

State of Alaska
FY2021 Governor's Operating Budget

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

RDU/Component: Loan Servicing

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 2019

- 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 FY2021

- 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

Contact Information
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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)

	FY2019 Actuals	FY2020 Conference Committee	FY2020 Authorized	FY2020 Management Plan	FY2021 Governor	FY2020 Management Plan vs FY2021 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	11,564.0	11,742.8	11,742.8	11,742.8	11,062.1	-680.7	-5.8%
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%
Totals	11,564.0	11,742.8	11,742.8	11,742.8	11,062.1	-680.7	-5.8%
Fund Sources:							
1106 ASLC Rcpts (Other)	11,564.0	11,742.8	11,742.8	11,742.8	11,062.1	-680.7	-5.8%
Unrestricted General (UGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Designated General (DGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Other Funds	11,564.0	11,742.8	11,742.8	11,742.8	11,062.1	-680.7	-5.8%
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Positions:							
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 FY2020 Conference Committee To FY2020 Authorized *****												
FY2020 Conference Committee												
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										
Subtotal		11,742.8	0.0	0.0	11,742.8	0.0	0.0	0.0	0.0	0	0	0
***** Changes From FY2020 Management Plan To FY2021 Governor *****												
Outsource Federal Family Education Loan Program Servicing												
Dec		-586.3	0.0	0.0	-586.3	0.0	0.0	0.0	0.0	0	0	0
1106 ASLC Rcpts		-586.3										
Reduce authority in Loan Servicing to align with the reduction to Program Administration and Operations resulting from outsourcing the Alaska Student Loan Corporation's Federal Family Education Loan Program loans to a new servicer - the Pennsylvania Higher Education Assistance Agency.												
Reduce Authority to Reflect Reduction in Program Administration and Operations												
Dec		-94.4	0.0	0.0	-94.4	0.0	0.0	0.0	0.0	0	0	0
1106 ASLC Rcpts		-94.4										
Reduce receipt authority in Loan Servicing to align with the interagency receipt authority for Program Administration and Operations. Alaska Student Loan receipts fund a majority of the Program Administration and Operations component's operating costs through a reimbursable services agreement.												
Totals		11,062.1	0.0	0.0	11,062.1	0.0	0.0	0.0	0.0	0	0	0

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

Component: Loan Servicing (3096)

Line Number	Line Name			FY2019 Actuals	FY2020 Management Plan	FY2021 Governor
3000	Services			11,564.0	11,742.8	11,062.1
Object Class		Servicing Agency	Explanation	FY2019 Actuals	FY2020 Management Plan	FY2021 Governor
3000 Services Detail Totals				11,564.0	11,742.8	11,062.1
3027	Inter-Agency Financial	E&ED - Program Admin & Operations (2738)	Alaska Student Loan Corporation receipts.	11,564.0	11,742.8	11,062.1

Revenue Detail (1681)
Department of Education and Early Development

Component: Loan Servicing (3096)

Revenue Type (OMB Fund Code) Revenue Source	Component	Comment	FY2019 Actuals	FY2020 Management Plan	FY2021 Governor
6106 ASLC Rcpts (1106 ASLC Rcpts)			11,564.0	11,742.8	11,062.1
6726 Alaska Student Loan Corporation Receipts - Miscellaneous	E&ED - Program Admin & Operations (2738)	Education loan receipts.	11,564.0	11,742.8	11,062.1

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

Component: Loan Servicing (3096)

			FY2019 Actuals	FY2020 Management Plan	FY2021 Governor
Component Totals			11,564.0	11,742.8	11,062.1
With Department of Education and Early Development			11,564.0	11,742.8	11,062.1
Object Class	Servicing Agency	Explanation	FY2019 Actuals	FY2020 Management Plan	FY2021 Governor
3027 Inter-Agency Financial	E&ED - Program Admin & Operations (2738)	Alaska Student Loan Corporation receipts.	11,564.0	11,742.8	11,062.1