

**State of Alaska**  
**FY2020 Governor's Operating Budget**

**Department of Education and Early Development**  
**Loan Servicing**  
**RDU/Component Budget Summary**

**RDU/Component: Loan Servicing***(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)***Contribution to Department's Mission**

Alaska Student Loan Corporation's mission is to operate as an enterprise agency of the State of Alaska thereby funding and facilitating the work of the Alaska Commission on Postsecondary Education to promote access to and success in education and career training beyond high school for Alaskans.

**Major Component Accomplishments in 2018**

- The Alaska Student Loan Corporation (ASLC) continued to fund low-cost education loans to assist Alaska students with the financing of their postsecondary education;
- ASLC continued to meet all of its fiscal responsibilities including substantially absorbing the administrative costs of Alaska Commission on Postsecondary Education's programs and services without reliance on state general fund monies;
- Refined the Alaska Education Loan Refinancing Program (Refi), offering Alaska residents the opportunity to refinance all their education loan debt, regardless of lender, at reduced cost, with the long-term goal of achieving servicing savings sufficient to reduce costs for new student borrowers;
- ASLC made the pilot Refi program permanent, with an FY18 interest rate of 4.95%;
- In program year 2019, implemented significant changes to the in-school, family and Refi loans. Changes included tiered interest rates, providing lower interest rates to the most creditworthy borrowers and cosigners, and introducing a credit builder loan for borrowers and cosigners with lower credit scores and an absence of derogatory credit information. Also offered lower interest rates for students attending schools in Alaska to incentivize and reward Alaska attendance; and
- Met annual loan demand without the issuance of new debt.

**Key Component Challenges**

- Within the current financial market context ASLC is and will continue to face difficulties in achieving low-cost financing such that it will be possible to significantly reduce education loan interest rates while also making loans available to a broader segment of Alaska's student population;
- The drop in loan volume since 2008 is resulting in a declining loan portfolio. Given the fixed costs associated with high quality loan servicing, this portfolio runoff is eroding administrative efficiency of scale and impairing ASLC's ability to keep education loan interest costs low;
- Efficiently servicing the legacy FFELP portfolio in light of ongoing federal changes to the program;
- Failure of Alaska postsecondary institutions to make Alaska students aware of the benefits of state education loans, resulting in over half of Alaska's students borrowing from considerably more expensive but high name-recognition private lenders; and
- Refuting growing national mythology that student loans are inherently bad investments.

**Significant Changes in Results to be Delivered in FY2020**

- Further expand Refi program to attract new volume and reduce ASLC servicing costs, especially at the high FICO ranges;
- Continue to responsibly increase loan volume through interest rate reductions and tiered credit requirements;
- Expand and streamline on-demand, mobile-friendly online account access for borrowers and for the increasing number of cosigners;
- Exploring contractual FFELP servicing options to reduce costs while maintaining quality, and,
- Expand use of email and other electronic communications to reduce costs of communicating with customers.

**Statutory and Regulatory Authority**

AS 14.42.030

AS 14.42.100-990  
AS 14.43.091-175  
AS 14.43.600-790  
AS 14.43.910-990  
AS 14.44.040  
20 AAC 15.086-590  
20 AAC 15.700-990  
20 AAC 18.005-990

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**Component Detail All Funds**  
**Department of Education and Early Development**

**Component:** Loan Servicing (3096)

Non-Formula Component

**RDU:** Alaska Student Loan Corporation (637)

	FY2018 Actuals	FY2019 Conference Committee	FY2019 Authorized	FY2019 Management Plan	FY2020 Governor	FY2019 Management Plan vs FY2020 Governor	
71000 Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
72000 Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
73000 Services	11,747.3	11,742.8	11,742.8	11,742.8	11,159.0	-583.8	-5.0%
74000 Commodities	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
75000 Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
77000 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
<b>Totals</b>	<b>11,747.3</b>	<b>11,742.8</b>	<b>11,742.8</b>	<b>11,742.8</b>	<b>11,159.0</b>	<b>-583.8</b>	<b>-5.0%</b>
<b>Fund Sources:</b>							
1106 ASLC Rcpts (Other)	11,747.3	11,742.8	11,742.8	11,742.8	11,159.0	-583.8	-5.0%
<b>Unrestricted General (UGF)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Designated General (DGF)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Other Funds</b>	<b>11,747.3</b>	<b>11,742.8</b>	<b>11,742.8</b>	<b>11,742.8</b>	<b>11,159.0</b>	<b>-583.8</b>	<b>-5.0%</b>
<b>Federal Funds</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0%</b>
<b>Positions:</b>							
Permanent Full Time	0	0	0	0	0	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	0	0	0	0.0%

**Change Record Detail - Multiple Scenarios with Descriptions**  
**Department of Education and Early Development**

**Component:** Loan Servicing (3096)  
**RDU:** Alaska Student Loan Corporation (637)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
***** Changes From FY2019 Conference Committee To FY2019 Authorized *****												
<b>FY2019 Conference Committee</b>												
	ConfCom	11,742.8	0.0	0.0	11,742.8	0.0	0.0	0.0	0.0	0	0	0
1106 ASLC Rcpts		11,742.8										
<b>Subtotal</b>		<b>11,742.8</b>	<b>0.0</b>	<b>0.0</b>	<b>11,742.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>
***** Changes From FY2019 Management Plan To FY2020 Governor *****												
<b>Reduce ASLC Receipt Authority for administering APS and AEG and Institutional Authorization Programs</b>												
	Dec	-345.5	0.0	0.0	-345.5	0.0	0.0	0.0	0.0	0	0	0
1106 ASLC Rcpts		-345.5										
<b>Reduce Authority to Offset Increase for Outcomes Database Initiative and Federal Receipts for Outcomes Reporting</b>												
	Dec	-238.3	0.0	0.0	-238.3	0.0	0.0	0.0	0.0	0	0	0
1106 ASLC Rcpts		-238.3										
<b>Totals</b>		<b>11,159.0</b>	<b>0.0</b>	<b>0.0</b>	<b>11,159.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0</b>	<b>0</b>

The Program Administration and Operations component will now be administering the multi-agency Outcomes Database initiative, including administrative costs associated with the Alaska Performance Scholarship (APS), the Alaska Education Grant (AEG) and the Institutional Authorization (IA) programs using Higher Education Fund receipts.

Alaska Student Loan Receipt authority is reduced to offset the general fund and federal receipts increment for the multi-agency Outcomes Database initiative. The authorization in the amount of \$238.3 will not be needed should the increases for the Outcomes Database initiative be enacted. If the Outcomes Database initiative is not enacted, this authorization will need to be retained to fully support agency personnel costs.

**Line Item Detail (1676)**  
**Department of Education and Early Development**  
**Services**

**Component:** Loan Servicing (3096)

Line Number	Line Name			FY2018 Actuals	FY2019 Management Plan
3000	Services			11,747.3	11,742.8
Object Class	Servicing Agency	Explanation		FY2018 Actuals	FY2019 Management Plan
<b>3000 Services Detail Totals</b>				<b>11,747.3</b>	<b>11,742.8</b>
3027	Inter-Agency Financial	E&ED - Program Admin & Operations (2738)	Alaska Student Loan Corporation receipts	11,747.3	11,742.8

**Revenue Detail (1681)**  
**Department of Education and Early Development**

**Component:** Loan Servicing (3096)

Revenue Type (OMB Fund Code) Revenue Source	Component	Comment	FY2018 Actuals	FY2019 Management Plan
<b>6106 ASLC Rcpts (1106 ASLC Rcpts)</b>			<b>11,747.3</b>	<b>11,742.8</b>
6726 Alaska Student Loan Corporation Receipts - Miscellaneous	E&ED - Program Admin & Operations (2738)	Education loan receipts	11,747.3	11,742.8

**Inter-Agency Services (1682)**  
**Department of Education and Early Development**

**Component:** Loan Servicing (3096)

			FY2018 Actuals	FY2019 Management Plan
<b>Component Totals</b>			<b>11,747.3</b>	<b>11,742.8</b>
With Department of Education and Early Development			11,747.3	11,742.8
Object Class	Servicing Agency	Explanation	FY2018 Actuals	FY2019 Management Plan
3027 Inter-Agency Financial	E&ED - Program Admin & Operations (2738)	Alaska Student Loan Corporation receipts	11,747.3	11,742.8