

# **State of Alaska FY2024 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 2022**

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 the lender, at a reduced cost, with the long-term goal of achieving servicing savings sufficient to reduce costs for new student borrowers;
- ASLC offered the FY2022 refinance loan with the lowest interest rate of 3.55 percent; 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 FY2024**

- 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

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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)

	<b>FY2022 Actuals</b>	<b>FY2023 Conference Committee</b>	<b>FY2023 Authorized</b>	<b>FY2023 Management Plan</b>	<b>FY2024 Governor</b>	<b>FY2023 Management Plan vs FY2024 Governor</b>	
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	7,946.9	9,794.5	9,800.2	9,800.2	9,800.2	0.0	0.0%
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>7,946.9</b>	<b>9,794.5</b>	<b>9,800.2</b>	<b>9,800.2</b>	<b>9,800.2</b>	<b>0.0</b>	<b>0.0%</b>
<b>Fund Sources:</b>							
1106 ASLC Rcpts (Other)	7,946.9	9,794.5	9,800.2	9,800.2	9,800.2	0.0	0.0%
<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>7,946.9</b>	<b>9,794.5</b>	<b>9,800.2</b>	<b>9,800.2</b>	<b>9,800.2</b>	<b>0.0</b>	<b>0.0%</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 FY2023 Conference Committee To FY2023 Authorized *****												
<b>FY2023 Conference Committee</b>												
	ConfCom	9,794.5	0.0	0.0	9,794.5	0.0	0.0	0.0	0.0	0	0	0
1106 ASLC Rcpts		9,794.5										
<b>Align Authority for Agency-wide Rates Adjustment</b>												
	Unalloc	5.7	0.0	0.0	5.7	0.0	0.0	0.0	0.0	0	0	0
1106 ASLC Rcpts		5.7										
<p>A list of the FY2023 Department of Administration rate changes apportioned to the Department of Education (DEED) as a whole are shown below. This transaction aligns authority for these rate adjustments across DEED's components in accordance with the department's approved cost allocation process.</p> <ul style="list-style-type: none"> <li>• Administrative Systems Rate Adjust Base Change: \$44.7</li> <li>• Administrative Systems Upgrade Ongoing Cost Increases: \$149.2</li> <li>• Human Resources Rate Adjusted Base Change: \$81.8</li> <li>• Human Resources Rate for AspireAlaska: \$8.7</li> <li>• Office of Information Technology Core Services Rate Adjust Base Change: \$8.6</li> <li>• Office of Information Technology Core Services Rate Infrastructure Upkeep Increase: \$24.6</li> <li>• Office of Information Technology Core Services Rate Software Increases: \$54.4</li> <li>• Office of Information Technology Mainframe Increases: \$-3.3</li> <li>• Office of Information Technology Other Non-Core Adjusted Base Change: \$-14.5</li> <li>• Shared Services of Alaska Travel and Accounts Payable Rate Adjusted Base Change: \$8.3</li> </ul>												
	<b>Subtotal</b>	<b>9,800.2</b>	<b>0.0</b>	<b>0.0</b>	<b>9,800.2</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 FY2023 Management Plan To FY2024 Governor *****												
	<b>Totals</b>	<b>9,800.2</b>	<b>0.0</b>	<b>0.0</b>	<b>9,800.2</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>

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

**Component:** Loan Servicing (3096)

<b>Line Number</b>	<b>Line Name</b>			<b>FY2022 Actuals</b>	<b>FY2023 Management Plan</b>	<b>FY2024 Governor</b>
3000	Services			7,946.9	9,800.2	9,800.2
<b>Object Class</b>		<b>Servicing Agency</b>	<b>Explanation</b>	<b>FY2022 Actuals</b>	<b>FY2023 Management Plan</b>	<b>FY2024 Governor</b>
<b>3000 Services Detail Totals</b>				<b>7,946.9</b>	<b>9,800.2</b>	<b>9,800.2</b>
3027	Inter-Agency Financial	E&ED - Program Admin & Operations (2738)	Alaska Student Loan Corporation receipts.	7,946.9	9,800.2	9,800.2

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

**Component:** Loan Servicing (3096)

Revenue Type (OMB Fund Code) Revenue Source	Component	Comment	FY2022 Actuals	FY2023 Management Plan	FY2024 Governor
<b>6106 ASLC Rcpts (1106 ASLC Rcpts)</b>			<b>7,946.9</b>	<b>9,800.2</b>	<b>9,800.2</b>
6726 Alaska Student Loan Corporation Receipts - Miscellaneous		Alaska Student Loan Corporation receipts.	7,946.9	9,800.2	9,800.2

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

**Component:** Loan Servicing (3096)

			FY2022 Actuals	FY2023 Management Plan	FY2024 Governor
<b>Component Totals</b>			<b>7,946.9</b>	<b>9,800.2</b>	<b>9,800.2</b>
With Department of Education and Early Development			7,946.9	9,800.2	9,800.2
<b>Object Class</b>	<b>Servicing Agency</b>	<b>Explanation</b>	FY2022 Actuals	FY2023 Management Plan	FY2024 Governor
3027 Inter-Agency Financial	E&ED - Program Admin & Operations (2738)	Alaska Student Loan Corporation receipts.	7,946.9	9,800.2	9,800.2