

State of Alaska FY2003 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

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BRU Mission

- (1) provide postsecondary educational financial assistance to Alaskans;
- (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 and the Alaska Supplemental Education Loan Programs and other student aid programs authorized by the state. During FY2001 over 10,000 Alaskans received in excess of \$55 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 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 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 \$566 million. This is a complex administrative function requiring 101 full-time staff. It is the expressed policy of the ACPE 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 the ACPE for approximately 24,500 loans valued at \$92 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 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. 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. Successful implementation of the AlaskAdvantage Loan Program will effectively reduce the financial risk to the Corporation by securing the federal guaranty on that 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 student loan funds.

Key BRU Issues for FY2002 – 2003

- * 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 in 2001

- * Reduced ASL financing costs to borrowers from 8.0% to 7.8% (five-year low)
- * Reduced financing costs for existing borrowers whose loan rates exceeded 8.3% (up to 9%) to an effective rate of 8.3% beginning July 1, 2001
- * Expanded loan payment options for borrowers to include electronic debit of a borrower's checking or savings account.
- * Expanded loan funding options for the University of Alaska to include electronic funds transfer.
- * Implemented ASLNet, 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 bonds at a low rate to fund the loan program.
- * Ended FY2001 with sufficient net income to afford a return of contributed capital payment to the State of \$5.25 million for FY2003.

Key Performance Measures for FY2003

Measure:

the completion and placement rate of students attending Alaska institutions that offer job-specific training programs; Sec 58(b)(1) Ch 90, SLA 2001(HB 250)

Alaska's Target & Progress:

ACPE relies on participating postsecondary institutions to provide the data on which this measurement is based. ACPE is now evaluating data that has been reported to determine the appropriate benchmarking criteria. In order to minimize the cost of reporting and collection of data to both the state and the regulated community, ACPE is working with the Department of Labor, Research and Analysis Division and the Alaska Human Resources Investment Council on this process.

Benchmark Comparisons:

Not yet established.

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;
Sec 58(b)(2) Ch 90, SLA 2001(HB 250)

Alaska's Target & Progress:

The 1999 program default rate is 9.65%.

Benchmark Comparisons:

The 1997 program default rate was 14.1%.

Background and Strategies:

Continue to expand collections tools and improve revenues:

Implement consumer awareness campaigns that emphasis education debt management
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 90, SLA 2001(HB 250)

Alaska's Target & Progress:

The 2001 annual recovery on defaulted loans is 8.47%.

Benchmark Comparisons:

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.

Measure:

the percentage change in administrative cost per loan outstanding.
Sec 58(b)(4) Ch 90, SLA 2001(HB 250)

Alaska's Target & Progress:

The methodology for estimating loan loss expense was refined in FY2001 and implementation of the AlaskAdvantage FFELP loans is underway. In addition, expanded borrower payment options were implemented.

Benchmark Comparisons:

Between 06/30/2000 and 06/30/2001 the administrative cost per loan outstanding decreased by 4%.

Background and Strategies:

Management continues to pursue options designed to reduce costs, including favorable legislation, increased communication with borrowers and postsecondary institutions, improved collection efforts and modifications to the loan program. Successful implementation of the federally guaranteed loans 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 90, SLA 2001(HB 250)

Alaska's Target & Progress:

In addition to the 50 communities already served by WWAMI, McGrath and Unalaska received enhanced service from the WWAMI Program in the year 2001.

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 2000, 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 second class of eight residents. Ten of the sixteen Family Practice Residency graduates have remained in Alaska to practice medicine in the following communities: Anchorage, Fairbanks, Juneau and Seward. 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 FY2001, the faculty physicians and residents conducted about 21,000 patient visits. Seventy-five percent of the patient population is medically underserved.

3. Telemedicine

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

4. Clerkships

The WWAMI Program offered new clerkships in Advanced Internal Medicine and Plastic and Reconstructive Surgery this year in Fairbanks. Over 10 physicians in Fairbanks received clinical faculty appointments from the University of Washington School of Medicine.

5. Pediatric Sub-specialty clinics

Each year, Alaskan children needing care from subspecialist pediatricians are seen in Anchorage by University of Washington School of Medicine faculty that travel to Anchorage. For the year 2001, there will be an increase in the number of patient visits. In the year 2000, there were 580 patient visits. Last year, 587 patient visits were performed. There is increased need in neurology and urology.

6. UDOC Program

The number of rural or educationally disadvantaged students in the UDOC Program increased from 10 students to 18 students, or an 80% increase.

Measure:

WWAMI - the percentage of WWAMI participants who return to the state to practice medicine;
Sec 59(b)(2) Ch 90, SLA 2001(HB 250)

Alaska's Target & Progress:

In year 2001, 50% of the WWAMI graduates finishing their training returned to Alaska to practice medicine.

Benchmark Comparisons:

The average return rate for Alaska is 50.1% (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 90, SLA 2001(HB 250)

Alaska's Target & Progress:

In year 2001, 40% of the returning students chose to practice medicine in a medically underserved area of Alaska. In actual numbers, five students returned and 2 of those are practicing in an underserved 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 90, SLA 2001(HB 250)

Alaska's Target & Progress:

During the year 2001, there was a 16% 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 90, SLA 2001(HB 250)

Alaska's Target & Progress:

In FY01, the WWAMI faculty increased their research funding by about 40%, from an average of \$500,000 to a FY01 amount of \$700,000. We anticipate a drop in this amount for FY02 because one of our research faculty relocated to another medical school, and because of research space constraints at UAA.

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BRU Financial Summary by Component

All dollars in thousands

	General Funds	FY2001 Actuals Federal Funds	Other Funds	Total Funds	General Funds	FY2002 Authorized Federal Funds	Other Funds	Total Funds	General Funds	FY2003 Governor Federal Funds	Other Funds	Total Funds
Formula												
Expenditures												
None.												
Non-Formula												
Expenditures												
Student Loan	0.0	0.0	0.0	0.0	0.0	0.0	250.0	250.0	0.0	0.0	0.0	0.0
Operations - Lang												
Program	0.0	62.8	1,212.2	1,275.0	0.0	76.1	995.1	1,071.2	0.0	77.7	1,367.0	1,444.7
Administration												
Student Loan	0.0	0.0	6,985.8	6,985.8	0.0	0.0	6,759.1	6,759.1	0.0	0.0	7,251.1	7,251.1
Operations												
WICHE Student	0.0	0.0	88.0	88.0	0.0	0.0	99.0	99.0	0.0	0.0	103.0	103.0
Exchange												
Program												
WWAMI Medical	1,444.0	0.0	0.0	1,444.0	1,444.2	0.0	63.1	1,507.3	1,507.3	0.0	0.0	1,507.3
Education												
Totals	1,444.0	62.8	8,286.0	9,792.8	1,444.2	76.1	8,166.3	9,686.6	1,507.3	77.7	8,721.1	10,306.1

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Proposed Changes in Levels of Service for FY2003

- Increase on-campus assistance to student borrowers
- Increase on-site assistance and student financial aid technology support for participating institutions
- Expand early awareness and outreach services to Alaska families for distribution of education financing information

* Increment requested for early awareness and outreach, and vocational activities:

\$14,000 Travel for:

- a. In order for the AlaskAdvantage program to be successful, financial aid officers must be fully aware of the program and trained in its use. The goal is for commission staff to attend meetings of state financial aid associations to make presentations and answer questions about the program.
- b. Similarly, school district personnel who counsel students must also be aware of options available, and provided with resources for use in counseling their students. Design of a coordinated K-16 outreach and marketing plan will maximize information dissemination and minimize costs. The goal is to bring key individuals together to design and implement the outreach plan.
- c. Regional field representatives will need training in a number of Commission areas. It is most cost-effective to bring those field representatives to Anchorage for shared training.

\$144,500 Contractual funds for:

- a. \$29,000 Printing and postage costs for enhanced early awareness and outreach materials.
- b. \$35,500 for regional field representatives who will be located in the Nome/Kotzebue area, Bethel area, Central Alaska, and Southeast Alaska. These representatives will be part-time contractors who deliver commission workshops to statewide constituents. More importantly, as residents of those areas, Alaskans local to those regions will get information in a culturally appropriate context, and will have the opportunity to interact directly with a person from their region who can show them by personal example that race or culture or location need not be a barrier to obtaining the education necessary for financial success.
- c. \$80,000 for an RSA with Alaska Human Resource Investment Council to provide vocational school institutional authorization services (licensing of postsecondary career schools to operate in Alaska). This function has considerable overlap with AHRIC functions. An RSA with the AHRIC to outsource that function will reduce administrative costs of compliance for schools, and allow Commission staff to focus on the expanded early awareness and outreach activities in the greater Anchorage and southcentral Alaska communities.

\$25,000 Equipment request for a customized van to deliver postsecondary education outreach at the sites where such outreach is needed but not readily available. Statistics document that the children and adults most likely to benefit from higher education outreach are also those least likely to seek assistance in matters of higher education. For that reason, the Commission proposes to take the information and other resources directly to those children and adults who need it. The information regarding financial aid is complex. As such the students and high school counselors need additional support to understand and keep up with financial aid program changes. School counselors, given the various demands on their time, do not have time to sift through the complex information. The targeted populations tend not to pursue the information or pass it along to their parents to pursue.

ACPE also plans to include middle school visits where this type of information isn't available. All recent research shows that students generally have decided by the 8th grade whether they would be able to go to college. Middle school counselors are not typically kept up to date on this information.

The proposal is to have the van regularly visit high schools and community centers throughout Southcentral Alaska, Glenallen, Tok, Delta Junction, the Kenai peninsula, the Mat Su valley, native corporations and major employers in those communities. Depending on demands and costs, the van might make an annual trip to North Star Borough schools. The van will also be made available at events that attract the populations for whom higher education outreach is needed, such as fairs and state agencies such as unemployment offices and public assistance offices. Finally, it is anticipated that the van will also be available at major employment centers so employees with pre-college-aged students can get information to assist their children.

Outreach efforts are effective only when the students or potential students contact the Commission or come to events scheduled in the evenings. The van will enable the Commission to reach those who would be unlikely to seek out this

information on their own initiative, but would benefit greatly from it.

Student Loan Operations plans to implement the following servicing improvements in FY2003:

- * Implement cost saving borrower benefits with the AlaskAdvantage and Alaska Supplemental Education Loan Programs
- * Expand electronic disbursement of funds to all eligible institutions
- * Expanded electronic/automated payment options for borrowers to include Web initiated sign up
- * One-stop state and federal student financial aid processing for Alaskan education consumers

Increment request:

\$115,000 Personal Services for 2 positions, a programmer and customer relation specialist, previously described in the fiscal note for the AlaskAdvantage Loan Program (CHAPTER 85 SLA 01).

Anchorage leased space costs per square foot are projected to increase substantially in FY03. Moving to new space in FY03 will require additional funds for the commission's leased space costs projected to be \$60,000.

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Summary of BRU Budget Changes by Component
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	1,444.2	76.1	8,166.3	9,686.6
Adjustments which will continue current level of service:				
-Student Loan Operations - Lang	0.0	0.0	-250.0	-250.0
-Program Administration	0.0	1.6	188.4	190.0
-Student Loan Operations	0.0	0.0	-33.0	-33.0
-WWAMI Medical Education	63.1	0.0	-63.1	0.0
Proposed budget increases:				
-Program Administration	0.0	0.0	183.5	183.5
-Student Loan Operations	0.0	0.0	525.0	525.0
-WICHE Student Exchange Program	0.0	0.0	4.0	4.0
FY2003 Governor	1,507.3	77.7	8,721.1	10,306.1