

State of Alaska FY2023 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**

To promote access to and success in education and career training beyond high school for Alaskans.

Major Component Accomplishments in 2021

The Alaska Student Loan Corporation (ASLC) operates as an enterprise agency of the State of Alaska thereby funding and facilitating the work of the Alaska Commission on Postsecondary Education (ACPE).

- 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 ACPE'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 offered the FY2020 refinance loan with a low interest rate of 4.85%;
- Outsourced servicing of the legacy Federal Family Education Loan Program (FFELP) portfolio and implemented a contract monitoring system; and
- Met annual loan demand without the issuance of new debt.

Key Component Challenges

- Reduced higher education enrollments, primarily associated with the COVID-19 health pandemic, have reduced lending volume;
- 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;
- Alaska students are not 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 FY2023

- Further expand the 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;
- Expand use of email and other electronic communications to reduce costs of communicating with customers; and
- Outsource the originations and loan servicing of state education loans to reduce costs while maintaining quality.

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)
RDU: Alaska Student Loan Corporation (637)

Non-Formula Component

	FY2021 Actuals	FY2022 Conference Committee	FY2022 Authorized	FY2022 Management Plan	FY2023 Governor	FY2022 Management Plan vs FY2023 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	8,938.2	9,936.5	9,936.5	9,936.5	9,794.5	-142.0	-1.4%
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	8,938.2	9,936.5	9,936.5	9,936.5	9,794.5	-142.0	-1.4%
Fund Sources:							
1106 ASLC Rcpts (Other)	8,938.2	9,936.5	9,936.5	9,936.5	9,794.5	-142.0	-1.4%
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	8,938.2	9,936.5	9,936.5	9,936.5	9,794.5	-142.0	-1.4%
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 FY2022 Conference Committee To FY2022 Authorized *****												
FY2022 Conference Committee												
	ConfCom	9,936.5	0.0	0.0	9,936.5	0.0	0.0	0.0	0.0	0	0	0
1106 ASLC Rcpts		9,936.5										
Subtotal		9,936.5	0.0	0.0	9,936.5	0.0	0.0	0.0	0.0	0	0	0
***** Changes From FY2022 Management Plan To FY2023 Governor *****												
Reduce Authority to Align with Deleted Positions in Program Admin and Operations												
	Dec	-142.0	0.0	0.0	-142.0	0.0	0.0	0.0	0.0	0	0	0
1106 ASLC Rcpts		-142.0										
Totals		9,794.5	0.0	0.0	9,794.5	0.0	0.0	0.0	0.0	0	0	0

Reduce authority that supported the deleted vacant positions in the Program Administration & Operations component that are no longer needed due to duties being outsourced or absorbed by other positions.

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

Component: Loan Servicing (3096)

Line Number	Line Name			FY2021 Actuals	FY2022 Management Plan	FY2023 Governor
3000	Services			8,938.2	9,936.5	9,794.5
Object Class	Servicing Agency	Explanation		FY2021 Actuals	FY2022 Management Plan	FY2023 Governor
3000 Services Detail Totals				8,938.2	9,936.5	9,794.5
3027	Inter-Agency Financial	E&ED - Program Admin & Operations (2738)	Alaska Student Loan Corporation receipts.	8,938.2	9,936.5	9,794.5

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

Component: Loan Servicing (3096)

				FY2021 Actuals	FY2022 Management Plan	FY2023 Governor
Component Totals				8,938.2	9,936.5	9,794.5
With Department of Education and Early Development				8,938.2	9,936.5	9,794.5
Object Class	Servicing Agency	Explanation		FY2021 Actuals	FY2022 Management Plan	FY2023 Governor
3027 Inter-Agency Financial	E&ED - Program Admin & Operations (2738)	Alaska Student Loan Corporation receipts.		8,938.2	9,936.5	9,794.5