

State of Alaska FY2002 Governor's Operating Budget

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

Alaska Postsecondary Education Commission Budget Request Unit

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BRU Mission

To provide postsecondary educational financial assistance to Alaskans; and to authorize the operation of postsecondary institutions in the state.

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) 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 the Alaska Student Loan Program (ASLP).

ACPE continually monitors postsecondary educational opportunities both in and outside Alaska and provides Alaska students with information on these opportunities on a regular basis. The Commission strives to develop policies and programs to provide all Alaska students with access to postsecondary education. These programs include: the Alaska Student Loan Program (during FY2000 over 10,000 Alaskans received in excess of \$57 million dollars) and other student aid programs authorized by the state. The WWAMI Medical Education program and the WICHE Student Exchange Programs have provided some educational opportunities not available in Alaska.

Except for certain exempt institutions, ACPE provides regulatory oversight 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 student 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 \$566 million. This is a complex administrative function requiring 99 full-time staff. It is the expressed policy of the ACPE to assist the Corporation in maintaining the ASLP as a viable, self-sustaining entity.

To support the Department's goal of setting standards of quality to protect the interest of individual Alaskans and the Alaska Student Loan Corporation, it is vital that the Commission enforce compliance with state statutes and regulations. The ACPE has increased the level of institutional oversight and training to ensure institutions are complying with related 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 the ACPE for approximately 29,000 loans valued at \$96 million currently serviced through the private sector.

No less important are the ACPE's activities to reduce student loan default losses to ensure the self-sustainability and marketability of the Alaska student loan programs through the 21st century. Monitoring school compliance and collection agency effectiveness is 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 students. Continue to improve financial stability of the Alaska Student Loan Corporation. 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 student 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.
- D. Continue to improve the integrity of our programs by improving school compliance efforts and licensing requirements, pursue needed changes in our legislation, and expand the quality control measurements for schools and collection vendors. Enforce new 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 student loan funds.

Key BRU Issues for FY2001 – 2002

- * To successfully implement AlaskAdvantage Federal Family Education Loan Program (FFELP).
- * 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 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 for FY2000

- * Reduced ASL financing costs to borrowers from 8.3% to 8.0% (five-year low)
- * Issued tax-exempt bonds at a low rate to fund the loan program
- * Increased borrower contact by providing borrowers that are paid ahead with monthly billing statements
- * Ended FY2000 with sufficient net income to afford a return of contributed capital payment to the State of \$4 million for FY2002

Key Performance Measures for FY2002

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

(Added by Legislature in FY2001 version.)

Current Status:

ACPE will rely on participating postsecondary institutions to provide the data on which this measurement is based. Institutions are in the process of developing their information-gathering and reporting mechanisms.

Benchmark:

Not yet established.

Background and Strategies:

By regulation the Commission now 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.

Measure: the percentage of loans issued by the commission that are in default; and
(Added by Legislature in FY2001 version.)

Current Status:

The 1998 program default rate is 10.0%.

Benchmark:

The 1997 program default rate was 14.1%.

Background and Strategies:

Continue to expand collections tools and improve revenues:

- Implement credit reporting on entire portfolio
- Increase use of and accountability for private sector collection contractors
- Expand license denial
- Implement wage garnishment

Measure: the defaulted loan recovery rate.
(Added by Legislature in FY2001 version.)

Current Status:

The 2000 annual recovery on defaulted loans is 8.79%.

Benchmark:

The 1999 annual recovery on defaulted loans was 10.15%. 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.

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> • the completion and placement rate of students attending Alaska institutions that offer job-specific training programs; • the percentage of loans issued by the commission that are in default; and • the defaulted loan recovery rate. 		X	X		

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BRU Financial Summary by Component

All dollars in thousands

	FY2000 Actuals				FY2001 Authorized				FY2002 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
Formula Expenditures												
None.												
Non-Formula Expenditures												
Tuition Language	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Program Administration	10.0	59.1	1,010.3	1,079.4	0.0	76.6	1,001.6	1,078.2	0.0	76.1	995.1	1,071.2
Student Loan Operations	10.0	0.0	6,166.8	6,176.8	0.3	0.0	6,864.6	6,864.9	0.0	0.0	6,623.5	6,623.5
WICHE Student Exchange Program	85.0	0.0	0.0	85.0	0.0	0.0	88.0	88.0	0.0	0.0	99.0	99.0
WWAMI Medical Education	1,411.5	0.0	0.0	1,411.5	1,444.2	0.0	0.0	1,444.2	1,507.3	0.0	0.0	1,507.3
Totals	1,516.5	59.1	7,177.1	8,752.7	1,444.5	76.6	7,954.2	9,475.3	1,507.3	76.1	7,717.6	9,301.0

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Proposed Changes in Levels of Service for FY2002

Although there are no proposed changes in service level for the WICHE Student Exchange Program, the annual dues increase of \$11.0 in ASLC receipts is requested.

The WWAMI increment of \$63.1 is requested to cover contractual increases for FY2002.

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Summary of BRU Budget Changes by Component

From FY2001 Authorized to FY2002 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	1,444.5	76.6	7,954.2	9,475.3
Adjustments which will continue current level of service:				
-Program Administration	0.0	-0.5	-6.5	-7.0
-Student Loan Operations	-0.3	0.0	-241.1	-241.4
Proposed budget increases:				
-WICHE Student Exchange Program	0.0	0.0	11.0	11.0
-WWAMI Medical Education	63.1	0.0	0.0	63.1
FY2002 Governor	1,507.3	76.1	7,717.6	9,301.0