



Alaska Commission on Postsecondary Education

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MEMORANDUM

TO: Members, Alaska Commission on Postsecondary Education
THROUGH: Diane Barrans, Executive Director
FROM: Charlene Morrison, Chief Finance Officer
DATE: December 22, 2015
SUBJECT: Finance Report

FY17 Proposed Operating Budget

Following is a summary of the Commission's FY2017 operating budget request included in Governor Walker's Operating Budget.

Budget Line	ASLC Receipts	Federal Funds	General Fund Program Receipts	AK Higher Education Investment Fund	Statutory Designated Program Receipts	Other Inter-Agency	Total
Personal Services	\$ 10,881.7	-	-	-	322.1	-	11,203.8
Travel	117.7	-	-	-	-	-	117.7
Contractual	1,410.4	900.0	50.0	82.8	447.9	1,066.0	3,957.1
Supplies	108.2	-	-	-	-	-	108.2
Grants	-	-	-	5,750.0	-	-	5,750.0
APS	-	-	-	11,500.0	-	-	11,500.0
WWAMI	-	-	-	2,964.8	-	-	2,964.8
Total	\$ 12,518.0	900.0	50.0	20,297.6	770.0	1,066.0	35,601.6
Positions	95.12	-	-	-	3.88	-	99.00

Changes from FY2016 Management Plan budget:

- In the past several years, the College Access Challenge Grant (CACG) represented federal funding in the Commission's operating budget. This grant ends August 2016.

Management is not aware of opportunities to obtain federal funding but choose to leave a request for \$900.0 in budget authority to provide capacity to secure such funding in the event an opportunity becomes available.

- Institutional Authorization fees are collected during the year to offset the cost of ensuring Alaska's authorized institutions comply with Alaska's academic, administrative and financial standards. These fees were classified as Statutory Designated Program Receipts in the past but have been reclassified as General Fund Program Receipts due to guidance provided by the Department of Administration, Division of Finance.
- The budget request includes a \$720.0 increase in Statutory Designated Program Receipt authority to accommodate private funding ACPE anticipates receiving to help fund outreach and research activities.
- Other Inter-Agency funding represents authority available in the event another state agency wishes to partner with ACPE on a project.
- Seven non-permanent positions funded by the CACG grant in the past have been deleted. The remaining positions are being funded by either Alaska Student Corporation Receipts or Statutory Designated Program Receipts. Budget authority was transferred between the contractual and the personal services lines for those funding sources to accommodate the shift in personnel service costs.

Alaska Student Loan Corporation Update

Board meeting

The Corporation's last board meeting was held October 29th. The Corporation's audited fiscal year-end financial reports were reviewed reflecting a change in net position (net income) of \$1.3 million. Alaska Statute 14.42.295 states that the Board may elect to pay the state a dividend for each base year that the Corporation's net income equals or exceeds \$2 million. Because the Corporation's net income did not trigger such an action, ASLC net income will be retained to fund lending and operating expenses going forward.

Defeasance of Outstanding Bonds Issued Under the 2002 Trust

Board members unanimously passed Resolution Number 2015-01 authorizing management to defease the outstanding bonds issued under the 2002 Trust. These bonds consisted of the series 2004A-3, 2006A-2 and 2007A-2 bonds with a combined outstanding balance of \$30.9 million. These bonds were defeased on November 12, 2015 by transferring cash held in the 2002 trust to an escrow account. The cash was then invested in US Treasury Securities with maturity dates aligned with the remaining optional call or redemption dates for each series of bonds. The defeasance resulted in the release of pledged loans making them available to collateralize a financing when the need arises. In addition, payments received on loans not collateralizing outstanding debt can be used to fund loan originations and operating costs.

IRS Tax Exempt Bond Compliance Examination Update

As we approach the third anniversary of this examination there has been no change to its status since we last met. However the pace of ASLC—IRS interactions has quickened substantially. Management continues to cooperate with the IRS and has submitted all information requested to date. Bond counsel has reported that all issues have been resolved except for the one related to the accounting method used for recycled loan payments. Management maintains that methods used in rebate calculations are in full compliance with IRS regulations and wait for the next communication from the IRS.

Loan funding update

Absent a substantive increase in annual loan volume, the Corporation is in the position to fund annual loan demand in the near term. Management is working with the Corporation's Financial Advisor to analyze non-pledged loan assets to determine the level of loan origination volume those assets can support. Information as a result of this work will be the basis for developing a plan relative to external financing needs.

Investment Policy

Board members reviewed the Investment Policy and adopted minor changes recommended by management.

If you have any questions or wish to discuss this report further, please do not hesitate to contact me at 907-465-6757 or at Charlene.morrison@alaska.gov.