska is 50.8% (compared to the national average of 40%).

Measure:

WWAMI - the percentage change in the number of patient visits provided to Alaskans through programs and physicians associated with the University of Washington School of Medicine WWAMI program;

Sec 59(b)(3) Ch 124, SLA 2002(HB 515)

Alaska's Target & Progress:

In year 2002, 67% of the returning students chose to practice medicine in a medically under-served area of Alaska. In actual numbers, six students returned and four of those are practicing in an under-served area.

Measure:

WWAMI - the percentage change in the number of health-related programs developed in the state that are associated with WWAMI/UW; and

Sec 59(b)(4) Ch 124, SLA 2002(HB 515)

Alaska's Target & Progress:

During the year 2002, there was an 8% increase in health-related programs developed in Alaska by WWAMI/UW.

Measure:

WWAMI - the percentage change in the number of research projects in or about the state associated with the University of Washington School of Medicine WWAMI program.

Sec 59(b)(5) Ch 124, SLA 2002(HB 515)

Alaska's Target & Progress:

In FY02, several new research projects were started. Significantly, one of the UAA WWAMI faculty holds the joint position of the National Research Director for the Spinal cord Society and controls a million dollar research budget.

**Alaska Postsecondary Education Commission
BRU Financial Summary by Component**

All dollars in thousands

	FY2002 Actuals				FY2003 Authorized				FY2004 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<u>Formula Expenditures</u>	None.											
<u>Non-Formula Expenditures</u>												
Student Loan Operations - Lang Program Administration	0.0	0.0	250.0	250.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Student Loan Operations/Outreach	0.0	62.5	1,274.3	1,336.8	0.0	77.7	1,367.0	1,444.7	0.0	79.2	961.0	1,040.2
WWAMI Medical Education	0.0	0.0	6,816.6	6,816.6	0.0	0.0	7,251.1	7,251.1	0.0	0.0	7,800.2	7,800.2
WICHE Compact	1,444.2	0.0	63.1	1,507.3	1,507.3	0.0	0.0	1,507.3	1,507.3	0.0	0.0	1,507.3
Totals	1,444.2	62.5	8,503.0	10,009.7	1,507.3	77.7	8,721.1	10,306.1	1,507.3	79.2	8,864.2	10,450.7

Alaska Postsecondary Education Commission

Proposed Changes in Levels of Service for FY2004

- Increase on-campus assistance to student borrowers
- Increase on-site assistance and student financial aid technology support for participating institutions
- Continue to expand early awareness and outreach services to Alaska families for distribution of education financing information
- Develop and offer a low cost consolidation loan for existing Alaska Student Loan borrowers.
- Expand electronic/automated payment options for borrowers to include on-line enrollment in such programs

\$75 per Month Health Insurance for Non-covered Staff (\$144.6)

The employer contribution to health insurance for non-covered staff will increase by \$75.00 from \$630.00 per month to \$705.00 per month.

Transfer PCN 05-0109 to Student Loan Operations/Outreach

Transfer Administrative Support Specialist, range 14, Juneau from Program Administration to Student Loan Operations/Outreach to effectively align resources for efficiency measures.

Alaska Postsecondary Education Commission

Summary of BRU Budget Changes by Component

From FY2003 Authorized to FY2004 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2003 Authorized	1,507.3	77.7	8,721.1	10,306.1
Adjustments which will continue current level of service:				
-Program Administration	0.0	1.5	-406.0	-404.5
-Student Loan Operations/Outreach	0.0	0.0	549.1	549.1
FY2004 Governor	1,507.3	79.2	8,864.2	10,450.7