

**FINAL REPORT**  
Performance Review of the Alaska Commission on  
Postsecondary Education and the Alaska Student Loan  
Corporation







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## **1 EXECUTIVE SUMMARY**

A performance review of the Alaska Commission on Postsecondary Education (ACPE) and the Alaska Student Loan Corporation (ASLC) was initiated in January 2016 and conducted according to the requirements of House Bill 30 (Chapter 19, SLA 2013). After a competitive procurement process, the Division of Legislative Audit (DLA) selected Public Works LLC to conduct the ACPE and ASLC performance review, with subcontractor Morningside Research and Consulting, Inc., managing the project.

ASLC and ACPE are two distinct and separate legal entities—a public corporation and a general government agency, respectively. ASLC is a student loan organization with the authority to issue debt to finance loan originations. ASLC retains ownership of the student loans it finances. ASLC contracts with ACPE for loan servicing and administrative support and holds ACPE responsible for complying with federal statutes and regulations governing student loans. ASLC retains the risk associated with non-compliance. In addition to providing loan servicing and administrative support to ASLC, ACPE has basic governmental responsibilities such as regulating postsecondary institutions in Alaska and administering state-financed student financial aid.

### **1.1 METHODOLOGY**

Over the course of the performance review, the review team conducted interviews and group meetings with 26 ACPE staff members, 5 ACPE board members, 4 ASLC board members, and 8 external stakeholders. These interviews, an extensive review of ACPE and ASLC data and documents, and best practices and benchmarking research provided the review team with a full understanding of the procedural, operational, and administrative processes within ACPE to identify areas of improved efficiency and effectiveness. This review would not have been possible without the engagement of ACPE staff or their willingness to be forthcoming with information and feedback.

### **1.2 ACHIEVEMENT OF REVIEW OBJECTIVES**

The ACPE and ASLC performance review was conducted in accordance with HB 30, and guided by the five objectives in the scope of work established by DLA. The review found that ACPE and ASLC are functioning well overall, however, the review identified several areas for potential improvement. Each of the review objectives was met, with specific findings and recommendations outlined in individual chapters of the report.

### 1.3 SUMMARY OF FINDINGS AND RECOMMENDATIONS

This performance review report is organized by the issues identified during the review process. Detailed information about the findings and recommendations related to each issue are included in the full report. Below is a summary of the issues discussed in each chapter in the report.

**Strategic planning.** ACPE and ASLC do not currently have strategic plans. Although the organization developed a “clarity map” during a process improvement exercise, this is not a substitute for a long-term strategic plan. Strategic planning is considered a best practice for government organizations. Other state of Alaska corporations and other student loan corporations across the U.S. have strategic plans. A comprehensive strategic plan should be created for both ACPE and ASLC.

**Performance measure compliance.** To be in compliance with AS 37.07.050, Alaska state agencies must provide budget and performance information to the governor in annual budget requests as outlined in the statute. Alaska Statute 37.07.050 outlines 40 individual requirements for performance measures. For this review, the statutory requirements were compared against the ACPE sections of the state of Alaska operating budgets, Office of Management and Budget (OMB) performance details, Results Delivery Unit reports, ACPE Annual Report 2014, and 2014 ACPE Winter and Spring Updates. Based on this review, ACPE met 23 of the statutory requirements, partially met seven requirements, and did not meet 10 requirements. In addition, some of the performance measures that are currently used may not effectively measure whether the agency is meeting mission and goals. ACPE should provide complete information as required by statute, ensure that all of the information is compiled and submitted as required, and consider revising or adding performance measures.

**Institutional authorization.** The federal government through the U.S. Department of Education requires each state to have an approval process for postsecondary institutional operations and to monitor the financial responsibility of institutions. The federal government also requires review of institutions from outside Alaska that deliver programs of study in an online or other distance delivery mode. This performance review found that the ACPE application for approval to operate is a comprehensive form that could be a model for other states. However, the fees that ACPE charges for authorization cover less than one-fourth of total direct and indirect costs of conducting the authorizations. ACPE charges lower fees for authorization and grants more exemptions to authorization than other state student loan corporations. ACPE should increase fees for authorization and exemption, establish a fee for renewal of exemptions from authorization, charge a site visit



fee sufficient to cover all costs of a site visit, and review the exemptions from authorization to ensure that sufficient consumer protection is afforded to prospective Alaska students.

**Call center challenges.** The Customer Service unit of ACPE provides assistance to customers seeking details on their student loans and grant and scholarship awards. The performance review found that the call center experiences high staff turnover and operates during more limited hours than other student loan corporation call centers. Call center staff reported that the Topic-Based Index (TBI) that they use to access information during customer calls can be confusing and cumbersome. ACPE should explore whether more flexible staffing arrangements could support extended hours, seek guidance from a professional librarian on the organization of the TBI, implement additional metrics to measure efficiency more accurately, and utilize social media as a means of customer service communication.

**Stakeholder input.** Although ACPE has commissioned two surveys (in 2013 and 2015) that provided useful feedback to ACPE about current and potential Alaska student loan borrowers and scholarship recipients, ACPE does not currently have a mechanism for regularly obtaining feedback from borrowers of the 35,000 loan accounts that the organization services or from other customers of ACPE. Surveys that use consistent metrics and are administered at regular intervals could allow ACPE to draw conclusions about trends in experiences and satisfaction. ACPE should conduct regular customer service surveys to determine areas of satisfaction and areas needing attention.

**Regulatory burdens.** ASLC, like other state alternative student loan organizations, operates in a highly-regulated environment. ASLC is governed by federal statutes relating to the sale of taxable and tax-exempt bonds and the regulation of student loans, as well as many state statutes. Major changes to federal student loan rules in 2010 dramatically decreased the loan volume originated by ASLC. Although the corporation weathered the changes well, continues to operate on the proceeds of its existing student loans, and continues to have a good credit rating for issuing new bonds for student loans, several pieces of new legislation could have an impact on operations.

- Senate Joint Resolution 2 (SJR2), which is currently awaiting transmittal to the governor, would allow the state to place on a statewide general election ballot the question of whether ASLC may use general obligation (GO) bond authority for the purpose of funding student loans. Issuing GO bonds to finance student loans would allow ASLC to offer lower interest rates to borrowers and increase loan volume, assuming market conditions are favorable.



- House Bill 305 (Recreational/Avocational Training Exemption) was introduced early in the 2016 legislative session to allow yoga instruction programs and yoga teacher training to be exempted from the oversight of the ACPE institutional authorization program. The bill was signed on June 18, 2016.
- House Bill 256, the FY 2017 appropriations bill, proposed reductions to ACPE outreach activities and the ACPE travel budget. The bill was signed on July 11, 2016.
- In addition to state legislation, ACPE is currently awaiting clarification from the U.S. Department of the Treasury on rules that would allow the corporation to offer a student loan refinancing program. ACPE is proceeding with plans to launch a pilot refinancing program in the summer of 2016 to assess demand for refinancing.

ACPE should continue to explore loan refinancing as the federal rules are clarified and ASLC should continue to pursue the use of GO bonds to fund student loans if SJR2 is signed by the governor.

**Information technology (IT) systems and functionality.** ACPE staff noted that the recent conversion to Higher Education Loan Management System (HELMS.net), a new loan-servicing platform, and the Alaska Student Aid Portal (ASAP) for managing grants and scholarships has addressed many of the IT issues that ACPE experienced in the past. During this review, three remaining IT challenges were identified: cosigners lack access to loan information online, borrowers do not have the ability to direct payments for multiple loans online, and the process used for testing updates to HELMS.net reportedly delays the implementation of needed updates. ACPE should update HELMS.net to allow cosigner access to the extent allowed by law and to allow borrowers to direct payments for multiple loans online. ACPE should consider whether the testing system used for updating HELMS.net is the most efficient way of implementing updates.

**Future of ASLC.** Over the last two years, ASLC has come under increased scrutiny as the Alaska legislature has had to make difficult decisions to balance the state budget. In the last two sessions, the legislature has reduced or proposed to reduce budget authority for ACPE and investigated the consequences of transferring or even eliminating ASLC and its existing assets. In light of these questions and concerns, the operations and administration of ASLC were reviewed to identify the various factors related to the costs and benefits to the state of Alaska.



All of the information analyzed for this performance review indicates that ASLC is functioning well. ACPE and ASLC have made a number of adjustments in response to external forces and improvements to internal operations over the last several years. Although students have the option to obtain student loans on the private market, these loans do not compare favorably to ASLC. Generally, private student loans carry more risk and have higher interest rates.

One of the most significant benefits of ASLC is that the proceeds from the loans can be used to fund economic development activities designed to strengthen the future Alaska workforce. Every dollar awarded in an ASLC loan or in a grant or scholarship administered by ACPE to a student at the University of Alaska generates an economic benefit of \$3.25. ASLC loan proceeds also can be used to fund economic development activities, such as outreach activities designed to raise awareness of postsecondary education opportunities. The loans, scholarships, and grants administered by ACPE encourage Alaska students to stay in Alaska for postsecondary education and to enter the Alaska workforce after graduation.

While a more detailed cost-benefit analysis is beyond the scope of this performance review, the benefits of ASLC to the state of Alaska are significant in terms of the positive economic development impacts of the corporation. The corporation funds its own operations as well as much-needed outreach activities to encourage Alaskans to obtain postsecondary education. There are no costs to the Alaska general fund for maintaining ASLC.

There are, of course, philosophical arguments about the proper role of government that can be made about any government activity. Those are beyond the scope of a review such as this. Based solely on the factors properly considered in this performance review, however, it is recommended that ASLC be maintained and allowed to 1) engage in activities to increase student loan volume and reduce loan interest rates and 2) fund outreach activities to encourage Alaska students to pursue postsecondary education in Alaska, as these produce net quantifiable benefits for the state and its citizens.



## **2 OVERVIEW**

The Alaska State Legislature passed House Bill 30 (Chapter 19, SLA 2013) in 2013, which requires that the Division of Legislative Audit (DLA) facilitate performance reviews of state agencies every 10 years.<sup>1</sup> In October 2015, a competitive request for proposals (RFP), “Request for Proposal: RFP No. 15-33-13 Performance Review of the Alaska Commission on Postsecondary Education and the Alaska Student Loan Corporation,” was issued by DLA to solicit a contractor with expertise in government agency organizational reviews to complete a performance review of the organizational and administrative structure of the Alaska Commission on Postsecondary Education (ACPE) and the Alaska Student Loan Corporation (ASLC).<sup>2</sup> DLA selected Public Works LLC (Public Works) to conduct the ACPE and ASLC performance review, with subcontractor Morningside Research and Consulting, Inc., (Morningside) managing the project. This ACPE and ASLC performance review report is submitted to the Alaska Legislative Budget and Audit Committee (LBAC) for review.

ASLC and ACPE are two distinct and separate legal entities—a public corporation and a general government agency, respectively. ASLC is a student loan organization with the authority to issue debt to finance loan originations. ASLC retains ownership of the student loans it finances. ASLC contracts with ACPE for loan servicing and administrative support and holds ACPE responsible for complying with federal statutes and regulations governing student loans. ASLC retains the risk associated with non-compliance. In addition to providing loan servicing and administrative support to ASLC, ACPE has basic governmental responsibilities such as regulating postsecondary institutions in Alaska and administering state-financed student financial aid.

### **2.1 PURPOSE OF A PERFORMANCE REVIEW**

A performance review is designed to challenge assumptions about why specific programs or services exist, as well as how business is conducted. It is not an audit that checks to ensure money is spent according to acceptable accounting practices. It is a process that defines how services are provided, how business is conducted, what emerging demands are being placed on government agencies and departments – and how effectively and efficiently the processes, procedures, policies, technology, and organizations responsible for the services are operating.

The end result of a performance review is the identification of recommendations to: reduce inefficiency and ineffectiveness; improve services and the way business is conducted; identify technological improvements to support operations; establish ways an organization



must change to meet changing demands; and establish organizational structures, policies, and procedures to most effectively and efficiently deliver services to citizens.

This performance review report identifies a number of recommendations that result in improved operations and administrative efficiencies. When the department begins to implement any recommendation, it often will need to consider the best option for doing so as well as a myriad of details involved in executing each one. This performance review report makes every attempt to identify the benefits, costs, and challenges of any change it proposes. The full list of all relevant obstacles and their actual costs, however, can only be compiled as the department considers implementation; a performance review therefore cannot conduct a complete cost-benefit analysis of every recommendation.

## **2.2 PERFORMANCE REVIEW OBJECTIVES**

The ACPE and ASLC performance review was conducted in accordance with HB 30, and guided by five objectives in the scope of work established by DLA. As required by the RFP, Public Works developed methodologies for each of the five objectives specified in the scope of work. These are the five review objectives that guided this performance review:

1. Evaluate ACPE's success in achieving its mission through effectively and efficiently delivering its core services, goals, programs, and objectives.
2. Determine whether ACPE's results-based measures demonstrate the effectiveness and efficiency of the department's core services, goals, programs, and objectives.
3. Recommend improvements to agency practices and procedures, including means to decrease regulatory burdens or restrictions without decreasing public service.
4. Evaluate ACPE's process for implementing technology and recommend new types or uses of technology to improve agency efficiency and effectiveness.
5. Identify the extent to which statutory, regulatory, budgetary, or other changes are necessary to enable the agency to better serve the public's interests and to correct problems identified during the review.

For the purpose of the report, the following definitions of efficiency and effectiveness are used:

Efficiency:



- ACPE is operating in a way that maximizes resources (revenue, staff resources, and materials).
- The highest quality ACPE and ASLC services are delivered at the lowest possible cost.
- ACPE processes and procedures are streamlined and simplified to minimize the time needed to complete tasks.

Effectiveness:

- ACPE and ASLC missions and desired outcomes are achieved.
- Duplication among programs and services is minimized.

### **2.3 METHODOLOGY**

The performance review began with an initial onsite visit to the main ACPE office in Juneau in January 2016 and was followed by an additional site visit in March 2016. The performance review is informed by interviews and focus groups that Public Works and Morningside conducted with ACPE, ACPE and ASLC board members, external stakeholders, and best practices research. Public Works interviewed 26 ACPE staff members, five ACPE board members, four ASLC board members, and eight external stakeholders. External stakeholders included the ASLC financial advisor, the ASLC bond counsel, University of Alaska financial aid staff, and Alaska Legislative Finance Division staff. Best practices research was conducted on other state student loan corporations, private lenders, strategic planning, call centers, and institutional authorization in other states.

Two public hearings were held to gain input from the public, but no comments were made during the hearings. Public Works reviewed one letter that was received by DLA from a member of the public. Public Works met with the management team at ACPE on May 25, 2016, to review and discuss the preliminary findings and recommendations. Comments and additional data received as a result of the meeting have been incorporated into the report.

### **2.4 REPORT LAYOUT**

After this Overview chapter, the achievement of the review objectives is discussed in the following chapter. The remaining chapters in the report discuss the issues identified during the performance review. Each chapter discusses the issue identified, relevant background information, specific findings, recommendations, and any costs associated with implementation of the recommendations.



### **3 ACHIEVEMENT OF REVIEW OBJECTIVES**

This chapter includes a summary of the conclusions reached regarding each review objective. The remaining chapters of the report include details regarding each finding and recommendation.

#### **3.1 REVIEW OBJECTIVE 1: EVALUATE ACPE'S SUCCESS IN ACHIEVING ITS MISSION THROUGH EFFECTIVELY AND EFFICIENTLY DELIVERING ITS CORE SERVICES, GOALS, PROGRAMS, AND OBJECTIVES.**

*The review team will evaluate whether ACPE's core services, goals, programs, and objectives are efficient and effective, including the extent that ACPE accomplishes its mission. The review team will provide suggestions for improvement to any area that it identifies as either not effective or not efficient, including alternate goals, programs, or objectives, as applicable.*

#### **Conclusion**

All of the information analyzed for this performance review indicates that the Alaska Commission on Postsecondary Education (ACPE) and the Alaska Student Loan Corporation (ASLC) are functioning well. ACPE and ASLC have made a number of adjustments in response to external forces and improvements to internal operations over the last several years. While ACPE was found to be functioning well overall, the review identified several areas for potential improvement in operations that could increase effectiveness and efficiency in accomplishing its mission. Based on the findings presented in each chapter of this report, the review team recommends that a comprehensive strategic plan be created for both ACPE and ASLC. The review team further recommends that ACPE increase fees for institutional authorization and exemption in order to increase revenue and provide further consumer protection to Alaska students, pursue general obligation bond financing, continue to explore offering loan refinancing, explore whether more flexible staffing arrangements could support extended hours in the call center, consider changes in call center operations, and conduct regular customer service surveys to determine areas of satisfaction and areas needing attention.

### **3.2 REVIEW OBJECTIVE 2: DETERMINE WHETHER ACPE'S RESULTS-BASED MEASURES DEMONSTRATE THE EFFECTIVENESS AND EFFICIENCY OF THE DEPARTMENT'S CORE SERVICES, GOALS, PROGRAMS, AND OBJECTIVES.**

*The review team will evaluate ACPE's results-based measures submitted by the department in response to AS 37.07.050, and:*

- *Determine whether the results-based measures used by ACPE demonstrate the effectiveness of the agency's core services, goals, programs, and objectives;*
- *Determine whether the results-based measures used by ACPE demonstrate the agency's efficient delivery of core services, goals, programs, and objectives;*
- *From the information reviewed, make recommendations on alternate results-based measures that may better demonstrate the agency's effectiveness or efficiency in meeting its core services, goals, programs, and objectives; and*
- *Identify whether the results-based measures required under AS 37.07 are useful in conducting the agency's performance review, and if not, explain why they are not useful.*
  - *Should the review team find the results-based measures were not useful in conducting the performance review, the team shall:*
    - *Provide recommendations identifying other currently available information or indicators that could be used in the future to better demonstrate ACPE's effectiveness or efficiency in fulfilling its core services, goals, programs, and objectives.*
    - *Identify information not currently collected by ACPE that can be obtained at little to no additional cost and may be used to develop alternative performance measures or enhance current performance measures.*

### **Conclusion**

To comply with Alaska Statute (AS) 37.07.050, Alaska state agencies must provide budget and performance information to the governor in annual budget requests as outlined in the statute. Alaska Statute 37.07.050 outlines 40 individual requirements for performance measures. For this review, the statutory requirements were compared against the ACPE sections of the State of Alaska operating budgets, Office of Management and Budget (OMB) performance details, Results Delivery Unit reports, ACPE Annual Report 2014, and 2014 ACPE Winter and Spring Updates. As discussed in more detail in Chapter 5, ACPE

met 23 of the statutory requirements, partially met seven requirements, and did not meet ten requirements. In addition, some of the performance measures that are currently used may not effectively measure whether the agency is meeting mission and goals. ACPE should provide complete information as required by statute, ensure that all of the information is compiled and submitted as required, and consider revising or adding performance measures. To the extent that data are available to develop some or all of the suggested measures, there will be no additional costs to ACPE; this can be accomplished within existing resources. If sufficient data do not exist, the costs and benefits associated with the collection and reporting of the measure will need to be considered by ACPE.

### **3.3 REVIEW OBJECTIVE 3: RECOMMEND IMPROVEMENTS TO AGENCY PRACTICES AND PROCEDURES, INCLUDING MEANS TO DECREASE REGULATORY BURDENS OR RESTRICTIONS WITHOUT DECREASING PUBLIC SERVICE.**

*Upon review of national best practices and after consultation with ACPE's management, the review team will provide recommendations to improve practices or procedures that will increase the agency's effectiveness and efficiency.*

*As part of this objective, the review team will also list and recommend improvements to regulations that impede ACPE's ability to adopt a more effective or efficient practice or procedure.*

## **Conclusion**

While this review found that ACPE is functioning well overall, the review identified several areas for potential improvement in operations that could increase effectiveness and efficiency in accomplishing the ACPE mission. As noted above for Review Objective 1, the review team recommends that a comprehensive strategic plan be created for both ACPE and ASLC. The review team further recommends that ACPE increase fees for institutional authorization and exemption in order to increase revenue and provide further consumer protection to Alaska students, explore whether more flexible staffing arrangements could support extended hours in the call center, consider changes in call center operations, and conduct regular customer service surveys to determine areas of satisfaction and areas needing attention. Constitutional and statutory changes that would allow ASLC to operate more effectively and efficiently would be to authorize ASLC to issue general obligation bonds to finance student loans and a loan refinancing program.

### **3.4 REVIEW OBJECTIVE 4: EVALUATE ACPE'S PROCESS FOR IMPLEMENTING TECHNOLOGY AND RECOMMEND NEW TYPES OR**



## **USES OF TECHNOLOGY TO IMPROVE AGENCY EFFICIENCY AND EFFECTIVENESS.**

*The review team will evaluate ACPE's current use of technology and, where applicable, recommend possible changes. The review team will also identify national best practices that utilize specific technology to improve ACPE's core services. The review team will make recommendations on technological improvements to improve ACPE's effectiveness and efficiency, and include estimated costs for the recommended improvement.*

### **Conclusion**

As discussed in more detail in Chapter 10, ACPE staff noted that the recent conversion to the Higher Education Loan Management System (HELMS.net), a new loan-servicing platform, and the Alaska Student Aid Portal (ASAP) for managing grants and scholarships has addressed many of the IT issues that ACPE experienced in the past. Because HELMS.net is an industry-specific IT system, no other best practices were identified for use by ACPE. Three remaining IT challenges were identified: cosigners lack access to loan information online, borrowers do not have the ability to direct payments for multiple loans online, and the process used for testing updates to HELMS.net reportedly delays the implementation of needed updates. ACPE should update HELMS.net to allow cosigner access to the extent allowed by law and to allow borrowers to direct payments for multiple loans online. In addition, ACPE should consider whether the testing system used for updating HELMS.net is the most efficient way of implementing updates. There may be costs associated with having the HELMS.net vendor develop this functionality; those costs would need to be negotiated with the vendor. ACPE should apply process improvement techniques to analyze whether the testing environment is efficient; this can be completed within existing resources.

### **3.5 REVIEW OBJECTIVE 5: IDENTIFY THE EXTENT TO WHICH STATUTORY, REGULATORY, BUDGETARY, OR OTHER CHANGES ARE NECESSARY TO ENABLE THE AGENCY TO BETTER SERVE THE PUBLIC'S INTERESTS AND TO CORRECT PROBLEMS IDENTIFIED DURING THE REVIEW.**

*As an essential part of the review process, the team will interview key ACPE staff to identify whether there are statutory, regulatory, budgetary, or other restrictions impeding ACPE's ability to improve its effectiveness and efficiency. It is also anticipated that information will be derived through the public hearing process that will also identify areas for potential improvement. The team will determine the extent to which each potential area for modification has impacted ACPE's performance and review ACPE's historical attempts to address the issue. The review team will provide recommendations in those areas that it determines could lead to greater effectiveness or efficiency.*

#### **Conclusion**

ACPE and ASLC have made a number of adjustments in response to external forces and improvements to internal operations over the last several years, and continue to function well overall. The benefits of ASLC to the state of Alaska are significant in terms of the positive economic development impacts of the corporation. The corporation funds its own operations as well as much-needed outreach activities to encourage Alaskans to obtain postsecondary education. The review team recommends that ACPE be allowed to engage in activities to increase student loan volume and reduce loan interest rates and be allowed to fund outreach activities to encourage Alaska students to pursue postsecondary education in Alaska.

As discussed under Review Objectives 1 and 3 above, the review team recommends that a comprehensive strategic plan be created for both ACPE and ASLC. The review team further recommends that ACPE increase fees for institutional authorization and exemption in order to increase revenue and provide further consumer protection to Alaska students, pursue general obligation bond financing, continue to explore offering loan refinancing, explore whether more flexible staffing arrangements could support extended hours in the call center, consider changes in call center operations, and conduct regular customer service surveys to determine areas of satisfaction and areas needing attention.





## 4 STRATEGIC PLANNING

### Background

ACPE does not currently have a strategic plan, although it does have a mission statement: to promote access to and success in education and career training beyond high school.<sup>3</sup>

### Findings

#### LEAN Clarity Map

ACPE has been engaging in LEAN process improvement activities since mid-2015. LEAN is a process improvement methodology used by businesses and government agencies. ACPE has used the LEAN process to seek input from staff on ways to find efficiencies and improve processes and operations. As part of those efforts, staff have developed a “clarity map” that specifies aspirations (vision, mission, and values) and desired outcomes.<sup>4</sup> While the clarity map is a good first step toward strategic planning, it is not a substitute for a long-term strategic plan.

#### Best Practices

Strategic planning is a management tool intended to help organizations assess the current environment, envision the future, establish priorities, and use this information to guide decision making. Plans may be highly detailed, outlining contingencies and specific benchmarks, or they may be more basic, focusing on general intentions and intermediate goals.<sup>5</sup> In 2005, the Government Finance Officers Association (GFOA) approved strategic planning as a best practice for government organizations.<sup>6</sup> Its guide on strategic planning states:

Strategic planning is about influencing the future rather than simply preparing or adapting to it. The focus is on aligning organizational resources to bridge the gap between present conditions and the envisioned future. GFOA recommends that all governmental entities use some form of strategic planning to provide a long-term perspective for service delivery and budgeting, thus establishing logical links between authorized spending and broad organizational goals.<sup>7</sup>

#### Strategic Plans in Similar Organizations

Strategic plans for the alternative loan corporations in three other states (Connecticut, Rhode Island, and Texas) are available on their websites. Maine is currently working on a strategic plan for its student loan association, the Finance Authority of Maine.<sup>8</sup>



The Connecticut Higher Education Supplemental Loan Authority (CHESLA) strategic plan outlines a number of core goals: having superior client service, providing programs and services that meet the demands of a changing market, serving as a partner in public policy, and remaining a sustainable and ethical organization.<sup>9</sup> The Rhode Island Student Loan Authority (RISLA) strategic plan discusses more specific immediate goals like improving cyber security and increasing social media presence.<sup>10</sup> The Texas Higher Education Coordinating Board released its 60x30 strategic plan in 2015.<sup>11</sup> The primary goal of this plan is to ensure that 60 percent of Texans age 25-34 possess a certificate or degree by the year 2030; the plan also specifies that student loan debt should be no more than 60 percent of a Texas graduate's first year wages.

Other state corporations in Alaska also use strategic planning in their business operations. For example, in April 2016 the Alaska Railroad Corporation published a five-year strategic plan that sets benchmarks for increasing revenue and efficiency.<sup>12</sup> The Alaska Aerospace Corporation released a comprehensive business plan in March 2016. The plan analyzes new industry developments following the SWOT (Strengths, Weaknesses, Opportunities, and Threats) format.<sup>13</sup>

## **Recommendation**

### **Recommendation 4.1.1**

**Create a comprehensive strategic plan for both ACPE and for Alaska Student Loan Corporation (ASLC).** Either one plan should specifically address both organizations or there should be two plans. These plans should be reviewed and approved by the boards of both organizations. The strategic plan for ASLC should specifically include the short-term and long-term sustainability of the corporation. No additional costs are anticipated to implement this recommendation; this can be implemented within existing resources.

## 5 PERFORMANCE MEASURE COMPLIANCE

### Background

The Alaska legislature adopted AS 37.07.050<sup>14</sup> in 1998 as part of a results-based budgeting initiative. Results-based budgeting provides legislators with information regarding agency missions and goals and how effectively (or ineffectively) those goals are met with quantitative data for use in budget decision making.

Alaska Statute 37.07.050 requires each Alaska state agency to identify specific measures that show progress towards the agency's mission, goals, and legislative requirements. After the measurements and methodologies are identified, each agency is to provide the governor with the results of those methods annually by December 15 along with their budget requests. The agencies are required to involve employees in this process as well as to utilize surveys of "user groups." If the goals involve more than one agency, the state agencies are to make recommendations for eliminating duplication and waste. In addition to including performance measures and reporting on progress, AS 37.07.050 requires state agencies' budget requests to include prior actual spending, current authorized spending, future proposed spending, need, cost and explanation of services, number of employees, and receipts from prior years.

### Findings

#### Alaska Statute 37.07.050 Statutory Requirements

To be in compliance with AS 37.07.050, Alaska state agencies must provide budget and performance information to the governor in annual budget requests as outlined in the statute. Alaska Statute 37.07.050 outlines 40 individual requirements for performance measures. For this review, the statutory requirements were compared against the Alaska Commission on Postsecondary Education (ACPE) sections of the state of Alaska operating budgets, Office of Management and Budget (OMB) performance details, Results Delivery Unit reports, ACPE Annual Report 2014 and 2014 ACPE Winter and Spring Updates.

Based on this review, ACPE met 23 of the statutory requirements, partially met seven requirements, and did not meet 10 requirements. The requirements that were unmet, unknown, or partially met are outlined in Table 5-1.



**Table 5-1: Unmet or Partially Met AS 37.07.050 Statutory Requirements**

Statute Section	Statutory Requirement	Requirement Partially Met	Requirement Unmet/ Unknown
A(4)	Include written, defined methods of measuring results that apply to the responsibilities, products, and services of the agency	Measures are written and defined, but may not directly apply or demonstrate if results are met	
A(5)	Identify results-based measures that have been used to work toward achievement of the mission statement and desired results issued by the legislature and other goals of the agency and set out the results as measured	Measures are identified and set out, but may not be effective in determining if results are met	
A(9)	Include the budget requested to carry out the agency's proposed plans in the succeeding fiscal year, including: The need for the services		Not found – need for services implied, but not explicitly stated
A(12)	Include an evaluation of the advantages and disadvantages of specific alternatives to existing or proposed agency activities or administrative methods;		Not found
A(13)	Prioritize the activities of the agency from the most important to the least important		Not found
B	The state agency proposals prepared under (a) of this section must describe the relationships of their program services to those of other agencies, of other governments, and of nongovernmental bodies	Directly-related organizations mentioned (DEED, WWAMI and APS), but relationship not stated; no other organizations mentioned	
E	The office shall compile and submit to the governor-elect in any year when a new governor has been elected, not later than November 20, a summary of the program and financial information prepared by state agencies		Unknown
F(1)	An identification of the objectives intended for the program and the problem or need that the activities and operations of the board, commission, or program is intended to address	Objectives identified, but problem/ need not explicitly stated	
F(2)	An assessment of the degree to which the original objectives of the program have been achieved expressed in terms of performance, effects, or accomplishments of the program and of the program or need that it was intended to address	Some assessment measures are listed, but may not demonstrate if results are met	
F(3)	A statement of the performance and accomplishments of the program in each of the last four completed fiscal years and of the costs incurred in the operation of the program	Only current year's accomplishments are provided, not last four years	



**Table 5-1: Unmet or Partially Met AS 37.07.050 Statutory Requirements**

Statute Section	Statutory Requirement	Requirement Partially Met	Requirement Unmet/ Unknown
F(4)	A statement of the number and types of persons affected by operation of the program		Not found – some numbers provided but not persons affected
F(5)	A summary statement, for each of the last three completed fiscal years, of the number of personnel employed in carrying out the program and	Only current year's number of employees provided, not last three years	
F(6)	An assessment of the effect of the program on the economy of the state		Not found
F(7)	An assessment of the degree to which the overall policies of the program, as expressed in regulations adopted by the agency, board, or commission and its decisions, meet the objectives of the legislature in establishing the program		Not found
F(8)	An analysis of the services and performance estimated to be achieved if the life of the <i>agency</i> , board, or commission were to be continued		Not found
F(9)	A prioritized list of the activities the agency, board, or commission would be expected to perform if the life of the agency, board, or commission were to be continued, from the most important to the least important		Not found – may be implied by accomplishments or changes, but not as a specific list
H	Each agency shall, with participation of its employees, develop methods for measuring agency results. A group or committee established by an agency to develop methods of measuring results shall include a representative of each of the bargaining units that represents employees of the agency		Unknown - employee participation Unknown- committee make up

Sources: Alaska Statute 37.07.050, State of Alaska Operating Budgets, OMB performance details, Results Delivery Unit reports, ACPE Annual Report 2014 and 2014 ACPE Winter and Spring Updates. <sup>15</sup>

### Identification of Performance Measures

In an effort to make results-based budget decisions, many of the requirements of AS 37.07.050 focus on identifying agency mission and goals and then specific performance measures that demonstrate whether the goals are being met. The Alaska OMB defines the following terms in its Performance Management Guide: Mission, “a broad comprehensive statement that conveys the RDU [Results Driven Unit] or component’s purpose. It must be consistent with constitutional and statutory authority.”

- Mission Results, “a short description of the observable condition that occurs when the organization is achieving its purpose (mission). They are the ultimate goals toward which agencies and programs direct their efforts.”
- Mission Result Measures (targets), “the result’s observable condition quantified.”
- Core Services, “the major functions that support achieving the mission and desired results.”
- Core Service Measures (targets), “A core service measure quantifies the specific effect of the service.”<sup>16</sup>

The terms found in the Performance Management Guide are inconsistent and the terms “mission results”, “core services”, and “core service measures,” for example, relate to the agency’s mission and to each other. This confusing and overlapping structure makes it difficult for an agency to avoid having overlapping or muddled content in its results, services, targets, and measures. Departments, then, need to take care to ensure they have clear, consistent, and concise performance measures.<sup>17</sup>

Though ACPE provides a mission statement, core services, and some performance targets, the identified measures may not be effective at showing ACPE’s progress towards achieving its intended mission and goals. For example, in Table 5-2, Mission Result A is to “increase Alaskans’ successful participation in postsecondary education.” The two targets provided are 1) “increase the numbers and percent of high school graduates qualifying for the Alaska Performance Scholarship (APS)”. APS is a merit-based award for good grades and high test scores), and 2) “By 2020, growth to equal the national average of Alaska high school graduates continuing on to postsecondary education within a year of graduation.”<sup>18</sup> Although a student’s ability to afford postsecondary education and the number of students who begin postsecondary education may be indicators of increased Alaskan successful participation in postsecondary education, taken alone, they



may not provide a full picture of Alaskans' successful participation. For example, the number of students who qualify for the APS *and utilize* that funding may be more useful than just reporting the number of students who qualify.

Furthermore, successful participation implies more than having one scholarship or beginning a program within one year. Other measures that may better indicate successful participation include the number and percentage of students who graduate or complete a postsecondary education program whether that is a community college, four-year university, or technical program compared to those who start and/or those who graduate from secondary school; the amount of time to earn a postsecondary degree, e.g. after four years, five years, or six years; the number and percentage of students who continue on to postsecondary education within one year *and after* one year. Measuring the number of students who are able to successfully to complete a program versus students who begin a program may give legislators a better idea of whether students are prepared and have the means to successfully participate in postsecondary education compared to the current measures.

Current ACPE goals, targets, and performance measures are listed in Table 5-2 along with suggested additional and alternative performance measures. Table 5-3 and Table 5-4 provide a similar review of both WWAMI (a collaborative medical school among universities in five northwestern states, Washington, Wyoming, Alaska, Montana, and Idaho) and APS measures, respectively. Although ACPE compiles data on some of the performance measures suggested in the tables, in its annual reports and updates<sup>19</sup> and the annual APS Outcomes Reports,<sup>20</sup> this information is not included in the annual Alaska state budget performance details. Though ACPE works with the governor's office and OMB to select the performance measures that are published in the annual budget, the measures actually used are chosen by the governor's office.

**Table 5-2: Effectiveness of Performance Measures - ACPE**

ACPE Mission: <i>To promote access to and success in education and career training beyond high school.</i>			
Mission Results/ Core Service	Target	Measurements Provided by Agency	Suggestions for Additional or Alternative Measures for Use in Budget Documents
<p><b>Mission Result</b></p> <p><b>A: Increase Alaskans' successful participation in postsecondary education</b></p>	<p>1: Increase the numbers and percent of high school graduates qualifying for Alaska Performance Scholarship (APS).</p>	<ul style="list-style-type: none"> <li>Total numbers of high school graduates qualifying for Alaska Performance Scholarship (APS).</li> <li>Percent of high school graduates qualifying for APS</li> </ul>	<ul style="list-style-type: none"> <li>Number and percentage of students who meet the specific requirements needed for APS (rather than using APS itself as a standard):               <ul style="list-style-type: none"> <li>GPA</li> <li>Test Scores</li> <li>HS coursework criteria</li> </ul> </li> <li>Number and percentage of students who meet each APS level</li> <li>Number and percentage of students who accept APS versus those who qualify</li> <li>Number and percentage of APS recipients who have jobs upon graduation from postsecondary education; after x amount of time</li> <li>Average and median incomes of APS- eligible students who pursued postsecondary education versus those who did not. Upon graduation and after x amount of time</li> <li>Average and median incomes of APS-eligible students who pursued postsecondary education versus those who did not. Upon graduation and after x amount of time</li> <li>Average and median incomes of students who pursued postsecondary education versus those who did not. Upon graduation and after x amount of time</li> <li>See also: <a href="http://nces.ed.gov/fastfacts/display.asp?id=77">http://nces.ed.gov/fastfacts/display.asp?id=77</a></li> </ul>
<p><b>Mission Result</b></p> <p><b>A: Increase Alaskans' successful participation in postsecondary education</b></p>	<p>2: By 2020, growth to equal the national average of Alaska high school graduates continuing on to postsecondary education within a year of graduation</p>	<ul style="list-style-type: none"> <li>Percentage of High School graduates that continue to Postsecondary Education compared to US percentages</li> </ul>	<ul style="list-style-type: none"> <li>Number and percentage of students who apply to postsecondary education versus those who are accepted to programs</li> <li>The number and percentage of students who graduate from/ complete postsecondary education</li> <li>Number and percentage of students who immediately transition to postsecondary education versus national rate. (<a href="http://nces.ed.gov/fastfacts/display.asp?id=51">http://nces.ed.gov/fastfacts/display.asp?id=51</a>)</li> <li>Number and percentage of students who continue on to postsecondary education, but do so after 1 year (not immediately)</li> <li>Rate of time to postsecondary education degrees at 4, 5, 6 years (and possibly also time to job certification)</li> <li>See also: <a href="http://nces.ed.gov/fastfacts/display.asp?id=569">http://nces.ed.gov/fastfacts/display.asp?id=569</a></li> <li>Percentage of students who graduate versus those who start (retention/ attrition/ persistence rates)</li> <li>See also: <a href="http://nces.ed.gov/programs/coe/indicator_cva.asp">http://nces.ed.gov/programs/coe/indicator_cva.asp</a></li> <li>See also:               <ul style="list-style-type: none"> <li><a href="https://collegescorecard.ed.gov">https://collegescorecard.ed.gov</a></li> </ul> </li> </ul>

**Table 5-2: Effectiveness of Performance Measures - ACPE**

ACPE Mission: <i>To promote access to and success in education and career training beyond high school.</i>			
Mission Results/ Core Service	Target	Measurements Provided by Agency	Suggestions for Additional or Alternative Measures for Use in Budget Documents
			<ul style="list-style-type: none"> <li>o <a href="https://www.whitehouse.gov/the-press-office/2015/09/12/fact-sheet-empowering-students-choose-college-right-them">https://www.whitehouse.gov/the-press-office/2015/09/12/fact-sheet-empowering-students-choose-college-right-them</a></li> <li>o <a href="http://nces.ed.gov/programs/digest/current_tables.asp">http://nces.ed.gov/programs/digest/current_tables.asp</a></li> <li>o <a href="http://nces.ed.gov/fastfacts/display.asp?id=98">http://nces.ed.gov/fastfacts/display.asp?id=98</a></li> <li>o <a href="https://education.alaska.gov/stats/">https://education.alaska.gov/stats/</a></li> </ul>
<p><b>Core Service</b></p> <p><b>A1: Increase public awareness and use of ACPE's services as Alaska's higher education assistance agency</b></p>	<p>1: Provide higher education outreach/ awareness information and services to 100% of Alaska's secondary school students</p>	<ul style="list-style-type: none"> <li>• Total number of people reached through outreach events</li> </ul>	<ul style="list-style-type: none"> <li>• Number of secondary school students reached versus total number of secondary school students per school, per region and total</li> <li>• Number of all students reached versus total number of all students per school, per region and total</li> <li>• Number and percentage of secondary schools served per school, per region and total</li> <li>• Number and percentage of all schools served per school, per region and total</li> <li>• Number and percentage of secondary school staff, teachers and counselors served per school and per region per school, per region and total</li> <li>• Number and percentage of all school staff, teachers and counselors served per school, per region and total</li> <li>• Number and percentage of secondary school parents served per school, per region and total</li> <li>• Number and percentage of all parents served per school, per region and total</li> <li>• Number and percentage of regions served</li> <li>• Number of events per school (currently they provide by region, community and by individual)</li> <li>• Type of outreach events and number of secondary school students, all students, secondary school teachers/ staff/ counselors, all school teachers/ staff/ counselors, secondary school parents, all parents in attendance per school, per region and total</li> <li>• Number and type of visitors to ACPE site</li> <li>• Time spent on ACPE site and pages visited</li> <li>• Number of calls/ emails/ social media connections/ actions taken by clients to ACPE (and/ or ACPE subdivisions)</li> <li>• Number of emails/ brochures/ social media posts by ACPE</li> <li>• Use of each type of ACPE service</li> </ul>

**Table 5-2: Effectiveness of Performance Measures - ACPE**

<b>ACPE Mission: To promote access to and success in education and career training beyond high school.</b>			
Mission Results/ Core Service	Target	Measurements Provided by Agency	Suggestions for Additional or Alternative Measures for Use in Budget Documents
<p><b>Core Service</b></p> <p><b>A1: Increase public awareness and use of ACPE's services as Alaska's higher education assistance agency</b></p>	<p>2: Provide Alaska-centered higher education and career training pathways information to 100% of Alaska's secondary school students</p>	<ul style="list-style-type: none"> <li>• Number of log-ins to Alaska Career Information System (AKCIS)</li> </ul>	<ul style="list-style-type: none"> <li>• Number of secondary school student profiles on AKCIS</li> <li>• Number of unique profiles on AKCIS</li> <li>• Amount of time spent per visit on AKCIS</li> <li>• Activities done on AKCIS website or pages visited</li> <li>• How much time spent on AKCIS pages</li> <li>• Also consider including the following metrics on the following programs in addition to AKCIS:               <ul style="list-style-type: none"> <li>○ Number and type of (if known) visitors to site, physical locations</li> <li>○ Time spent on/ at site and pages visited or topics discussed</li> <li>○ Number of calls/ emails/ social media connections / actions taken by clients to entities</li> <li>○ Number of emails/ brochures/ social media posts by ACPE entities                   <ul style="list-style-type: none"> <li>▪ The Success Center</li> <li>▪ AK College and Career Advising Corp</li> <li>▪ College Goal Alaska</li> <li>▪ K-8 Programs</li> <li>▪ Money \$marts</li> </ul> </li> </ul> </li> </ul>
<p><b>Core Service</b></p> <p><b>A2: Efficiently deliver state financial aid information and materials to Alaska students and parents</b></p>	<p>1: Deliver tools and resources to ensure 100% of Alaska high schools, public and private, receive APS-relevant information</p>	<ul style="list-style-type: none"> <li>• Web visitor volume to <a href="http://aps.alaska.gov">aps.alaska.gov</a> – total visits and</li> <li>• Total unique visitors</li> </ul>	<ul style="list-style-type: none"> <li>• Amount of time spent on website (per page)</li> <li>• Non-APS state financial aid awarded</li> <li>• Amount and types of aid awarded versus need (distinguish between type of financial aid - grants/ scholarships/ work study and loans; some of this information is provided in the ACPE annual report)</li> <li>• Number and percentage of students who qualify for, receive and accept APS – by public and private school</li> </ul> <p>See also: Potential alternative and additional measures provided in ACPE A1.1, but tailor to financial aid specific information.</p>
<p><b>Mission Result</b></p> <p><b>B: Ensure Alaska's higher education consumers are protected</b></p>	<p>1: Ensure 100% of authorized institutions in Alaska offer relevant, value-added education and training programs</p>	<ul style="list-style-type: none"> <li>• No measure given</li> </ul>	<ul style="list-style-type: none"> <li>• Total number and percentage of programs that meet versus total number of programs (currently authorized institution list is available, but, unable to tell if that is all institutions in Alaska or if there are some that were not authorized; assuming that authorization means that programs provide relevant, value-added education.)</li> </ul>

**Table 5-2: Effectiveness of Performance Measures - ACPE**

ACPE Mission: <i>To promote access to and success in education and career training beyond high school.</i>			
Mission Results/ Core Service	Target	Measurements Provided by Agency	Suggestions for Additional or Alternative Measures for Use in Budget Documents
<b>Core Service</b>  <b>B1: Ensure Alaska's authorized institutions operate within academic, administrative and financial standards</b>	1: 100% of authorized institutions documented to meet recognized or national standards for program/curriculum content, or be determined by a local qualified expert to meet Alaska training needs	<ul style="list-style-type: none"> <li>No measures given</li> </ul>	<ul style="list-style-type: none"> <li>Total number and percentage of programs that meet versus total number of programs</li> </ul> See also: Potential alternative and additional measures provided in ACPE B.1

Sources: Alaska Statute 37.07.050, State of Alaska Operating Budgets, OMB performance details, Results Delivery Unit reports, ACPE Annual Report 2014 and 2014 ACPE Winter and Spring Updates.<sup>21</sup>



As components of ACPE, the performance measures for WWAMI Medical Education and APS are reviewed in Table 5-3 and Table 5-4.

**Table 5-3: Effectiveness of Performance Measures - WWAMI**

<b>WWAMI Mission: Increase Alaska's physician workforce by providing public medical education to Alaskans and by providing residency training for medical school graduates.</b>			
<b>Mission Results/ Core Service</b>	<b>Target</b>	<b>Measurements provided by Agency</b>	<b>Suggestions for Additional or Alternative Measures for Use in Budget Documents</b>
<b>Mission Result</b>  <b>A: Provide for an Alaska Medical Program</b>	1: Annually fill Alaska's 20 WWAMI seats each year.	<ul style="list-style-type: none"> <li>Number of medical students admitted annually</li> </ul>	<ul style="list-style-type: none"> <li>Number of seats filled in WWAMI versus number of seats in all Alaskan medical schools (may help quantify the impact/ importance of the 20 WWAMI seats on creating an Alaskan physician workforce)</li> </ul>
<b>Mission Result</b>  <b>A: Provide for an Alaska Medical Program</b>	2: Achieve and maintain a program graduation rate of 95%.	<ul style="list-style-type: none"> <li>Enrollee to graduation rate</li> </ul>	<ul style="list-style-type: none"> <li>Providing the total enrollment versus graduation rate since 1971 does not illustrate the programs' current performance. It could be kept in addition to other measures, but this metric should be compiled annually, by cohort and/or within a certain period of time (rate to graduation)               <ul style="list-style-type: none"> <li>Also, from one year to the next enrollment total increases by more than the annual cohort amount of 20 Alaska seats; 2014 enrollment total since 1971 was 427, 2015 figure was 477 (increase by 50); likewise, 2013 graduation total was 390 versus 2014's 414 (increase by 24)</li> </ul> </li> <li>Attrition/ retention rate per year or by cohort</li> </ul> <p>See also: Potential alternative and additional measures provided in ACPE A.2, and adapt to pursuit of medical education rather than postsecondary education</p>
<b>Core Service</b>  <b>A1: Pre College Outreach</b>	1: Maintain applicant pool quality at a 4:1 ratio of applicants to fill 20 class seats.	<ul style="list-style-type: none"> <li>Number of applicants to openings per year</li> </ul>	<ul style="list-style-type: none"> <li>Number of students who participate in the six-week summer high school residential program, and other similar programs.</li> </ul> <p>See also: Potential alternative and additional measures provided in ACPE A1.1, and adapt to WWAMI and/ or medical education outreach rather than general postsecondary education outreach</p>
<b>Mission Result</b>  <b>B: Ensure graduates practice in Alaska</b>	1: Through the WWAMI program, produce physicians for Alaska practices at a rate of 65% or more.	<ul style="list-style-type: none"> <li>Percentage of graduates practicing in Alaska</li> </ul>	<ul style="list-style-type: none"> <li>Number and percentage of WWAMI graduates who return to practice medicine in Alaska versus the number of Alaskans who graduate from medical schools in other states who return to practice medicine in Alaska.</li> <li>States where WWAMI graduates practice after graduating by year/ cohort</li> </ul>

**Table 5-3: Effectiveness of Performance Measures - WWAMI**

WWAMI Mission: <i>Increase Alaska's physician workforce by providing public medical education to Alaskans and by providing residency training for medical school graduates.</i>			
Mission Results/ Core Service	Target	Measurements provided by Agency	Suggestions for Additional or Alternative Measures for Use in Budget Documents
<p><b>Core Service</b></p> <p><b>B1: Provide Programs to Encourage Alaskans' Interest and Preparation for a Medical Career</b></p>	1: Maintain Alaska medical student clerkship to satisfy demand	<ul style="list-style-type: none"> <li>Total number of Alaska Clerkship sites per year</li> </ul>	<ul style="list-style-type: none"> <li>Number and type of clerkship sites per region and statewide</li> <li>Number of clerkships demanded</li> <li>Number and demand of unmet (or excess) clerkship site need listed by type, and given per region and statewide</li> </ul>
<p><b>Core Service</b></p> <p><b>B1: Provide Programs to Encourage Alaskans' Interest and Preparation for a Medical Career</b></p>	2: Increase the number of student clerkship rotations in Alaska	<ul style="list-style-type: none"> <li>Number of student rotations in Alaska Clerkships per year</li> </ul>	<ul style="list-style-type: none"> <li>Number and type of clerkship sites per region and statewide</li> <li>Number of clerkships demanded</li> <li>Number and demand of unmet (or excess) clerkship site need listed by type, and given per region and statewide</li> </ul>

Sources: Alaska Statute 37.07.050, State of Alaska Operating Budgets, OMB performance details, Results Delivery Unit reports, ACPE Annual Report 2014 and 2014 ACPE Winter and Spring Updates. <sup>22</sup>



**Table 5-4: Effectiveness of Performance Measures - APS**

<i>APS Mission: Raise the academic achievement of Alaska's students.</i>			
<b>Mission Results/ Core Service</b>	<b>Target</b>	<b>Measurements Provided by Agency</b>	<b>Suggestions for Additional or Alternative Measures for Use in Budget Documents</b>
<b>Engage in a rigorous secondary education program of study</b>	None	<ul style="list-style-type: none"> <li>• None given</li> </ul>	Refer to potential alternative and additional measures provided in ACPE A1.1.
<b>Perform well on standards-based, college or career readiness assessments</b>	None	<ul style="list-style-type: none"> <li>• None given</li> </ul>	<ul style="list-style-type: none"> <li>• Number and percentage of students that take this rigorous coursework</li> <li>• Number of students that qualify versus use the scholarship</li> </ul>
<b>Core Service Active partnerships</b>	None	<ul style="list-style-type: none"> <li>• None given</li> </ul>	List of and number of active partnerships by school, region and statewide

Sources: Alaska Statute 37.07.050, State of Alaska Operating Budgets, OMB performance details, Results Delivery Unit reports, ACPE Annual Report 2014 and 2014 ACPE Winter and Spring Updates.<sup>23</sup>

## Peer Organization Performance Measures

Peer organizations in other states report performance measures not used by ACPE. For example, the Rhode Island Student Loan Authority routinely reports the Compensation Comparability of the Executive Director, a breakdown of how much its executive makes in comparison to executives of similar organizations.<sup>24</sup> Iowa Student Loan provides personal testimonies from grant and scholarship recipients in its annual reports.<sup>25</sup> The Connecticut Higher Education Student Loan Authority, also in its annual reports, breaks down its loan applications by the bond series through which the applications were funded.<sup>26</sup> This allows for a clearer understanding of how money moves through the organization.

Many states also make use of long-term tracking data in their measures. In New Hampshire, loan volume from each year is reported as either “in school” or “in repayment” and displayed alongside numbers from other years.<sup>27</sup> In Mississippi, the default rates of institutional student loans are broken down into cohorts, determined by the year in which the loan was issued and enhanced by the information in the comprehensive Mississippi Lifetracks database.<sup>28</sup> This would be possible in Alaska with the implementation of ANSWERS, a longitudinal data system through which ACPE will be able to track student performance and behavior.

## Recommendations

### Recommendation 5.1.1

**Provide complete information as required by AS 37.07.050 to ensure that all requirements of the statute are fully met.** These specific sections of the statute need to be met:

- B – Describe the relationship ACPE has with DEED, WWAMI, and APS as well as any other agencies, governments and nongovernmental bodies.
- F(1) – State the needs being addressed. ACPE has identified objectives, but has not explicitly stated the needs that their activities are intended to address.
- F(3) – Provide four years of accomplishments and performance, not just one.
- F(5) – Provide three years of personnel employed, not just one.

While current staff resources will be needed to address this issue, additional costs are not anticipated; this recommendation can be implemented within existing resources.

### **Recommendation 5.1.2**

**Ensure that all required information is compiled and submitted to the governor's office as outlined in AS 37.07.050.** Compliance was not found with statutory requirements A(9), A(12), A(13), E, F(4), F(6), F(7), F(8), F(9), and H. Some of the statutorily required data may be implied by other information provided, but were not explicitly stated or were absent. Refer to Table 5-1 for additional details regarding the statutory requirements and what ACPE provided. While current staff resources will be needed to address this issue, additional costs are not anticipated; this recommendation can be implemented within existing resources.

### **Recommendation 5.1.3**

**Consider revising or adding identified performance measures to effectively measure whether the agency is meeting mission and goals.** In order for the Alaska legislature to utilize the information provided by state agencies for performance-based budgeting, effective performance measures must be relevant, quantifiable, unidirectional, and actionable. The OMB Performance Management Guide describes the process required to create effective measures and emphasizes the iterative nature of the process. ACPE may wish to review and revise performance measures to ensure that the most effective information is collected and conveyed per AS 37.07.050 sections A(4), A(5), F(2). See Table 5-2, Table 5-3, and Table 5-4 for additional discussion of ACPE, WWAMI, and APS measures and potential additional or alternative measures.

To the extent that data are available to develop some or all of the suggested measures, ACPE will not incur any additional costs. If sufficient data do not exist, the costs and benefits associated with the collection and reporting of the measure will need to be weighed by ACPE.

## 6 INSTITUTIONAL AUTHORIZATION CHARGES

### Background

The federal government through the U.S. Department of Education requires each state to have an approval process for postsecondary institutional operations, and to monitor the financial responsibility of institutions. The federal government also requires review of institutions from outside Alaska that deliver programs of study in an online or other distance delivery mode.

Established in 1976 to provide for the protection of the state's higher education consumers, the Institutional Authorization (IA) section of the Alaska Commission on Postsecondary Education (ACPE) regulates which postsecondary institutions or programs may operate in Alaska. IA ensures that minimum standards of academic, administrative, and financial soundness (as established in Alaska Statute (AS) 14.48 and Section 20 of the Alaska Administrative Code (AAC) Chapter 17) are followed by approved institutions. Authorized institutions pay fees set in 20 AAC 17.055 to defray the costs of IA activities, although some institutions and programs may be exempt from fees under 20 AAC 17.055 (c) and 20 AAC 19.015 (b). Fees for IA are shown in Table 6-1.

**Table 6-1: Alaska IA Fees**

Application	Fee	Date last modified	Action	Explanation
<b>Initial Authorization</b>	\$2,500	1998	Determine compliance with minimum standards to offer postsecondary education in Alaska	Fee for initial authorization - one to two years
<b>Renewal of Authorization</b>	\$500-\$2,500	1998	Review renewal documentation to maintain authorization	3% of the average of the total annual tuition and fees receipts in the most recent authorization period, (minimum \$500 – maximum \$2,500); renewal one to five years
<b>Program Amendment</b>	\$100	1998	Review status change for compliance	Status changes including location, mission, programs, senior management or delivery method
<b>Additional Site/Change of Site</b>	\$500	2011	Physical site visit to 2 <sup>nd</sup> location or main location more than once in an authorization period	Fee to help defray travel costs
<b>Initial Exemption</b>	\$100	2005	Determine eligibility for exemption	Two years, no fee for renewal

Source: ACPE April 5, 2016 Board Packet



Applications for institutional approval, or for changes in operation, follow a process established by the Commission:

- The institution submits the appropriate application, forms, and supporting materials to ACPE, including payment of fees.
- Staff reviews the submitted documentation and schedules a site visit, as necessary. If the information is incomplete or additional information is required, staff will contact the institution.
- Staff forwards a recommendation to the Commission for consideration at the next scheduled Commission meeting.
- The Commission reviews the institution information and staff recommendation at the quarterly meeting. Institution staff may comment on the information and recommendation at the meeting.
- The Commission takes action on the application.
- Staff notifies the institution of the Commission's action.

The Alaska legislature determines which programs or which types of programs or conditions make an institution exempt from approval. Alaska Statute 14.48 and 20 AAC 17.015 specify eight conditions that allow exemptions from approval for institutions operating programs that are:

- Offered solely by and for a professional organization's members;
- Not offered for educational credentials;
- Regulated by another state agency using appropriate standards;
- Are no more than 120 hours and 15 days in duration;
- Offered by an accredited institution based and authorized in another state;
- Non-degree programs offered by and for the membership of a bona fide religious organization;



- Flight-training courses that maintains current certification under 14 C.F.R. Part 141 or Part 142; or
- An online or distance-delivered program that does not have a physical presence within the state.

During the 2016 legislative session, the Alaska legislature approved an additional type of program, yoga instruction, for exemption from approval. This exemption will be effective September 15, 2016.<sup>29</sup>

Educational providers that meet these conditions must submit an application to ACPE, pay a \$100 application fee and include specimen copies of each certificate or diploma issued. ACPE staff review the submitted documentation and schedules a site visit, as necessary. If the information is incomplete or additional information is required, staff will contact the institution. Exemptions from approval must be renewed every two years and there is no fee for the reauthorization.

Distance education providers that do not have a physical presence in Alaska are exempt from the institutional authorization process, but do have to follow the procedures for exemption. In May 2014, Alaska was approved by the Western Interstate Commission for Higher Education (WICHE) to become a member of the WICHE State Authorization Reciprocity Agreement (W-SARA).<sup>30</sup>

W-SARA is a voluntary agreement among member states, districts, and territories that establishes comparable nationwide standards for interstate offering of postsecondary distance education courses and programs. Under W-SARA, colleges or universities in a W-SARA state only need authorization from the state where the main/central campus or central administrative unit resides – known as the "home state" – to offer distance education to residents of any other W-SARA member state.

ACPE has been designated as the state portal, or lead, agency for all W-SARA-related matters. ACPE is responsible for: determining if an Alaska postsecondary institution is eligible for W-SARA participation; ensuring participating Alaska institutions are in compliance with W-SARA rules and policies; serving as the point of contact for other W-SARA member states and their agencies; and investigating and resolving complaints against an Alaska W-SARA-participating institutions that are not addressed by the institution's grievance or complaints policy.



There are currently 558 exempt institutions or postsecondary education providers that have a status with ACPE to offer education or training in Alaska; of those, 422 offer only distance or online instruction and do not have a physical presence in the state. In addition, there are 180 institutions authorized to operate programs in Alaska, of which 16 are affiliated with the University of Alaska, 14 are private two-year or four-year institutions, nine are barber or beauty schools, and seven are career academies.

The ACPE Board has the statutory authority under AS 14.48.090 to set the amount and the manner of payment of fees for applications, authorizations, permits, and renewals.

## **Findings**

### **IA Application**

The ACPE application for approval to operate is a comprehensive form that includes information not only about the institution's programs, faculty, staff, buildings, libraries, information technology, classes, and financial aid, but also includes all the information needed to comply with the Federal Student Right to Know (FSRK) regulations. The FSRK regulations must be followed by any institution that seeks to have its students eligible for federal financial aid, such as Pell grants, or federal guaranteed student loans. The U.S. Department of Education may consider institutions that are not in compliance with FSRK regulations to be "un-accredited."

The application form used by ACPE for institutional approval is a model that may be used by other states because it is so comprehensive, gathering in one place all the information necessary to provide assurance that the institution meets the standards of the state.

### **IA Operational Costs and Charges**

During 2015, direct costs (salary, benefits, travel, accountant fees, etc.) for IA totaled about \$112,000. Travel costs were for four site visits, and accountant costs were for determination of financial soundness under the federal requirements. Indirect costs such as office space, equipment, supplies, administrative support, information technology, and similar expenses have not been calculated by ACPE staff. Using the federal indirect cost rate of 50 percent, indirect costs may be estimated to be \$56,000, bringing the estimated total cost of IA to \$168,000.

In 2015, fees collected for IA totaled \$40,639 from four initial authorizations at \$2,500 each, and ten renewals of authorization that averaged a fee of about \$1,900. Of the total, \$600 was collected for six program amendments, and \$11,000 in fees for application for 110 initial exemptions from authorizations. Clearly, fees covered less than one-fourth of



total direct and indirect costs. The fees collected in the IA process offset less than 40 percent of the direct regulatory costs, and receipts of the Alaska Student Loan Corporation (ASLC) pay most of the costs associated with the state regulatory function.

Information on IA expenses and fees were provided to the Commission as an agenda item for the ACPE April 2016 meeting.

### **Regulatory Charges in Other States**

Each state has its own unique cost structure for institutional authorization. Some states have separate fees for degree-granting and non-degree granting institutions; for for-profit and not-for-profit institutions, and for in-state and out-of-state operators. Some charge a fee for every degree program offered and the fee may vary by level of degree; that is, there is one fee for associates, a higher one for bachelors, higher still for masters, etc. Costs for initial institutional approval vary across the states. Some states charge up to \$15,000 for approval to operate, while some charge a minimal \$500.

Many states impose an annual renewal charge to operate that relates to tuition revenues with a minimum and a maximum amount. For example, Alabama charges 0.5 percent of gross income from Alabama students with a minimum of \$2,500 and a maximum of \$15,000. Florida bases the cost of renewals on the size of the institution's enrollment with a minimum \$1,500 and maximum \$10,000. In Georgia, Illinois, Minnesota, and North Dakota, costs of initial approval and renewals are based on the number of degrees by level, with a varying amount for non-degree, associate, bachelors, masters, doctoral, and first professional degrees.

Some states have additional costs for changes or additions to programs and degree offerings, additional campuses or sites, name changes, or ownership changes, while ten state agencies charge for site visits to institutions. Several states require all institutions, including those with only distance education programs in the state and those institutions with W-SARA approval, to pay an annual fee. Michigan charges W-SARA institutions a \$4,000 fee, \$2,000 at initial approval and \$2,000 annually, to offer distance education programs in the state.

The fees charged by other state postsecondary education regulatory agencies are shown in Table 6-2.

**Table 6-2: Fees Charged in Other States**

State	Initial Authorization	Renewal of Authorization	Program Amendment	Changes	Site Visit
Alabama	\$2,500 - \$15,000	\$2,500 - \$15,000	\$2,500	\$1,500	
Arkansas	\$2,500	\$500-\$2,500	\$100	\$100	\$500
Colorado	\$1,750 per campus	\$1,500	\$125 per program	\$500 to \$1,750	at cost
Florida	\$1,500-\$10,000	annual \$500 - \$5,000	\$200 per program	\$1,000	at cost
Georgia	\$2,000 - \$5,000	annual \$1,000 - \$25,000	\$400	\$100-\$500	
Idaho	\$100-\$5,000	annual \$100-\$5,000			
Illinois	\$5,000 plus amount per program		\$750 to \$5,000	\$750 to \$5,000	
Kansas	minimum \$3,000+ amount per program	\$800 - \$15,000	\$250-\$2,000	\$250-\$2,500	minimum \$500
Kentucky	\$500-\$2,500	annual \$500-\$3,000	\$250 - \$12,000	\$500	
Massachusetts	\$10,000 + \$2,000 per degree	annual \$4,000	\$500 - \$4,500		\$2,000 each
Michigan	\$1,425 - \$5,000, \$4,000 if W-SARA	annual \$2,000	\$285-\$710		
Minnesota	\$2,000 - \$3,500 + amount per degree	annual \$1,200			
Mississippi	\$100 + \$3,000	annual \$1,000			
Nebraska	\$360 + \$135 per program	\$220 + \$75 per program	\$135-\$300	\$150	
New Hampshire	\$10,000-\$20,000	\$500-\$3,000	varies		
New Mexico	\$1,000 - \$4,000	annual \$500 - \$5,000	\$100-\$1,000		
New York	\$5,000 + .5% tuition	\$750-\$18,000			
North Carolina	\$5,000 up				
Ohio	\$3,000-\$5,000	\$1,000 - \$7,500	\$300 up		at cost

**Table 6-2: Fees Charged in Other States**

State	Initial Authorization	Renewal of Authorization	Program Amendment	Changes	Site Visit
Oklahoma	\$1,200	annual \$700-\$1,500			
Oregon	\$1,000 per degree	\$1,000 per degree			
Pennsylvania	\$1,500 + \$700 per program	two year - \$500-\$4,400			\$500 each
South Carolina	\$150-\$5,500	\$115- \$3,750			
Tennessee	\$3,000 + \$500 per program	\$500-\$4,000			
Texas	\$5,000	\$5,000			at cost
Vermont	\$4,000 - \$7,500	annual \$500			at cost
Washington	\$250-\$5,000	annual \$2,500	\$500 - \$1,000	\$500-\$1,000	at cost
Wisconsin	\$2,000 - \$5,100	varies	\$500		

### Comparisons between ACPE Fees and Those in Other States

Alaska’s initial authorization fee is lower than in many states, but an average is difficult to calculate because of the many differences in institutions approved to operate. Alaska’s renewal charges also are lower and the time period for which authorization is granted is longer than in other states. Alaska does not charge institutions for site visits, while most other states impose such a charge. Changes to programs or to other operational components of the institution are lower in Alaska than in other states.

The biggest difference in fees is in exemptions from authorization. Most states do not give exemptions from authorization and require all institutions to be approved, either through W-SARA or through the state’s own process. Institutions seeking renewal of the exemption from authorization have to pay a fee, in some states the same fee as the initial exemption or authorization.



## Recommendations

### Recommendation 6.1.1

**Increase all fees for authorization, renewal of authorization, program amendment, additional site or change of site, and exemptions.** Total fees collected should cover the direct and indirect costs of the ACPE IA function and be consistent with the fees charged by other states.

Fee levels should vary by the size of the institution being approved for operation to recognize the differences in the scale of the operation and not put an undue burden on small institutions or programs. Current renewal of authorization fees are set at 3 percent of the average of the total annual tuition and fee receipts in the most recent authorization period, with a minimum of \$500 and a maximum of \$2,500. This fee is not sufficient to cover the actual ACPE costs of the renewal process, and should be increased to a level sufficient to cover costs.

In 2015, to cover the costs of operation would have required a total of \$168,000 in fees. If the activities of the 2015 year are used as an example of what fees would need to be to cover costs, and other fees in other states are used as a benchmark, then initial and renewal of authorization fees would have to average at least \$5,000; program amendments or other changes would require a \$500 fee, and applications for exemption from authorization would need to be \$1,000, unless an annual fee for renewal of the exemption also were charged. In that case, the exemption applications would require a \$500 fee.

Using these numbers, ACPE could increase its annual revenue by an estimated \$127,361, as shown in Table 6-3.

**Table 6-3: Estimated Additional Revenue**

Service	Fee	Quantity (based on actual 2015 workload)	Revenue
Initial Authorization	\$5,000	4	\$20,000
Renewal	\$3,500	10	\$35,000
Program Amendment	\$500	6	\$3,000
Initial Exemption	\$1,000	110	\$110,000

**Table 6-3: Estimated Additional Revenue**

Service	Fee	Quantity (based on actual 2015 workload)	Revenue
<b>Total Estimated Revenue</b>			<b>\$168,000</b>
Current Revenue			\$40,639
<b>Estimated Additional Revenue</b>			<b>\$127,361</b>

### **Recommendation 6.1.2**

**Establish a fee for renewal of exemptions from authorization.** There is a cost to ACPE of renewing the exemption from authorization. Staff must review the materials, and review of financial information should be included to ensure that the institution is financially stable and meets the federal government’s fiscal responsibility criteria. This fee should be consistent with the fee for the initial exemption. No additional costs are anticipated to implement this recommendation; this can be implemented within existing resources.

### **Recommendation 6.1.3**

**Charge a site visit fee sufficient to cover all costs of a site visit.** The actual cost of a site visit, whether it is for an initial approval, renewal, or any other visit such as a change in programs, should be calculated and a bill sent to the institution seeking authorization, approval, renewal, or for any other visit required to carry out ACPE consumer protection responsibilities. No additional costs are anticipated to implement this recommendation; this can be implemented within existing resources.

### **Recommendation 6.1.4**

**Review the exemptions from authorization to ensure that sufficient consumer protection is afforded to prospective Alaska students.** In particular, the online or distance-delivered program exemption should be reviewed in light of the additional federal requirements for these programs. Over 200 out-of-state institutions offer online or distance-delivered programs to Alaska residents, and there should be sufficient oversight and approval of these programs to ensure that Alaska residents are well-served. No additional costs are anticipated to implement this recommendation; this can be implemented within existing resources.

## 7 CALL CENTER CHALLENGES

### Background

The Customer Service unit of the Alaska Commission on Postsecondary Education (ACPE) provides assistance to customers seeking details on their student loans and grant and scholarship awards. This division operates a call center, which is open on weekdays from 8:30 a.m. to 4:30 p.m. (10:00 a.m. to 4:30 p.m. on Wednesdays). Customers reach this call center through a toll-free number or through a local Juneau number, both of which are available on the ACPE website. As of December 2015, the call center employs five full-time customer service specialists and two customer service specialists working part-time or on special projects.<sup>31</sup>

In one quarter, October 2015 through November 2015, the call center received 10,518 calls and placed another 11,831 calls.<sup>32</sup> Outgoing calls are made for outreach campaigns and for collection purposes. Of the calls received during this quarter, 49.5 percent of the inquiries (5,210 calls) were handled automatically by the interactive voice response (IVR) software, a program that provides account information for authorized callers and automatically redirects overdue borrowers to a collection vendor. The other 50.5 percent (5,308 calls) requested assistance through the IVR system and were answered by Customer Service. The average call time for calls received by customer service specialists ranged from 4:23 minutes to 5:52 minutes. Callers experienced an average hold time of 65 seconds before a specialist answered their call. Based on call volume during this quarterly snapshot, the call center receives about 42,000 calls and places about 47,000 calls annually.

### Findings

#### Staff Turnover Rates

The turnover rate for specialists at the ACPE call center was 56 percent for calendar year 2015. This rate is relatively high; a 2015 publication from the Quality Assurance Training Connection, a trade association, indicated average call center turnover rates are between 30 and 45 percent.<sup>33</sup> The high rate of turnover at ACPE poses several challenges: The center constantly must hire new employees, adequately train them, and maintain consistency across customer interactions. A 2007 report estimated that the cost of replacing a call center employee is equal to about two months of the employee's pay.<sup>34</sup>

### Limited Hours

The ACPE call center is open for fewer hours than similar programs in other states. In Hawaii and Iowa, for example, student loan call centers are open from 8 a.m. to 8 p.m., and in South Carolina, they are open from 8 a.m. to 9 p.m.

**Chart 7-1: Alternative Student Loan Call Center Hours by State**



Source: Website of each state with an alternative student loan program. State abbreviation represents program in the particular state. Hours shown are those on a traditional weekday. One state with an alternative student loan program, Georgia, does not have publicly posted hours for its call center.

Adding hours to call center operations could be achieved by rearranging or restructuring existing work patterns. Some options include staggering employee schedules so that at least one specialist can answer calls in the early morning or evening, or allowing specialists to work from home, an increasingly common occurrence in the call center industry.<sup>35</sup> A recent study from the Harvard Business Review found that call center employees who were given the option to work from home were not only happier and less likely to quit, but also more productive.<sup>36</sup> This type of non-traditional staffing would also give Customer Service staff more flexible work hours and conditions, which could improve recruitment and reduce turnover.

About 10 years ago, ACPE experimented with expanding call center hours but found that the administrative effort did not yield significant results. Revisiting this issue in light of the high turnover rate and subsequent costs to ACPE for training new employees seems warranted. ACPE may be able to gain efficiencies by creating flexible work hours that would result in some expansion to call center hours without undue administrative burden.



### **Topic-Based Index**

ACPE maintains a Topic-Based Index (TBI) to catalogue information about policies and procedures related to ASLC and ACPE. The TBI contains thousands of documents and is intended to be a reference for staff to use to answer customer questions in real time. A customer service employee has been dedicated to improving the organization of the TBI and regularly provides staff with tips on how to access information in the TBI. Although staff indicate that this effort has resulted in improvements, the organization of the documents is not necessarily intuitive to all staff and some ACPE employees indicated it can be confusing and cumbersome and they have had difficulty accessing information through the TBI.

### **Call Center Effectiveness Measures**

The call center primarily collects data on call volume, call length, and IVR interaction. This information does not provide clear insight into the effectiveness of the call center and whether it is meeting customer expectations.

One common measure of effectiveness is a metric called first call resolution (FCR), which indicates how often an issue is resolved on the first call.<sup>37</sup> A study of the relationship of various call center metrics to customer satisfaction found that the percentage of calls closed on first contact and average abandonment rate (the rate at which callers hang up before reaching an agent) were the two factors with the strongest link to customer satisfaction.<sup>38</sup> Measuring FCR can be challenging, but can be achieved by reviewing call records and determining whether customers call multiple times from the same number over a pre-determined period of time. If there are not many repeats of caller numbers, this provides an indication that the call center is adequately and efficiently addressing customer needs.

Another way to measure effectiveness is by tracking agent utilization. According to a report available through the Contact Center and Customer Care Industry Professional Network website, “because labor costs represent the overwhelming majority of call center expenses, if agent utilization is high, the cost per call will inevitably be low.”<sup>39</sup> Agent utilization is the proportion of an agent’s work time that is spent actually talking to customers; it can be calculated by dividing the agent’s total call time for the month, in hours, by the total hours the agent worked in that period.

### **Contact Center**

Call centers are now communicating with customers through methods outside of telephone calls alone. In today’s digital world, traditional call centers are being replaced



by “contact centers”, with the communication dispersed across websites, texts, emails, mobile apps, and other media.<sup>40</sup> In accordance with this trend, ACPE staff indicated that they increasingly are using emails and texts to answer customer inquiries.

## **Recommendations**

### **Recommendation 7.1.1**

**Explore whether more flexible staffing arrangements could support expanded hours.** The ACPE call center is open for less time than the centers at comparable state loan programs. Scheduling work hours with strategic emphasis on meeting customer demand could allow for increased accessibility. While current staff resources will be needed to explore this issue, additional costs for implementation are unknown. To the extent that the recommendation is implemented by shifting current staff schedules, it is not anticipated that additional resources would be needed.

### **Recommendation 7.1.2**

**Seek guidance from a professional librarian on how to best structure the TBI.** Many employees have had difficulty navigating the TBI database while relaying information to customers. A professional librarian can assist in organizing the information to make navigation easier. ACPE is administratively attached to the Department of Education and Early Development (DEED) and in-house resources may be available through the Division of Libraries, Archives, and Museums to provide consultation to ACPE on this issue. Should ACPE need to secure external consultation, resources would need to be expended. An estimated \$150 per hour for 100 hours of librarian expertise would cost \$15,000. Actual costs would need to be determined in consultation with an external consultant. Implementation of any recommendations from internal or external consultation would be implemented with existing staff resources.

### **Recommendation 7.1.3**

**Implement additional metrics for more accurately measuring call center efficiency and customer satisfaction.** While ACPE collects data on call length and frequency, metrics like FCR would provide information on how effectively the call center is meeting customer needs. While current staff resources will be needed to address this issue, additional costs are not anticipated; this recommendation can be implemented within existing resources.



#### **Recommendation 7.1.4**

**Utilize social media as a means of customer service communication.** ACPE may want to bolster its web and email services and create accounts on sites like Twitter and Instagram. This would provide more forums for conveying information to customers and collecting customer feedback. While current staff resources will be needed to address this issue, additional costs are not anticipated; this recommendation can be implemented within existing resources.



## 8 STAKEHOLDER INPUT

### Background

Alaska Commission on Postsecondary Education (ACPE) has conducted two surveys of current and potential customers, both conducted by the McDowell Group. The first, conducted in 2013, consisted of an online survey of current and potential Alaska student loan borrowers. The survey asked respondents how familiar they were with different types of loans, including federal programs, private lenders such as Wells Fargo and Sallie Mae, and state programs administered by ACPE.<sup>41</sup> The survey also attempted to determine how many students took out each type of loan and, if no loans were used, why the students did not borrow.<sup>42</sup>

The second McDowell Group survey, conducted in 2015, was a survey specifically of recipients of the Alaska Performance Scholarship (APS), a merit-based award for good grades and high test scores administered by ACPE. That survey asked respondents about their educational aspirations and attempted to determine how important APS had been in shaping their educational decisions and achievements.<sup>43</sup>

### Findings

Although the McDowell Group surveys provided useful feedback to ACPE about their customers, ACPE does not currently have a mechanism for regularly obtaining feedback from borrowers of the 35,000 loan accounts that the organization services. Stakeholder input is important because it allows an organization to understand and better meet its customers' needs. By designing a forum through which stakeholders provide this input, the organization can also ensure that this feedback is sufficiently relevant and informative. One way to achieve this is with a regular survey on borrower experience.

Surveys that use consistent metrics and are administered at regular intervals could allow ACPE to draw conclusions about trends in experiences and satisfaction. Even if data on borrower experiences seem inconclusive during the year in which they are collected, when compared to data from other years they may illuminate changes in customer behavior and perceptions.

### Recommendation

#### Recommendation 8.1.1

**Conduct regular customer service surveys, at least annually, to determine areas of satisfaction and areas needing attention.** In addition to continuing the periodic, in-



depth surveys of specific aspects of ACPE programs and services, ACPE should develop a plan for obtaining regular feedback from borrowers. Possible mechanisms include a brief survey at the end of each interactive voice response (IVR) call, a continuous web survey on the ACPE website, a brief survey at the end of each login to the ACPE borrow interface, and social media surveys through Facebook or via text. Data should be analyzed annually to identify areas of improvement for ACPE.

The costs of designing and administering a survey are expected to be minimal and may be accomplished within existing resources. ACPE is administratively attached to the Department of Education and Early Development (DEED) and in-house resources may be available within DEED to assist with the design of an effective survey. Should ACPE need to secure external consultation, resources would need to be expended. An estimated \$150 per hour for 100 hours of survey expertise would cost \$15,000. Actual costs would need to be determined in consultation with an external consultant.

DEED or another Alaska state agency may already have an in-house survey system or a license for an external survey system that can be used by ACPE. Most web-based survey systems, such as Survey Monkey, have built-in survey analysis and reporting tools that can be downloaded and reviewed by ACPE management at regular intervals.

## 9 REGULATORY BURDENS

### Background

The Alaska Student Loan Corporation (ASLC), like other state alternative student loan organizations, operates in a highly-regulated environment. ASLC is governed by federal statutes relating to the sale of taxable and tax-exempt bonds and both ASLC and the Alaska Commission on Postsecondary Education (ACPE) are governed by the regulation of student loans. ASLC and ACPE are also governed by state statutes (AS 09.38.030, AS 14.42.210, AS 14.42.295, AS 14.43, AS 14.44.040, AS 37.07.050, AS 37.10.071, and AS 37.10.089) and Alaska Administrative Code (20 AAC 15.010 – 20 AAC 15.085).

### Findings

The most significant recent regulatory change was the federal Health Care and Education Reconciliation Act of 2010.<sup>44</sup> Beginning in July 2010, this federal legislation prohibited the origination of federal student loans by alternative lenders, including ASLC. Under the new rules, the U.S. Department of Education originates and administers federal loans directly to students.<sup>45</sup>

Prior to 2010, Alaska Student Loan Corporation (ASLC) had originated federal loans through the Federal Family Education Loan Program (FFELP).<sup>46</sup> Since 2010, ASLC no longer originates FFELP loans. ASLC continues to hold and administer FFELP loans it originated and continues to receive benefits, including special allowance payments and claim payments, from the federal government until the loans are paid in full; all FFELP loans held by ASLC are federally guaranteed until paid in full. The ASLC portfolio currently includes these legacy FFELP loans, the Alaska Supplemental Education Loan (ASEL) and the Family Education Loan (FEL).<sup>47</sup>

Although ASLC no longer originates federal student loans, ASLC continues to issue state alternative student loans, and continues to operate on the proceeds of those loans. According to the ASLC financial advisor and bond counsel, ASLC weathered the changes in 2010 because ASLC has a good credit history and maintains a good credit rating.

### New Legislation

During the 2016 Alaska legislative session, Senate Joint Resolution 2 (SJR2) was approved by both the House and the Senate. SJR2 would allow the state to place on a general election ballot the question of whether to use general obligation (GO) bond authority for the purpose of funding student loans. SJR2 passed both houses of the legislature in 2016 and is awaiting transmittal to the governor as of September 9.<sup>48</sup>



Issuing GO bonds to finance student loans would allow ASLC to offer lower interest rates to borrowers and increase loan volume. If GO bond authority were granted, ASLC would become the only other state student loan authority aside from the Texas Higher Education Coordinating Board (THECB) to finance student loans with GO bonds. THECB has maintained consistently low interest rates as a result of financing loans with GO bonds.

House Bill 305 (Recreational/Vocational Training Exemption) was introduced early in the 2016 legislative session to allow yoga instruction programs and yoga teacher training to be exempted from the oversight of the ACPE institutional authorization program. In the Senate, companion SB 190 was also introduced and heard in the Senate Education Committee where, in response to committee members, ACPE leadership developed alternative language that provided a new category of exemption while minimizing risk of fraud for consumers. This language was adopted in both the Senate and House versions of the legislation. The amended House Bill was passed by both the House and Senate and signed by the governor on June 18, 2016.<sup>49</sup>

House Bill 256, the FY 2017 appropriations bill, was signed by the governor on July 11, 2016. The House Finance committee adopted the recommendations of the Education Finance Subcommittee to cut \$75,000 from ASLC receipts for travel. The Senate Finance Committee adopted its Education Subcommittee recommendation to cut \$450,000 in addition to the \$75,000 cut recommended in the House.<sup>50</sup>

On April 15, 2016, the Conference Committee, at ACPE staff request, reduced the Senate's proposed cuts (restoration of \$240,000 was granted without objection). The restored funds would permit ACPE to continue to maintain Alaska Career Information System (AKCIS) services statewide for FY17. This online resource is used in all 54 school districts in Alaska as well as in one-stop job centers. Additionally, with the restoration of these reductions, the Outreach unit of ACPE will be able to continue to provide centralized administrative and training support as well as staffing for the schools and districts that participate in the Alaska College and Career Advising Corps (ACAC). The ACAC program places recent college graduates in high schools as near-peer mentors.<sup>51</sup> Staffing for ACAC will be provided by ACPE (through a contract with participating schools and districts) and program partners, with financial support from the communities in which the ACAC guide is placed, and by leveraging substantial financial support from a private national partner.

### **Student Loan Bond Market**

There have not been any significant challenges in the bond markets for student loans in recent years. According to both the ASLC financial advisor and the ASLC bond counsel,



the bond markets for student loans have been relatively stable in recent years. ASLC has not issued new bonds for student loans since 2007, but both the financial advisor and the bond council believe that the corporation is in a favorable financial position to issue new bonds. The financial advisor is currently working with ASLC on cash flow analyses to determine when the corporation will need to issue new bonds.

In 2015, Moody's and Fitch Ratings, the two largest bond credit rating agencies, released lists of loan issuers that are scheduled for a possible credit rating downgrade. ASLC was not included on either list. As of June 2016, the student loan industry is still awaiting new credit ratings from Moody's and Fitch Ratings, but the ASLC financial advisor does not expect a credit rating downgrade for ASLC.

### **Student Loan Refinancing**

ACPE has begun to explore student loan refinancing under existing guidance from the United States Department of the Treasury. In 2015, Treasury issued Private Letter Ruling Number 201447023 in response to questions about Section 144(b)(1)(B) of the Internal Revenue Code, which allows state student loan corporations to offer student loan refinancing using tax-exempt bonds. The ruling specified that tax-exempt bonds may refinance loans for students who are residents of the state or were enrolled in an institution located in the state. In addition, tax-exempt bonds may also refinance loans made to parents of undergraduate students under the Federal Direct PLUS loan program (discussed in Chapter 11) originated before July 1, 2010, as well as state supplemental loans under certain circumstances.

ACPE plans to launch a pilot refinancing program in August of 2016 that will comply with current guidance. In addition, ACPE is currently working with the Education Finance Council (EFC), the national trade association representing nonprofit and state agency student loan organizations, to seek further guidance from Treasury on whether tax-exempt bonds can be used to refinance *any* loans that Alaska students have incurred, including all private and federal loans.

The ability to offer refinancing would represent an opportunity for ASLC to increase revenues, better leverage fixed costs associated with the systems in place to service student loans, and benefit Alaskans who currently have limited options for refinancing student loans.<sup>52</sup>



## Recommendations

### Recommendation 9.1.1

**Continue to explore student loan refinancing as U.S. Department of the Treasury rules are clarified.** ACPE should continue with the student loan refinancing pilot program and continue to work with the EFC to seek clarification and further guidance from the U.S. Department of the Treasury. No costs are associated with this recommendation.

### Recommendation 9.1.2

**Assuming SJR2 is signed by the governor, pursue the use of GO bonds in the next general election for funding student loans.** Educational and information materials will be needed to ensure that the public understands the purpose of the bond election. No costs are associated with this recommendation.

## 10 INFORMATION TECHNOLOGY SYSTEMS AND FUNCTIONALITY

### Background

The Alaska Commission on Postsecondary Education (ACPE) Information Technology (IT) department is made up of 15 full-time staff: the IT Director, six programmers, and one internet specialist housed in the Anchorage office, and four business analysts, one business analyst officer, one network administrator, and one network specialist housed in the Juneau office.

Generally, backend IT functions are conducted in the Anchorage office, while testing and implementation are conducted at the main ACPE office in Juneau. Department staff use the Electronic Service Request (ESR) system to submit IT project requests to IT staff. The ESR system is managed online and visible to all staff on the ACPE intranet (internal Sharepoint). IT projects are categorized as either “change requests,” those estimated to require less than 40 hours of IT staff time, or “projects,” those estimated to require more than 40 hours of IT staff time. Change requests and projects are prioritized by senior management staff during prioritization meetings that typically occur once per quarter. Senior management staff prioritize and complete change requests and projects that are deemed mission critical on an as-needed basis.

ACPE uses a complex automated platform to service ASLC student loans called the Higher Education Loan Management System (HELMS), developed and maintained by the software company 5280 Solutions. In 2012, ACPE converted from an internal server-based version of HELMS to a new web-based version called HELMS.net.

ACPE is the only one of the 17 state student loan organizations offering alternative student loans that uses the HELMS.net system for servicing loans. Texas uses the internal server-based HELMS system and is considering upgrading to the HELMS.net system. The IT systems in use by state alternative student loan organizations include Firstmark Servicing (used by Connecticut, Maine, and Minnesota), Campus Door (used by New Mexico and Utah), Campus Partners (Hawaii), Aspire Resources (Iowa), Student Loan Servicing System (Kentucky), ACS Servicing (Massachusetts), Granite State Management and Resources (New Hampshire), and internally-developed systems (New Jersey, Rhode Island, South Carolina, and Vermont).

In order to test new updates issued by 5280 Solutions for the HELMS.net system, ACPE business analysts use a virtual testing environment called Model Office. Model Office simulates the implementation of HELMS.net updates in order to determine whether the



updates function properly and to avoid any adverse effects that the updates might have before they go live on the HELMS.net system.

In addition to the new HELMS.net system for managing student loans, ACPE has implemented the new Alaska Student Aid Portal (ASAP) system for managing the Alaska Education Grant (AEG), a need-based award that compensates for unmet financial burden and the Alaska Performance Scholarship.<sup>53</sup> The ASAP system is live, but still under vendor support.

The IT department also oversees the state longitudinal data system (SLDS, known in Alaska as ANSWERS), and the interactive voice response (IVR) system used by the ACPE call center, as well as all aspects of the ACPE website and all ACPE internal data.

## Findings

ACPE staff noted that the recent conversion to HELMS.net and ASAP have addressed many of the IT issues experienced in the past. During this review the following IT issues were noted:

- Cosigners do not have access to online loan information. In many cases, the cosigners are taking responsibility for managing the payment of the loans, but they do not have the same level of online access that borrowers have. In order for cosigners to make loan payments, they have to call in to the ACPE call center.
- Borrowers who have existing loans through ASLC cannot designate how a payment is to be distributed among multiple loans. HELMS.net automatically distributes payments to first pay the minimum payments on each outstanding loan; any additional payment is then allocated to the oldest loan, not necessarily the one with the highest interest rate. Currently, the only way for borrowers to change the distribution of payments to multiple loans is to call the call center and have an ACPE staff member manually distribute the payments.
- Some ACPE staff reported that the Model Office process used for testing updates to the HELMS.net system takes too long, sometimes several months, and that a faster implementation of HELMS.net updates is desirable.



## Recommendations

### Recommendation 10.1.1

**Update HELMS.net to allow cosigners to have the same access to loan information as student borrowers, to the extent allowed by law.** Currently, cosigners have to call in to the ACPE call center in order to access student loan information. Allowing cosigners to have the same online access to student loan information as borrowers could reduce call center call volume. There may be costs associated with the HELMS.net vendor developing this functionality; those costs would need to be negotiated with the vendor.

### Recommendation 10.1.2

**Update the borrower interface of HELMS.net to allow borrowers to designate where their payments go.** Borrowers should still be required to pay the minimum payment on each loan, but should be able to allocate additional payments to whichever loan they prefer. There may be costs associated with the HELMS.net vendor developing this functionality; those costs would need to be negotiated with the vendor.

### Recommendation 10.1.3

**Consider whether the Model Office testing system is the most efficient way of implementing updates to HELMS.net.** The Model Office testing system can slow down implementation of system updates; opportunities to improve the testing process should be explored. Using a process improvement methodology such as LEAN to analyze whether the testing environment is efficient can be completed within existing resources.



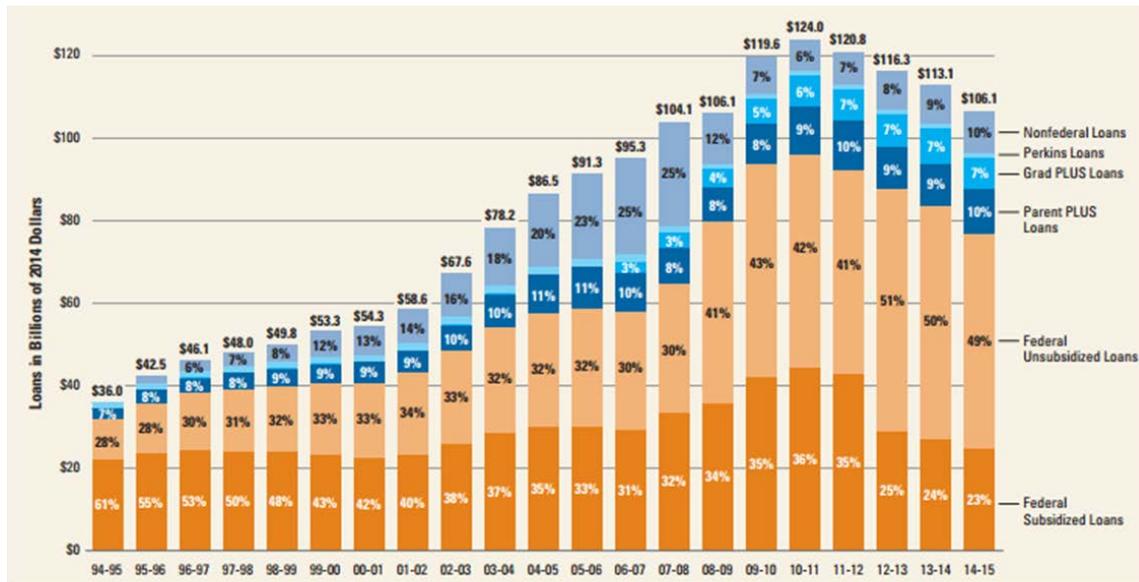
## 11 FUTURE OF ALASKA STUDENT LOAN CORPORATION

### Background

The state of Alaska began providing student loans in 1971, using money from the state general fund.<sup>54</sup> In 1974, the Alaska Commission on Postsecondary Education (ACPE) was established to administer these loans to Alaskans and promote higher education in Alaska.<sup>55</sup> Due to declining oil revenues, the legislature created the Alaska Student Loan Corporation (ASLC) in 1987 to provide alternative student loans through tax exempt bonds.<sup>56</sup> ACPE is governed by a fourteen-member commission whose members are appointed by the governor, the University of Alaska Board of Regents, the State Board of Education and Early Development, Alaska Workforce Investment Board, and members of the Alaska State Senate and State House of Representatives. These members serve at the pleasure of whoever appointed them.<sup>57</sup> ASLC has a five-member Board of Directors that includes of the Commissioner of Commerce, Community, and Economic Development; Commissioner of Revenue; Commissioner of Administration (or their designees), and two members of the ACPE Commission.

While the majority of student loans in the United States are administered by the federal government, there are other ways that students can borrow money for their education. These various nonfederal lenders, including private banks, universities, and state-affiliated programs like ASLC, are often grouped together into a singular “alternative” student loan market. Alternative, nonfederal loans make up about 10 percent of the student loan market as shown in Exhibit 11-1.

### Exhibit 11-1: Total Federal and Nonfederal Student Loans in 2014 Dollars by Type



Source: *Trends in Student Aid 2015* [Report]. College Board, 2015. Web. <http://trends.collegeboard.org/sites/default/files/trends-student-aid-web-final-508-2.pdf>. Accessed June 9, 2016.

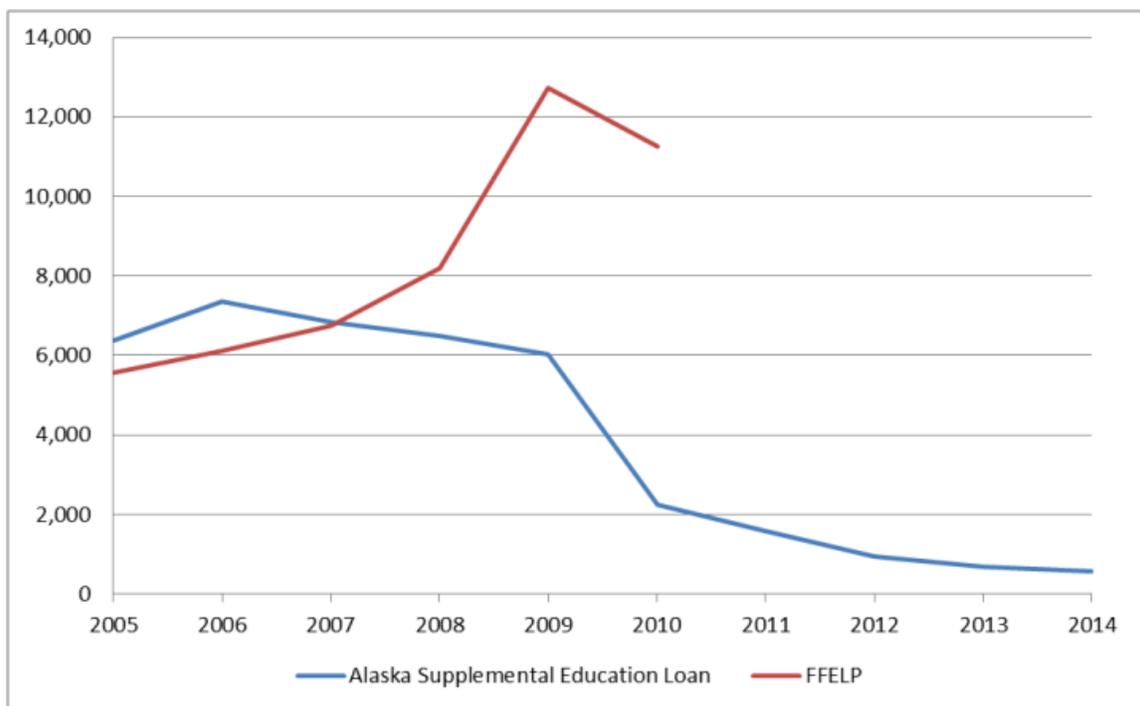
Nationally, the alternative student loan market has experienced two major changes in the past eight years. The first occurred in 2008, when the adverse lending conditions of the financial crisis caused private lenders to significantly cut back their loan volume. The second major change came in 2010, when Congress passed the Health Care and Education Reconciliation Act of 2010.<sup>58</sup> This put an end to the origination of federal student loans by alternative lenders, including ASLC. Under the new rules, only the U.S. Department of Education administers federal loans directly to students.<sup>59</sup>

In the years before Congress passed this bill, ASLC had originated federal loans through the Federal Family Education Loan Program (FFELP).<sup>60</sup> Since 2010, the ASLC portfolio has included its legacy FFELP loans, the Alaska Supplement Education Loans (ASEL) and Alaska Family Education Loans (FEL).<sup>61</sup>

Investor concerns about bonds secured by student loans during and after the 2008 market collapse led ACPE to reconsider its loan criteria for ASEL and FEL loans, enforcing a minimum Fair Isaac Corporation (FICO) credit score requirement of 680 to ensure that loans were only issued to borrowers with good credit. This change was made to ensure

that new student loans were of sufficient quality to attract investors when ASLC returns to the market to issue bonds.<sup>62</sup> Changing the credit score requirements, the 2010 elimination of lender-based FFELP loans, and the 2008 update to the federal Higher Education Opportunity Act that resulted in many schools discontinuing providing students with preferred lender lists or packaging state loans, all contributed to the general decline in the total number of ACPE loans issued, as shown in Chart 11-1.<sup>63</sup>

**Chart 11-1: Annual Number of ASLC Loans by Program**



Source: ACPE Presentation to Senate Finance Subcommittee, February 23, 2016.

Since 2001, the ASLC Board has approved annual dividends to be paid to the state general fund, as shown in Table 11-1. As a result of the significant changes to the loan portfolio since 2010, the ASLC board has not authorized a dividend to be paid since 2009.

**Table 11-1: ASLC Dividends to the Alaska General Fund**

Year	Amount of Dividend
2001	\$2,200,000
2002	\$4,000,000
2003	\$5,250,000
2004	\$5,000,000
2005	\$5,600,000
2006	\$3,100,000
2007	\$1,900,000
2008	\$1,200,000
2009	\$4,100,000
<b>Total Dividends</b>	<b>\$32,350,000</b>

Source: ACPE Presentation to Senate Finance Subcommittee, February 23, 2016.

Proceeds from the ASLC student loan portfolio fund the full cost of servicing the student loans. ASLC receipts are transferred annually to ACPE through the budget process to service the loans. In addition, ASLC funds the administration of two non-loan financial aid programs: the Alaska Performance Scholarship (APS), a merit-based award for good grades and high test scores, and the Alaska Education Grant (AEG), a need-based award that compensates for unmet financial burden.<sup>64</sup> Both of these programs are funded by state general funds. Since the inception of the program in 2011, APS has awarded about 5,200 scholarships. In the 2014-2015 school year, ACPE awarded \$10.1 million to 3,006 scholarship recipients.<sup>65</sup> The AEG program disbursed about \$5.5 million in grants during the same year.<sup>66</sup>

ASLC also funds several outreach programs managed by ACPE to raise awareness about postsecondary educational opportunities. These include presentations at conferences and classrooms, special financial aid events, and the implementation of resources like the Alaska Career Information System (AKCIS), a free online service for tracking educational goals.<sup>67</sup> ACPE helps to hold special events like College Goal Alaska, I Know I Can, and Kids2College, designed to inspire youth to pursue postsecondary education.<sup>68</sup> These efforts coincide with “65 by 2025,” an initiative for increasing statewide college education with the goal that 65 percent of Alaskans will hold postsecondary degrees by 2025.<sup>69</sup> Outreach activities are funded by proceeds from ASLC.



ASLC proceeds also support the Alaska Navigator: Statewide Workforce and Education-Related Statistics (ANSWERS) program, a longitudinal data system for tracking educational information. ANSWERS removes personal identifying information and consolidates data from ACPE, DEED, the University of Alaska, and the Alaska Department of Labor and Workforce Development.<sup>70</sup> Data are then linked and organized into cohorts to allow for longitudinal analysis. The system was first established in December 2011 through an administrative order by Governor Sean Parnell.<sup>71</sup>

Federal funding for longitudinal educational data in Alaska first began in 2006, when the National Center for Educational Statistics (NCES) granted \$3,506,757 to DEED for a student identification and data storage system called the Unity Project.<sup>72</sup> After another grant application from DEED and ACPE in 2012, NCES provided another \$4,000,000 for the state to encourage the development of ANSWERS. The program has since been operating in a trial stage, using ASLC proceeds to supplement its grant funding until a long-term source of funding is established.<sup>73</sup>

Due to privacy concerns, ANSWERS has faced some opposition in the legislature. House Bill 202 proposed including workforce data in the ANSWERS program; as of September 9, 2016, the bill is still in committee.<sup>74</sup>

## Findings

Over the last two years, ASLC has come under increased scrutiny as the Alaska state legislature has had to make difficult decisions to balance the state budget. In the last two sessions, the legislature has reduced or proposed to reduce budget authority for ACPE, preventing ASLC from transferring proceeds from student loan servicing to ACPE to fund outreach and other activities. Senate Bill 208 was introduced during the 2016 legislative session but ultimately did not pass; the bill would have eliminated the APS and AEG programs of ACPE, both of which are funded through general funds. Meetings of the 2016 House and Senate finance subcommittees investigated the necessity of maintaining ASLC, questioning ACPE staff on the consequences of transferring or even eliminating student loan programs and existing assets.

In light of these questions and concerns, the operations and administration of ASLC were reviewed to identify various factors related to the costs and benefits to the state of Alaska.



### **ASLC Performance**

Interviews with ASLC staff, board members of both the boards of ASLC and ACPE, and the financial aid offices at the University of Alaska, as well as data analyzed for this performance review all indicate that ASLC is performing well.

According to interviews with the financial advisor and bond counsel who are under contract by ASLC, ASLC has a favorable position in the bond market and is not on the rating agency “watch lists” for possible ratings downgrade. The financial advisor indicates that ASLC may be in the best financial position of all of his alternative student loan clients which include other state alternative student loan corporations and nonprofit organizations.

Over the last several years, ACPE and ASLC have made a number of improvements and adjustments to external forces, including:

- Adapting well to severe changes in the bond market in 2008 and 2009.
- Adapting well to the elimination of federal student loan originations in 2010.
- Tightening requirements for obtaining an ASEL in 2010.
- Acquiring a new IT system for administering grants and scholarships.
- Converting to HELMS.net.
- Reducing programming in response to reductions in budget authority.

### **Student Loan Interest Rates**

As shown in Table 11-2 ASLC loans have interest rates that are higher than federal Undergraduate Direct loans and lower than federal Direct Plus loans. Alternative student loans are not intended to take the place of federal loans; students are advised to seek a federal loan first and supplement it, if necessary, with an alternative student loan.<sup>75</sup>

Table 11-2: Interest Rates and Fees for Federal Loans and ASLC Loans

Loan	Interest Rate	Fees	Credit Requirements
<b>Federal Undergraduate Direct Loan</b>	4.29% Fixed	1.073% origination fee	None
<b>Federal Direct PLUS</b>	6.84% Fixed	4.292% origination fee	No adverse credit history (may use cosigner/endorser)
<b>Alaska Supplemental Education Loan (ASEL)</b>	6.25% Fixed	0% origination fee	680 Experian FICO (may use cosigner)
<b>Alaska Family Education Loan (FEL)</b>	6.25% Fixed	0% origination fee	No adverse credit history (may use cosigner)

Source: ACPE Loan Comparison Chart.

### Other State Experiences with Alternative Student Loans

In addition to Alaska, sixteen states administer alternative student loans. These programs are either connected to the state as a state agency, a corporation of state government, or a private not-for-profit organization.

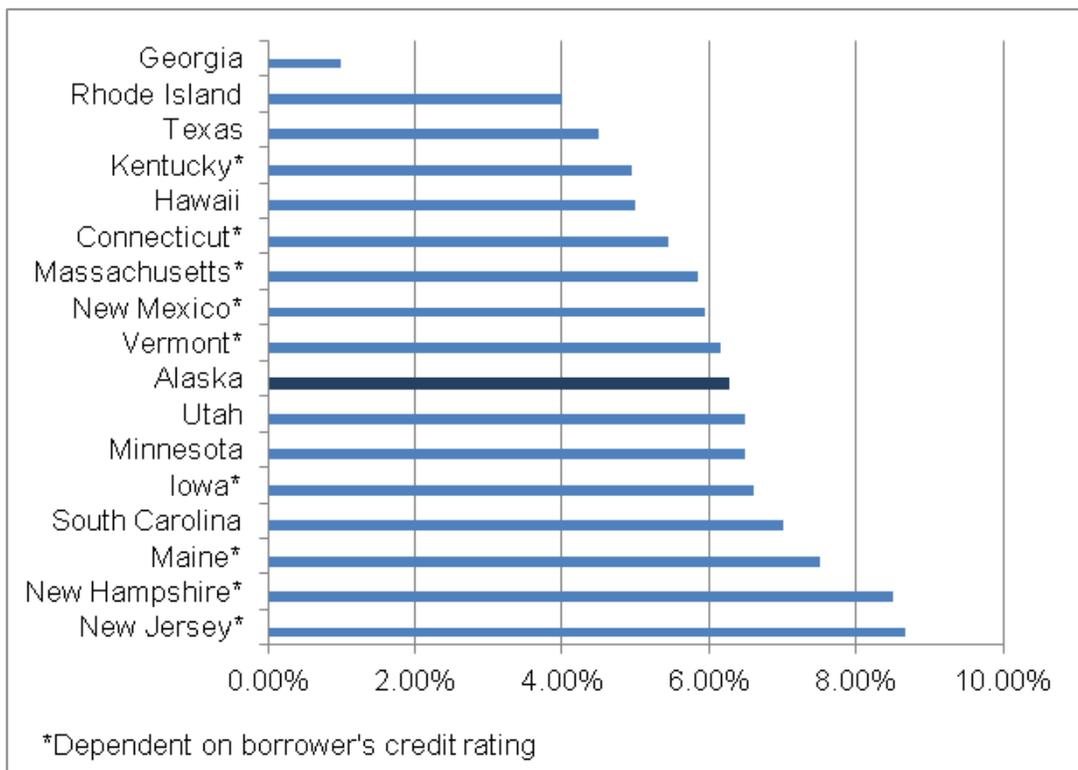
**Table 11-3: Alternative Student Loan Programs by State**

State	Loan Corporation	Legal Status	Financing Mechanism for Student Loans
Connecticut	<a href="#"><u>Connecticut Higher Education Supplemental Loan Authority</u></a>	Subsidiary of a Quasi-Governmental Agency	Revenue Bonds
Georgia	<a href="#"><u>Georgia Student Finance Authority</u></a>	Public Instrumentality	Net assets and appropriations from the state
Hawaii	<a href="#"><u>University of Hawaii General Accounting and Loan Collection Office</u></a>	State Agency	Unknown
Iowa	<a href="#"><u>Iowa Student Loan</u></a>	Private Nonprofit Corporation	Revenue Bonds
Kentucky	<a href="#"><u>Kentucky Higher Education Student Loan Corporation</u></a>	Municipal Corporation and Political Subdivision of the State	Bonds (not to exceed \$5B)
Maine	<a href="#"><u>Finance Authority of Maine</u></a>	Quasi-Governmental Agency	Appropriations from the state and the issuance of state bonds
Massachusetts	<a href="#"><u>Massachusetts Educational Financing Authority</u></a>	Public Instrumentality	Revenue Bonds
Minnesota	<a href="#"><u>Minnesota Office of Higher Education</u></a>	State Agency	Revenue Bonds
New Hampshire	<a href="#"><u>New Hampshire Higher Education Loan Corporation</u></a>	Private Nonprofit Corporation	Revenue Bonds
New Jersey	<a href="#"><u>New Jersey Higher Education Student Assistance Authority</u></a>	Public Instrumentality	Bonds
New Mexico	<a href="#"><u>New Mexico Student Loan Guarantee Corporation</u></a>	Quasi-Governmental Not-for-Profit	Revenue Bonds
Rhode Island	<a href="#"><u>Rhode Island Student Loan Authority</u></a>	Public Instrumentality	Revenue Bonds
South Carolina	<a href="#"><u>South Carolina Student Loan Corporation</u></a>	Public Instrumentality	Revenue Bonds
Texas	<a href="#"><u>Texas Higher Education Coordinating Board</u></a>	State Agency	General Obligation Bonds
Utah	<a href="#"><u>Utah Higher Education Assistance Authority</u></a>	State Enterprise Fund	Revenue Bonds
Vermont	<a href="#"><u>Vermont Student Assistance Corporation</u></a>	Public Instrumentality	Bonds

Source: Most recent audited financial statements available from each alternative student loan program.

Chart 11-2 shows the interest rate on alternative student loans in other states. Georgia has the lowest rate and does not rely on revenue bonds; proceeds from the Georgia Education Lottery are used to supplement state appropriations, allowing for the issuance of small (up to \$8,000 annually) student loans at an interest rate of one percent.<sup>76</sup> In Rhode Island, interest rates are based not on credit score but on the repayment plan, incentivizing students to choose the shortest repayment timeframe for a low 3.99 percent rate. Texas is currently the only state that issues general obligation (GO) bonds for student loans, which allows the state to guarantee bond payments, effectively lowering the interest rates on student loans. In Alaska, Senate Joint Resolution 2 (SJR2) is awaiting the governor’s signature; it would allow the state to seek voter approval for GO bonds for ASLC.

**Chart 11-2: Interest Rates for State Alternative Student Loans**



Source: Analysis based on information available about the alternative student loan program in each state. In states with a range of rates, the highest rate is shown on the chart.

### Private Student Loan Market

Students seeking student loans have the option to obtain student loans in the private loan market. However, these loans do not compare favorably to ASLC. Private loans offer



more complex terms and may require students to provide good credit scores (or cosigner credit worthiness) before learning what their interest rate will be.<sup>77</sup> Private student loans can have interest rates as high as 12.99 percent, more than double the fixed 6.25 percent rate of ACPE loans.<sup>78</sup> Private loans are also relatively inflexible – they may not offer options for postponing payments after a student is out of school, even in scenarios that would qualify for forbearance on federal loans, such as especially low monthly income (when proven to be an emergency) and special military or teaching service.<sup>79</sup> Private loans are unlikely to be discharged for events such as personal bankruptcy or the death of a cosigner.<sup>80,81</sup> These more restrictive terms are partially due to the fact that student loans are just one line of business for private lenders, who offer these loans alongside many other banking lines.

According to a 2015 report prepared by MeasureOne, a private company specializing in the analysis of student loan industry data, five of the largest private banking institutions that originate student loans include Sallie Mae, Wells Fargo, Discover, Citizens Bank, and PNC Financial Services.<sup>82</sup> Table 11-4 shows the interest rates and other information for student loans available through these institutions compared to Alaska ASEL and FEL loans. It also shows the difference between the variable rates, which may be more prominently advertised, and their higher fixed-rate equivalents.

Table 11-4: Interest Rates and Terms for Private Student Loans Compared to Federal and Alaska Student Loans

Loan	Interest Rate	Fees	Credit Requirements
<b>Alaska Supplemental Education Loan (ASEL)</b>	6.25% Fixed	0% origination fee	680 Experian FICO (may use cosigner)
<b>Alaska Family Education Loan (FEL)</b>	6.25% Fixed	0% origination fee	No adverse credit history (may use cosigner)
<b>Citizens Bank<sup>83</sup></b>	5.75%-11.50% Fixed 2.94%-9.44% Variable	0% origination fee	Credit score determines interest rate and plan terms
<b>Discover Bank<sup>84</sup></b>	6.15%-11.99% Fixed 3.37%-9.49% Variable	0% origination fee	Credit score determines interest rate and plan terms
<b>PNC Bank<sup>85</sup></b>	6.49%-12.99% Fixed 3.73%-10.68% Variable	0% origination fee	Credit score determines interest rate and plan terms
<b>Sallie Mae Bank<sup>86</sup></b>	5.89%-12.52% Fixed 2.53%-10.02% Variable	0% origination fee	Credit score determines interest rate and plan terms
<b>Wells Fargo Bank<sup>87</sup></b>	5.99%-11.99% Fixed 3.24%-9.74% Variable	0% origination fee	Credit score determines interest rate and plan terms

Source: Information collected from several sources as noted.

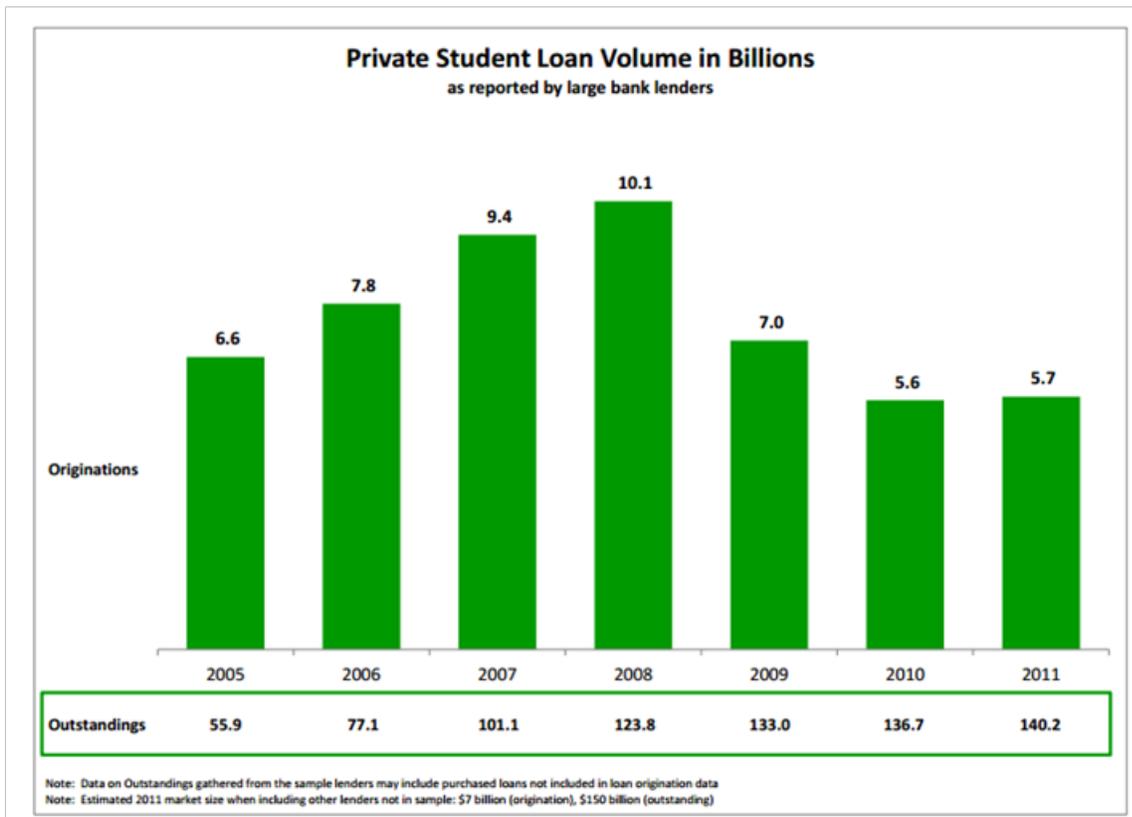
Variable rate loans have lower interest rates because the risk is higher for the borrower; the interest rate will change as the market interest rate changes. All federal student loans and ASLC loans currently have fixed rates, however, between 2002 and 2006, both federal and ASLC loans were variable rate loans, so ASLC continues to have some variable rate FFELP and alternative student loans in their loan portfolio.

The federal Consumer Financial Protection Bureau (CFPB), in its most recent report on the private student loan market, outlined the misleading nature of private student loan advertisement.<sup>88</sup> According to the report, while private loan rates can fall within a wide range of possible values, private lenders usually only advertise the lowest rates available to their most credit-worthy borrowers.<sup>89</sup> Because borrowers are not able to learn their rate until after the lender approves the loan, clients who agree to these terms are actually left with, on average, a variable rate of 7.8 percent.<sup>90</sup>

According to the CFPB, the private student loan market is also highly volatile, responding significantly to general economic trends.<sup>91</sup> When the U.S. housing market crashed in

2008, for example, it greatly affected the extent to which banks and credit unions were willing to offer student loans.<sup>92</sup> The private student loan volume, as estimated by CFPB from a sample of large bank student loan lenders (the names of lenders are not specified in the report), decreased significantly after the 2008 financial crisis – from over \$10 billion in 2008 to \$5.7 billion in 2011 – as shown in Exhibit 11-2.<sup>93</sup>

**Exhibit 11-2: Trends in Private Student Loan Volume**



Source: *Private Student Loans*. Consumer Financial Protection Bureau. August 2012. Web. [http://files.consumerfinance.gov/f/201207\\_cfpb\\_Reports\\_Private-Student-Loans.pdf](http://files.consumerfinance.gov/f/201207_cfpb_Reports_Private-Student-Loans.pdf). Accessed May 2, 2016

Since private lenders are under no obligation to provide student loans, they can reduce their loan offerings whenever it is not in their own financial interest.<sup>94</sup> This creates an instability that is often exacerbated by the variable interest rates on many private loans, which effectively increases the cost of a loan when the lending market is riskier. These factors make the private loan market an unreliable alternative for students who need loans in addition to their federal loans. By contrast, ASLC student loans offer transparent and



consistent interest rates, favorable terms, have been resilient to economic changes, and have as their mission the support of Alaska residents.

### **Economic Development Benefits of ASLC**

One of the most significant benefits of ASLC is that the proceeds from the loans can be used to fund economic development activities designed to strengthen the future Alaska workforce. The outreach activities of ACPE are designed to encourage Alaska students to pursue postsecondary education, especially in Alaska.

Outreach is important because it encourages Alaskans to consider their educational goals from an early age. As seen in Table 11-5, high school graduation rates in Alaska are very low compared to all other states, especially for economically disadvantaged and minority students. Moreover, even among students who do graduate, the proportion that actually pursues postsecondary education is also low.

Table 11-5 shows that, in 2010, Alaska had a college-going rate of 46.4 percent, compared to the 62.5 percent national average.



**Table 11-5: Public High School Graduation Rates, 2013-2014**

Percent of Students									
State	Total	American Indian/Alaska Native	Asian/Pacific Islander	Hispanic	Black	White	Economically Disadvantaged	Limited English Proficiency	Students with Disabilities
Iowa	90.5	78	90	82	79	92.2	84.1	83	76.4
Nebraska	89.7	69	78	82.8	81	92.8	82.4	60	72
New Jersey	88.6	86	96	80.6	78.9	93.5	79.6	71.1	76.6
Wisconsin	88.6	81	90	78.1	66.1	92.9	77.9	64	69
Texas	88.3	87	94.6	85.5	84.2	93	85.2	71.5	77.5
New Hampshire	88.1	84	90	77	84	88.6	77.2	75	72
Indiana	87.9	84	89	83.2	75	90.4	85.4	80	73.4
Vermont	87.8	≥50	90	78	75	88.6	78	69	70
Kentucky	87.5	84	89	84	79.4	88.7	84	66	79.8
Missouri	87.3	83	90	80	74.8	90.4	80.4	64	75.3
North Dakota	87.2	66	85	74	76	90.2	72	64	70
Tennessee	87.2	81	93	81.4	78.6	90.9	82.2	73	69
Connecticut	87	85	93	74	78.6	92.2	75.9	63	65.2
Delaware	87	89	93	84	83	89.5	81	77	68
Arkansas	86.9	86	85	84.5	81	89.3	82.7	84	83.1
Maine	86.5	80	95	72	79	87	77.8	72	71



**Table 11-5: Public High School Graduation Rates, 2013-2014**

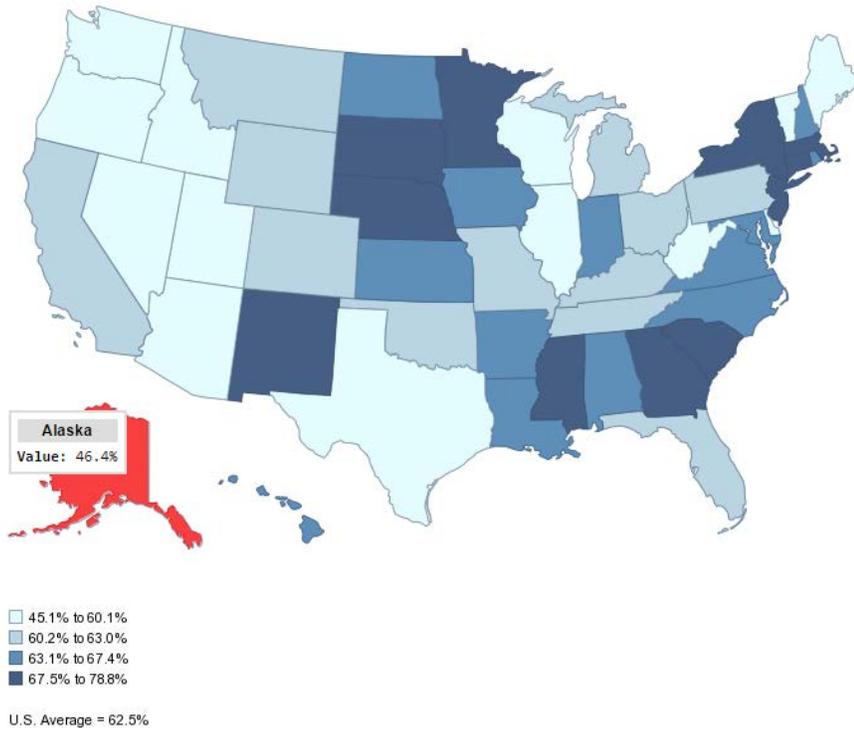
Percent of Students									
State	Total	American Indian/Alaska Native	Asian/Pacific Islander	Hispanic	Black	White	Economically Disadvantaged	Limited English Proficiency	Students with Disabilities
Maryland	86.4	87	94.9	77.5	80.5	91.9	77.8	54	63.5
Alabama	86.3	88	91	85	83.8	87.8	81.5	67	64.4
Massachusetts	86.1	76	91.9	69.2	74.9	90.9	76	63.4	69.1
Illinois	86	82	94.1	81.3	77.2	90.1	78.5	71.7	71.8
Kansas	85.7	76	90	78.7	77	88.3	76.9	75	76.7
Montana	85.4	65	85	81	89	88.3	75.4	59	76
Pennsylvania	85.3	82	90.4	71.1	72.3	89.6	76.5	64.1	70.9
Virginia	85.3	–	90.5	75.9	78.5	89.2	75.1	48.2	53.2
West Virginia	84.5	59	95	89	79	84.7	80.1	89	70.3
North Carolina	83.9	79	91	77.4	79.9	87.1	78	52	64.4
Utah	83.9	66	85	72.9	69	88.6	73.5	62	68.2
Oklahoma	82.7	82.4	88	77.6	75.7	84.8	78.2	59	77.2
South Dakota	82.7	47	80	71	73	88.5	65	57	59
Hawaii	81.8	72	82.8	76	76	80	77.6	53	59
Ohio	81.8	74	88	69.2	62.7	86.6	69.2	66	68.4
Minnesota	81.2	51	81.7	63.2	60.4	86.3	65.9	63.7	58.4
California	81	71	91.8	77	68	88	76	64	62
Rhode Island	80.8	57	88	72	72	85	71.1	72	60
South Carolina	80.1	74	88	77	76	82.8	72.5	73	43.2

Table 11-5: Public High School Graduation Rates, 2013-2014

Percent of Students									
State	Total	American Indian/Alaska Native	Asian/Pacific Islander	Hispanic	Black	White	Economically Disadvantaged	Limited English Proficiency	Students with Disabilities
Michigan	78.6	65	88.7	68.8	64.5	82.9	65.6	68.2	55.1
Wyoming	78.6	47	85	72	69	80.9	65	65	62
Washington	78.2	57	84.4	67.5	68	80.9	68.8	53.8	55.8
New York	77.8	65	83.6	63.9	64.5	88	68.8	37.1	51.8
Mississippi	77.6	66	89	80	71.5	84	70.9	67	28.1
Colorado	77.3	61	84	66.7	69	83.2	64.2	58.7	54.6
Idaho	77.3	56	79	70.3	75	79.2	71.3	75	59
Florida	76.1	74	89.2	75	64.7	81.7	67.8	55.8	55.1
Arizona	75.7	62.7	83	70.3	71	82.3	69.9	18	63.3
Louisiana	74.6	80	89	73	67.9	80.3	68.8	50	42.8
Georgia	72.5	67	82.8	64	65.2	79.7	62.5	43.9	36.5
Oregon	72	54	83	65	60	74.3	64.2	52	51.1
Alaska	<b>71.1</b>	<b>55</b>	<b>74</b>	<b>70</b>	<b>66</b>	<b>78.5</b>	<b>59.6</b>	<b>32</b>	<b>42</b>
Nevada	70	52	83	64.6	53.9	76.9	63.9	29	27.6
New Mexico	68.5	61	84	66.9	62	74.7	62.3	63.9	56.5
District of Columbia	61.4	<>	<>	65	59.7	85	60.1	64	41

Source: National Center for Educational Statistics, Common Core of Data

**Exhibit 11-3: College-Going Rates of High School Graduates- Directly from High School, 2010**



Source: The Pell Institute for the Study of Opportunity in Higher Education.

ACPE grant and scholarship programs serve as incentives for students to remain in Alaska for school and then choose to enter the Alaska labor market. Alaska Performance Scholarships are only available for students attending postsecondary institutions in Alaska, helping to keep the most talented high school students in-state. Graduating from college in Alaska increases the chances that students enter the Alaska labor force; one study found that at least 78 percent of University of Alaska Anchorage graduates stay in-state after graduation.<sup>95</sup> AEG is only available for students attending college in-state, giving financially disadvantaged Alaskans the opportunity to gain a higher education and then enter the workforce. ASLC loans are available for Alaska residents who attend school in Alaska or out of state, as well as out-of-state students who come to Alaska for college, allowing the program to attract students to Alaska. These programs reinforce a perception of the affordability of education in the state; one survey found that of the 53 percent of Alaskan students who stayed in-state for college, these students placed more value on



affordable tuition costs and the ability to graduate on time when deciding where they would attend.<sup>96</sup>

ACPE supports attendance at the University of Alaska (UA). Data from UA Anchorage (UAA) for fall 2015 shows that one percent of UAA students received ASLC loans, five percent received ACPE grants, and 11 percent received Alaska Performance Scholarships.<sup>97</sup>

A report of the economic impact of educational funding found that for every dollar spent on the University of Alaska system, the state earns \$3.25 in economic benefit.<sup>98</sup> Using this calculation, the \$9,370,741 that ACPE provided in FY 2016 for grants and scholarships to the Anchorage, Fairbanks, and Southeast campuses of the University of Alaska effectively generated \$30,454,908 in economic activity.<sup>99</sup> Further increasing the economic impact, Alaska students increased their FY 2011 earnings by an estimated \$621 million as a result of obtaining University of Alaska degrees.<sup>100</sup>

A similar economic benefit can be calculated for ASLC loans. Approximately 165 UAA students received an ASLC loan in the fall of 2015.<sup>101</sup> Assuming an average loan amount of \$7,249, the economic impact of those loans is \$3,887,276.<sup>102</sup> This calculation does not take into account the loans made at other Alaska universities. ASLC loans also have a ripple effect; as borrowers graduate and begin earning wages with their degrees, they are able to pay back their loans, providing money to fund loans for the next generation of Alaska students.

Outside of undergraduate loans, ACPE administers loans for the WWAMI program (named for Washington, Wyoming, Alaska, Montana, and Idaho, the participating states), which assists Alaskans in obtaining medical degrees out of state because Alaska does not have a medical school. WWAMI provides loans as well as in-state tuition at medical schools in participating states. In the 2015-2016 school year, ACPE distributed \$1,208,976 in WWAMI loans.<sup>103</sup> These loans are funded through the general fund. Without access to this program, Alaskans would have difficulty obtaining a medical education, which could make it difficult for the state to recruit medical professionals and maintain a well-staffed and robust healthcare system.

ACPE also provides a variety of services through its membership in the Western Interstate Commission for Higher Education (WICHE), a nonprofit organization that promotes collaboration among Western states and provides data and policy analysis to participating members.<sup>104</sup> One of the most important of these services is the Western Undergraduate

Exchange (WUE) program, which enables students to pursue out-of-state studies at discounted tuition rates. WUE provides an incentive for college-bound students to stay relatively nearby (in western states), potentially increasing the chances that they return to work in Alaska after graduation.

### **Consequences of Eliminating ASLC**

According to the financial advisor under contract to ASLC, transferring the ASLC portfolio to eliminate ASLC would trigger a number of negative consequences. A memo dated February 12, 2016, explains the consequences of moving the ASLC loan portfolio to another state agency, including (1) a refusal by the Letter of Credit provider of one bond issue to approve a change in loan servicing to a servicer with no education loan servicing experience and (2) a downgrade in the credit ratings of the transaction for a second bond issue. This series of events would likely culminate in a requirement to transfer loan servicing to the backup servicer.<sup>105</sup>

A requirement of the ASLC Series 2013 Floating Rate Note (FRN) indenture limits the sale or transfer of pledged loans until the balance of these loans is 10 percent or less of the initial balance. Loans pledged to the FRN represent 25 percent (\$92 million) of the total ASLC loan portfolio. This portfolio will reach the 10 percent threshold at some point in 2020.

Another 16 percent (\$62 million) of the total ASLC loan portfolio, loans pledged to the Series 2012 Variable Rate Demand Bond (VRDB), has criteria that must be met before the portfolio can be sold or transferred, including that the portfolio would need to be replaced with cash or refinanced with another bond issuance. Any other release of loans from that trust would be subject to a rating confirmation. This indenture includes an agreement with the Letter of Credit provider that any legislation proposed by the Alaska legislature that could reasonably be expected to have an adverse impact (as determined by the Letter of Credit provider) on the ability of ASLC to repay the bonds would be considered a default event. In the event of a default, the Letter of Credit provider may declare that all debt obligations in the Series 2012 VRDB be immediately payable.

ASLC could decide to stop issuing student loans and wait for these Series 2012 and Series 2013 bonds to be paid off. In the meantime, however, the proceeds from servicing student loans may diminish to the point that they do not cover the cost of servicing the student loans, in which case general funds would be needed to support loan serving until the criteria for transfer of the loans has been met.

While several Alaska state agencies have general oversight responsibilities for ACPE and ASLC, such as the Division of Legislative Audit and the Office of Management and Budget, no positions or expenses in these oversight agencies would be eliminated as a result of the elimination of ASLC. As a result, the state would not realize any savings to these oversight functions if ASLC were eliminated.

### **Cost-Benefit Conclusion**

All of the information analyzed for this performance review indicates that ASLC is functioning well. ACPE and ASLC have made a number of adjustments in response to external forces and improvements to internal operations over the last several years. Although students have the option to obtain student loans on the private market, these loans do not compare favorably to ASLC. Generally, private student loans carry more risk and have higher interest rates.

One of the most significant benefits of ASLC is that the proceeds from the loans can be used to fund economic development activities designed to strengthen the future Alaska workforce. ASLC loan proceeds also can be used to fund economic development activities, such as outreach activities designed to raise awareness of postsecondary education opportunities. The loans, scholarships, and grants administered by ACPE encourage Alaska students to stay in Alaska for postsecondary education and to enter the Alaska workforce after graduation.

While a more detailed cost-benefit analysis is beyond the scope of this performance review, the benefits of ASLC to the state of Alaska are significant in terms of the positive economic development impacts of the corporation. The corporation funds its own operations as well as much-needed outreach activities to encourage Alaskans to obtain postsecondary education. There are no costs to the Alaska general fund for maintaining ASLC.

There are, of course, philosophical arguments about the proper role of government that can be made about any government activity. Those are beyond the scope of a review such as this.

## **Recommendation**

### **Recommendation 11.1.1**

**Maintain ASLC and allow the corporation to 1) engage in activities to increase student loan volume and reduce loan interest rates and 2) fund outreach activities**



**to encourage Alaska students to pursue postsecondary education in Alaska.** The corporation produces net quantifiable benefits for the state and its citizens. The costs to eliminate ASLC are significant and may be prohibitively high; the most economical course is to maintain the corporation and allow the corporation to develop and use tools and programs that would allow an expansion of the student loan portfolio. The use of general obligation bond authority, if approved by voters, would allow an opportunity to reduce loan rates to borrowers. As discussed in Chapter 9, developing a refinancing program, once clarified by the U.S. Department of the Treasury, is another tool that will allow ASLC to expand its portfolio.





## 12 GLOSSARY OF ABBREVIATIONS

AAC	Alaska Administrative Code
ACAC	Alaska College and Career Advising Corps
ACPE	Alaska Commission on Postsecondary Education
AEG	Alaska Education Grant
AKCIS	Alaska Career Information System
ANSWERS	Alaska Navigator: Statewide Workforce and Education-Related Statistics
APS	Alaska Performance Scholarship
AS	Alaska Statute
ASAP	Alaska Student Aid Portal
ASEL	Alaska Supplemental Educational Loan
ASLC	Alaska Student Loan Corporation
CFPB	Consumer Financial Protection Bureau
CHESLA	Connecticut Higher Education Supplemental Loan Authority
DEED	Department of Education and Early Development
DLA	Division of Legislative Audit
EFC	Education Finance Council
ESR	Electronic Service Request
FCR	First Call Resolution
FEL	Family Education Loan
FFELP	Federal Family Education Loan Program
FICO	Fair Isaac Corporation
FRN	Floating Rate Note
FSRK	Federal Student Right to Know
FY	Fiscal Year
GFOA	Government Finance Officers Association
GO	General Obligation
HELMS	Higher Education Loan Management System
IA	Institutional Authorization
IT	Information Technology
IVR	Interactive Voice Response
LBAC	Legislative Budget and Audit Committee
OMB	Office of Management and Budget
RFP	Request for Proposals
RISLA	Rhode Island Student Loan Authority
SJR2	Senate Joint Resolution 2
SLDS	State Longitudinal Data System



SWOT	Strengths, Weaknesses, Opportunities, and Threats
TBI	Topic-Based Index
THECB	Texas Higher Education Coordinating Board
UA	University of Alaska
UAA	University of Alaska Anchorage
VRDB	Variable Rate Demand Bond
WICHE	Western Interstate Commission for Higher Education
W-SARA	WICHE State Authorization Reciprocity Agreement
WUE	Western Undergraduate Exchange
WWAMI	Washington, Wyoming, Alaska, Montana, Idaho

## 13 ENDNOTES

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**ATTACHMENT A: DEPARTMENT OF EDUCATION AND EARLY  
DEVELOPMENT RESPONSE**





THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

**Department of Education  
and Early Development**

OFFICE OF THE COMMISSIONER

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Juneau, Alaska 99811-0500  
Main: 907.465.2800  
Fax: 907.465.4156

November 7, 2016

RECEIVED

NOV 08 2016

LEGISLATIVE AUDIT

Kris Curtis, Legislative Auditor  
Division of Legislative Audit  
P.O. Box 113300  
Juneau, AK 99811-3300

Dear Ms. Curtis:

The Department of Education & Early Development (DEED) appreciates the opportunity to respond to the Performance Review of the Alaska Commission on Postsecondary Education (ACPE) and Alaska Student Loan Corporation (ASLC) report.

DEED has reviewed the report, along with the ACPE's and ASLC's response titled *ACPE/ASLC Performance Review – Response to Conclusion and Findings*. DEED concurs with ACPE's and ASLC's responses and comments, and at this time does not have any additional comments to provide in response to this performance review report.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael Johnson".

Dr. Michael Johnson  
Commissioner





**ATTACHMENT B: ALASKA COMMISSION ON POSTSECONDARY  
EDUCATION AND ALASKA STUDENT LOAN  
CORPORATION CHAIRS' RESPONSE**





THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

Alaska Commission on Postsecondary Education  
Alaska Student Loan Corporation

EXECUTIVE OFFICE

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Juneau, Alaska 99811-0505  
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RECEIVED  
NOV 07 2016  
LEGISLATIVE AUDIT

**TO:** Kris Curtis, Legislative Auditor

**FROM:** Becky Huggins, Chair, Alaska Commission on Postsecondary Education  
Randy Weaver, Chair, Alaska Student Loan Corporation

**DATE:** November 7, 2016

**RE:** Transmittal of Response to Draft Performance Review

Attached to this memo you will find the written response to the confidential preliminary Performance Review report for the Alaska Commission on Postsecondary Education and the Alaska Student Loan Corporation, as requested by the Legislative Budget and Audit Committee.

cc: Stephanie Butler, Executive Director/Executive Officer

Enclosure

ACPE/ASLC Performance Review – Response to Conclusion and Findings

The Alaska Commission on Postsecondary Education (ACPE) and the Alaska Student Loan Corporation (ASLC) are pleased to receive the ACPE/ASLC performance review report, and we agree with its recommendations. We are pleased to receive this independent, third-party confirmation of the value of services provided by ACPE and ASLC to individual Alaskans, and to the success of Alaska’s overall economy. One aspect of this independent assessment of the value support for college and career training brings to Alaska’s economy, at no cost to the State’s general fund, stood out in particular: \$3.25 in economic benefit to the state for every dollar in financial aid provided (p. 7).

We concur with the report’s assessment that numerous factors “make the private loan market an unreliable alternative for students who need loans in addition to their federal loans” (p. 71). We also value the recommendations in the report and plan to implement numerous changes, as part of our continuous improvement efforts to ensure we deliver the most effective postsecondary education success products and services at the lowest possible cost to Alaskans and those who invest their postsecondary education dollars at institutions in Alaska.

Table 1 lists the five performance review objectives, a summary of the conclusion provided in the report, and the ACPE/ASLC response to the conclusion. We agree with the conclusions to the performance review objectives, and plans to implement the associated recommendations are detailed in Table 2.

**Table 1**

Description of Review Objective	Summary of Conclusion
3.1 – evaluate ACPE’s success in achieving its mission through effectively and efficiently delivering its core services, goals, programs, and objectives.	ACPE and ASLC are functioning well. Recommend developing strategic plans, increasing institutional authorization fees, pursuing authority to issue GO bonds, and conducting customer service surveys. Explore loan refinancing and changes in call center operations such as extended hours, new effectiveness measures, and additional use of social media.
3.2 – determine whether ACPE’s results-based measures demonstrate the effectiveness and efficiency of the department’s core services, goals, programs, and objectives.	Provide more complete information and consider revising or adding performance measures.
3.3 – recommend improvements to agency practices and procedures, including means to decrease regulatory burdens or restrictions without decreasing public service.	Recommend developing strategic plans, increasing institutional authorization fees, pursuing authority to issue GO bonds, and conducting customer service surveys. Explore loan refinancing, extended call center hours, and changes in call center operations.
3.4 – evaluate ACPE’s process for implementing technology and recommend new types or uses of technology to improve agency efficiency and effectiveness.	Allow expanded cosigner access and allow borrowers to direct payments for multiple loans online. Consider if current testing for HELMS.net is the most efficient way of implementing updates.
3.5 – identify the extent to which statutory, regulatory, budgetary, or	The benefits of ASLC to the state of Alaska are significant in terms of the positive economic development impacts of the

other changes are necessary to enable the agency to better serve the public's interests and to correct problems identified during the review.	corporation. ACPE should be allowed to engage in activities to increase student loan volume and reduce loan interest rates and be allowed to fund outreach activities to encourage Alaska students to pursue postsecondary education in Alaska.
---	---

Table 2 lists the recommendations provided in the draft performance review report in chapters 4 – 11 and response.

**Table 2**

Description of Recommendation	Response
<b>4 STRATEGIC PLANNING</b>	
4.1.1 Create a comprehensive strategic plan for both ACPE and ASLC	<p>Agree with recommendation.</p> <ul style="list-style-type: none"> <li>Management initiated formalized strategic planning efforts in October 2016 and will work with the governing bodies of ASLC and ACPE to develop strategic plans addressing short, intermediate, and long term plans.</li> <li>Goal is to complete strategic plans in FY17.</li> </ul>
<b>5 PERFORMANCE MEASURE COMPLIANCE</b>	
5.1.1 Provide complete information as required by AS 37.07.050 to ensure that all requirements of the statute are fully met.	<p>Agree with recommendation.</p> <ul style="list-style-type: none"> <li>Management is in the process of restructuring key performance indicators for measurement reporting to fully comply with AS 37.07.050 in FY18 performance measure reporting.</li> <li>Work is occurring in conjunction with strategic planning.</li> </ul>
5.1.2 Ensure that all required information is compiled and submitted to the governor's office as outlined in AS 37.07.050.	<p>Agree with recommendation.</p> <ul style="list-style-type: none"> <li>Management is in the process of restructuring key performance indicators for measurement reporting to fully comply with AS 37.07.050 in FY18 performance measure reporting. Work is occurring in conjunction with strategic planning.</li> </ul>
5.1.3 Consider revising or adding identified performance measures to effectively measure whether the agency is meeting mission and goals.	<p>Agree with recommendation.</p> <ul style="list-style-type: none"> <li>Management is reviewing all measures and making revisions to provide more meaningful measures in the future.</li> <li>This activity is underway as part of Lean process improvement activities and is expected to be complete in FY17.</li> </ul>
<b>6 INSTITUTIONAL AUTHORIZATION</b>	
6.1.1 Increase all fees for authorization, renewal of authorization, program amendment, additional site or change of site, and exemptions.	<p>Agree with recommendation.</p> <ul style="list-style-type: none"> <li>Management is reviewing the institutional authorization fee structure and proposing changes to ACPE's Institutional Standards and Evaluation Committee for consideration of a regulation change.</li> <li>Goal is to ensure procedures and requirements provide oversight to ensure students are protected without</li> </ul>

	<p>burdening small businesses providing needed education and training opportunities.</p> <ul style="list-style-type: none"> <li>ASLC currently absorbs costs not covered by fees collected.</li> </ul>
6.1.2 Establish a fee for renewal of exemptions from authorization.	<p>Agree with recommendation.</p> <ul style="list-style-type: none"> <li>Management is reviewing the institutional authorization exemption process and fee structure and plans to propose changes to ACPE's Institutional Standards and Evaluation Committee for consideration of a regulation change.</li> </ul>
6.1.3 Charge a site visit fee sufficient to cover all costs of a site visit.	<p>Agree with recommendation.</p> <ul style="list-style-type: none"> <li>Management is reviewing the institutional authorization fee structure and plans to propose a site visit fee for consideration of a regulation change by ACPE's Institutional Standards and Evaluation Committee.</li> </ul>
6.1.4 Review the exemptions from authorization to ensure that sufficient consumer protection is afforded to prospective Alaska students.	<p>Agree with recommendation.</p> <ul style="list-style-type: none"> <li>Management is reviewing exemptions from authorization to ensure sufficient consumer protection is afforded to Alaska students.</li> <li>Any changes to exemptions will ensure appropriate consumer protection persists.</li> </ul>
<b>7 CALL CENTER CHALLENGES</b>	
7.1.1 Explore whether more flexible staffing arrangements could support expanded hours.	<p>Agree with recommendation.</p> <ul style="list-style-type: none"> <li>Management is reviewing options for flexible staffing, as well as for expanding customer access to online 24/7 account information, and to identify demand for expanded hours in the call center, with the goal of keeping costs as low as possible while meeting customer demand to the extent possible.</li> </ul>
7.1.2 Seek guidance from a professional librarian on how to best structure the Topics Based Index (TBI).	<p>Agree with recommendation.</p> <ul style="list-style-type: none"> <li>This is a logical next step after having successfully moved paper procedures and compliance manuals into this cost-effective electronic model.</li> <li>Management will specifically discuss and explore options available to make accessing and storing electronic information more efficient.</li> </ul>
7.1.3 Implement additional metrics for more accurately measuring call center efficiency and customer satisfaction.	<p>Agree with recommendation.</p> <ul style="list-style-type: none"> <li>New metrics for call center efficiency and customer satisfaction will be implemented as part of key performance indicator and strategic plan development (see section 5 above).</li> </ul>
7.1.4 Utilize social media as a means of customer service communication.	<p>Agree with recommendation.</p> <ul style="list-style-type: none"> <li>ACPE recently increased its activity on social media and has experienced increased traffic on Facebook, YouTube, and Instagram as a result.</li> <li>Management will continue to expand the use of social media to communicate with customers.</li> </ul>
<b>8 STAKEHOLDER INPUT</b>	

<p>8.1.1 Conduct regular customer service surveys, at least annually, to determine areas of satisfaction and areas needing attention.</p>	<p>Agree with recommendation.</p> <ul style="list-style-type: none"> <li>• As part of Lean continuous improvement and focus on obtaining customer feedback, management implemented regular customer service surveys in FY17.</li> <li>• Management plans to survey customers to gauge interest in extended call center hours (see 7.1.1 above).</li> <li>• Surveys will ensure decisions are driven by data.</li> </ul>
<p><b>9 REGULATORY BURDENS</b></p>	
<p>9.1.1 Continue to explore student loan refinancing as U.S. Department of the Treasury rules are clarified.</p>	<p>Agree with recommendation.</p> <ul style="list-style-type: none"> <li>• An education loan refinancing pilot program was launched in August 2016.</li> <li>• The program complies with current guidance from Treasury.</li> <li>• Management will review additional guidance as generated by Treasury and revise the refinancing program accordingly.</li> </ul>
<p>9.1.2 Assuming SJR2 is signed by the governor, pursue the use of GO bonds in the next general election for funding student loans.</p>	<p>Agree with recommendation.</p> <ul style="list-style-type: none"> <li>• The proposed constitutional amendment (SJR2) is scheduled to be on the General Election ballot in November 2016.</li> <li>• If the ballot measure passes, the next steps will be 1) to secure legislation authorizing the amount of GO bonds ASLC can issue and 2) to secure voter approval of any specific bond issue.</li> <li>• At the conclusion of this process, ASLC will have more options available to ensure the financing of education loans at the lowest cost available.</li> </ul>
<p><b>10 INFORMATION TECHNOLOGY SYSTEMS AND FUNCTIONALITY</b></p>	
<p>10.1.1 Update HELMS.net to allow cosigners to have the same access to loan information as student borrowers.</p>	<p>Agree with recommendation, with the following reservations.</p> <ul style="list-style-type: none"> <li>• Cosigners have the same access to cosigned loan information as student borrowers do, with the exception of repayment history.</li> <li>• Cosigners are often interested in information about the borrower's loans they have not cosigned, especially repayment history. This information cannot be provided under current privacy laws.</li> <li>• Cosigner access will be reviewed during FY17 to identify allowable enhancements.</li> </ul>
<p>10.1.2 Update the borrower interface of HELMS.net to allow borrowers to designate where their payments go.</p>	<p>Agree with recommendation.</p> <ul style="list-style-type: none"> <li>• ACPE's process is to apply payments to the most delinquent loan first. For loans that are current on their payment schedule, management will evaluate options to allow borrowers to specify how payments are applied to multiple loans.</li> </ul>
<p>10.1.3 Consider whether the Model Office testing system is the most efficient way of</p>	<p>Agree with recommendation.</p> <ul style="list-style-type: none"> <li>• Management has recently streamlined the model office testing process to be more efficient without jeopardizing</li> </ul>

implementing updates to HEMLS.net.	<p>system reliability.</p> <ul style="list-style-type: none"> <li>• Changes and improvements to the process will be ongoing as new model office releases are installed.</li> </ul>
<b>11 FUTURE OF ALASKA STUDENT LOAN CORPORATION</b>	
11.1.1 Maintain ASLC and allow the corporation to 1) engage in activities to increase student loan volume and reduce loan interest rates and 2) fund outreach activities to encourage Alaska students to pursue postsecondary education in Alaska.	<p>Agree with recommendation.</p> <ul style="list-style-type: none"> <li>• ASLC and ACPE plan to engage in activities to responsibly increase student loan volume and reduce loan interest rates, such as the education loan refinance pilot program (see 9.1.1 above).</li> <li>• ASLC plans to continue funding appropriately scaled outreach activities to meet its mission to promote higher education in Alaska.</li> </ul>

We appreciate this opportunity for independent review, which is very timely in terms of coinciding with the ACPE/ASLC continuous improvement activities and associated cost-saving strategies.



## **ATTACHMENT C: PUBLIC WORKS' ADDITIONAL COMMENTS**





November 21, 2016

Kris Curtis  
Legislative Auditor  
State of Alaska  
Division of Legislative Audit  
Alaska State Legislature  
333 Willoughby Ave, 6th Floor  
PO Box 113300  
Juneau, Alaska 99811-3300

Dear Ms. Curtis:

**Public Works** has reviewed the memo received from the chairs of the Alaska Commission on Postsecondary Education (ACPE) and the Alaska Student Loan Corporation (ASLC) dated November 7, 2016, regarding the findings and recommendations included in our performance review of ACPE and ASLC submitted to the Alaska Division of Legislative Audit (DLA) on September 9, 2016. We have also reviewed the memo from the commissioner of the Department of Education and Early Development, also dated November 7, 2016.

ACPE and ASLC have concurred with all of the recommendations in our report, noting one reservation. For *Recommendation 10.1.1: Update HELMS.net to allow cosigners to have the same access to loan information as student borrowers*, ACPE and ASLC have indicated that privacy laws may prevent full access by cosigners. We understand that this may be a limitation to the implementation of the recommendation and page 58 of the report indicates that this recommendation should be implemented “to the extent allowed by law.”

**Public Works** commends ACPE and ASLC for their efforts at continuous process improvement and their willingness to consider and proceed with implementation of the recommendations presented in the report as detailed in their memo to DLA.



The following typographical issues are noted in the report on the Alaska Commission on Postsecondary Education and Alaska Student Loan Corporation, and clarification is provided below.

- In the “Identification of Performance Measures” section at the top of page 23, the last sentence in the first paragraph, which reads, “Mission, ‘a broad comprehensive statement that conveys the RDU...’” should be bulleted and included in the list below.
  
- Also on page 23, in the third paragraph, the third sentence should be changed to read: “The two targets provided are 1) ‘increase the numbers and percent of high school graduates qualifying for the Alaska Performance Scholarship (APS)’ (APS is a merit-based award for good grades and high test scores), ...”
  
- On page 24, in the paragraph starting “Furthermore, successful participation implies...”, the last sentence should read: “Measuring the number of students who are able to successfully complete ...”
  
- On page 24, in the paragraph starting “Current ACPE goals, targets, and performances measures are listed...”:
  - The second sentence should read: “Table 5.3 and Table 5.4 provide a similar review of both WWAMI (a collaborative medical education program among universities in five northwestern states, Washington, Wyoming, Alaska, Montana, and Idaho) and APS measures, respectively.”
  
  - The third sentence should be corrected to read: “Although ACPE compiles data on some of the performance measures suggested in the tables in its annual reports and updates<sup>19</sup> and in the annual APS Outcomes Reports,<sup>20</sup> this information is not included in the annual Alaska state budget performance details.”
  
- On page 27, in Table 5-2: Effective of Performance Measures- ACPE, the row concerning Core Service A2, the third bullet in the right-most column should be changed to read: “Amount and types of aid awarded versus need (distinguish between type of financial aid - grants/ scholarships/ work study and loans; some of this information is provided in the ACPE annual report)”



- On page 29, in Table 5-3: Effective of Performance Measures- WWAMI, the entry in the first row in the right-most column should be changed to read: “Number of WWAMI seats filled by Alaskan students versus number of Alaskan students in all non-WWAMI medical schools (may help quantify the impact/ importance of the 20 WWAMI seats on creating an Alaskan physician workforce)”
- On page 36, the first paragraph should be changed to read: “During the 2016 legislative session, the Alaska legislature approved an additional type of program, yoga instruction, for exemption from approval. This exemption was effective September 15, 2016.”
- On page 78, in the “Consequences of Eliminating ASLC” section, in the third paragraph starting with, “Another 16 percent (\$62 million) of the total ASLC loan portfolio...”, the second sentence should be changed to read: “Any other release of loans from that trust would be subject to a rating confirmation.”

We appreciate the opportunity to conduct the performance review of ACPE and ASLC and present our findings and recommendations to the Alaska Division of Legislative Audit.

Eric B. Schnurer,  
President