

**MINUTES OF THE
COMMISSION MEETING
OF THE
ALASKA COMMISSION ON POSTSECONDARY EDUCATION**

July 22, 2014

A meeting of the Alaska Commission on Postsecondary Education was held Tuesday, July 22, 2014 in the offices of the Commission, 800 E. Dimond Blvd., Suite 200, Anchorage, Alaska.

CONVENE

Chair Jim Johnsen called the meeting to order at 9:00 a.m.

ATTENDEES

Commission members present for all or portions of the meeting were Chair Jim Johnsen, Vice Chair Randy Weaver, Jerry Covey, Joey Crum, Mike Dunleavy, Jo Heckman, Rebecca Huggins, Pat Jacobson, Sue Linford, Jim Merriner and Tammie Wilson.

Commission members absent: Ray DePriest and Mike Woods.

Commission staff present for all or portions of the meeting were Diane Barrans, Executive Director; Stephanie Butler, Director of Program Operations; Charlene Morrison, Chief Finance Officer; Worth Barthel, Human Resource Officer; Kerry Thomas, Internal Auditor, SLDS Project Manager; Kenneth Dodson, Director of Information Support Services; Rebekah Matrosova, Director of Outreach and Early Awareness; Mary Ellen Beardsley, Assistant Attorney General, Department of Law; Joann Rieselbach, School Relations Manager; Barbara Monger, Community Liaison; Julie Renfro, AKCIS Partnership Coordinator; Greg Monrad, Program Manager, Alaska College and Career Advising Corps (ACAC); Misty Klodt, Transitions and Completion Supervisor; Jordan Brown, ACAC Guide; Esther Ebenshade, ACAC Guide; Chuck Herman, ACAC Guide; Corrisa Heyes, ACAC Guide; Emily Knight, ACAC Guide; Jesse Manchester, ACAC Guide; Cierra Mickens, ACAC Guide; Analiese Palmer, ACAC Guide; Kendra Tibbs, ACAC Guide; Kurt Simonson, ACAC Guide; and Rochelle Rogers, Executive Assistant/Commission Secretary.

Others Present: Nick Ringger, President, Alaska Bible College; and Dr. Dana Thomas, Vice President for Academic Affairs and Research, University of Alaska.

ADOPTION OF AGENDA

To ensure availability of a quorum, the action to determine the July 2015 meeting date was moved up in the agenda. **Commissioner Linford moved to adopt the amended agenda of the July 22, 2014 Commission meeting. The motion was seconded by Commissioner Huggins. By roll call vote, all members present voted Aye. The motion carried.**

ETHICS DISCLOSURE RELATIVE TO ADOPTED AGENDA

No ethics disclosures were offered.

RESOLUTIONS OF APPRECIATION

Commissioner Jacobson moved to adopt Resolution of Appreciation 14-02 for Andrew Lessig and to record the Resolution in the official minutes of the July 22, 2014 meeting. The motion was seconded by Commissioner Weaver. By roll call vote, all members present voted Aye. The motion carried.

STATE OF ALASKA COMMISSION ON POSTSECONDARY EDUCATION RESOLUTION OF APPRECIATION 14-02

WHEREAS, Commissioner Andrew Lessig, as a representative of Alaska's associated student body through the University of Alaska Anchorage, served as a member on the Alaska Commission on Postsecondary Education from June 2013 to April 2014, and

WHEREAS, Commissioner Lessig served as a member of the Institutional Standards and Evaluation Committee from January 2014 to April 2014 wherein he supported the ongoing consumer protection of Alaskans through the oversight of institutional authorization in Alaska; and

WHEREAS, Commissioner Lessig, as a University of Alaska student and former student body president, offered valuable insight as to concerns at the student and campus level; and

NOW, THEREFORE, BE IT RESOLVED, that the members of the Alaska Commission on Postsecondary Education and its staff officially recognize Commissioner Lessig's service as a member on the Commission and extend this statement of appreciation for his support and contributions to the Commission's efforts; and

BE IT FURTHER RESOLVED, THAT this Resolution be appropriately engrossed and conveyed to Commissioner Lessig with a copy to be incorporated in the official minutes of the July 22, 2014 meeting of the Commission.

APPROVAL OF MINUTES

Commissioner Weaver moved to adopt the minutes of the March 27, 2014 special meeting. The motion was seconded by Commissioner Heckman. Commissioners Crum, Dunleavy, Huggins, Merriner and Johnsen abstained from voting. By roll call vote, all other members present voted Aye. The motion carried.

Commissioner Weaver moved to adopt the minutes of the March 31, 2014 regular meeting. The motion was seconded by Commissioner Heckman. Commissioners Dunleavy and Merriner abstained from voting. By roll call vote, all other members present voted Aye. The motion carried.

INSTITUTIONAL STANDARDS & EVALUATION

Joann Rieselbach, School Relations Manager, reported on compliance activities. She noted on May 13, 2014, ACPE was notified Alaska had been approved by the Western Interstate Commission for Higher Education (WICHE) to become a member of the WICHE State Authorization Reciprocity Agreement (W-SARA). Alaska is among the first in the compact's region to become a W-SARA state.

Only one institutional authorization item was on the action agenda for consideration: Alaska Bible College applied for renewal of authorization. A compliance site visit of the Palmer location was completed in December 2013. Application materials were submitted timely and institution staff responded quickly to requests for additional information and clarification; however, Alaska Bible College was not fully able to document compliance as their audited financials did not meet regulatory requirements for institutional financial soundness. The most recent audited financial statements available were from the year ending in May 2013 and therefore do not reflect the projected positive financial impacts resulting from the fall 2013 relocation of the main campus from Glennallen to Palmer. Alaska Bible College's accreditation was scheduled to be reaffirmed February 2013, but instead was continued for one-year based on accreditor concerns. The concerns were not fully mitigated by February 2014 and so the Association for Biblical Higher Education again continued accreditation for one-year through February 2015. College leadership anticipates a positive resolution in the report due to the accreditor in November 2014. Commission staff recommend extending the current authorization of Alaska Bible College until April 30, 2015, contingent upon the receipt of audited financial statements documenting compliance with institution financial soundness requirements, to allow Alaska Bible College sufficient time to address the accreditor's concerns and undergo review at the scheduled February 2015 meeting.

Authorization Extension

Alaska Bible College - Commissioner Linford moved to approve Alaska Bible College for extension of authorization through April 30, 2015, contingent upon receiving yearly financial statements. The motion was seconded by Commissioner Covey. By roll call vote, all members present voted Aye. The motion carried.

REGULATIONS

Commissioner Weaver moved to approve for public comment regulations and conceptual language for Title 20, Chapters 15, 16 and 17 regarding state and federal financial aid programs and postsecondary education institutions, including

renaming the Alaska Education Grant, providing for changes to the Alaska Education Grant, and providing for changes to the Alaska Supplemental Education Loan and Family Education Loan requirements pursuant to the passage of SB 195; revising institutional authorization procedures; updating references; and to make general housekeeping and conforming changes (20 AAC 15.195; 16.010; 16.020; 16.021; 16.030; 16.034; 16.037; 16.040; 17.015; 17.045; 17.145; 17.225; 17.230; 17.245). The motion was seconded by Commissioner Crum. By roll call vote, all members present voted Aye. The motion carried.

SUMMER 2015 MEETING DATE

Commissioner Weaver moved to schedule the summer 2015 Commission meeting for Thursday, July 23, 2015. The motion was seconded by Commissioner Linford. By roll call vote, all members present voted Aye. The motion carried.

UPDATE ON ALASKA'S SMALL RURAL HIGH SCHOOLS AND RESIDENTIAL HIGH SCHOOLS

Commissioner Covey presented on Alaska's small rural high schools and residential high schools. This is the fourth report of this type he has made since 2010. He noted while there hasn't been a tremendous change in the achievement levels or graduation rates, there is a continual movement from rural to urban Alaska. Around 30 schools in the last ten years have been closed due to population shifts. The high cost of living and lack of employment opportunities are forcing residents to relocate from rural areas to urban road centers.

He noted although small rural high schools are a relatively small demographic, they represent a large part of the state. Three school districts in the state are comprised of fewer than 75 students; most small school rural schools have 100 or more students. There are 71 schools in the state with ten or fewer high school students, meaning one teacher will be administering all course subjects. Rural schools have the highest teacher turnover and weakest educational workforce. Many teachers in rural districts have less than five years of experience and are from outside Alaska. Most of the very small schools are remotely located off the road system and are not easily connected by forms of transportation. A handful of rural districts have graduation rates in the 20% range. A larger group of rural districts graduate 30-40% on a consistent basis. Alaska Performance Scholarship (APS) data shows Alaska native students, who make up about 95% of rural students, are the lowest achieving demographic, and are the least eligible to participate in the APS. A jump is seen from 40-60% for districts that have access to postsecondary and career and technical education, and school districts on road systems graduate around 75%. Districts on the road system are larger, have more comprehensive programs and offer more opportunities for student success. The state doesn't have the resources to provide comprehensive programs to students in the small rural schools. The delivery cost of education in rural Alaska is very high, around \$30,000 per student each year. State funded programs and residential schools create competition.

Residential high schools are typically four-year programs. Historically there were four full-year residential schools in operation; Mt. Edgecumbe High School, Galena Interior Learning Academy (GILA), Nenana City School, and Kuskokwim Learning Academy. The schools were approved in the early 1990s or 2000s and funded by the state through stipends. The graduation rates may be slightly misleading because students who return to their home districts and complete elsewhere are not reflected in the graduation rate; however, only about 14% of students return home during the year. Mt. Edgecumbe boasts a 97.18% graduation rate, but the actual number may be about 15% lower. Recently two more full-year residential programs have been added to the list; Cook Inlet Tribal Council, and Northwest Arctic Borough School District--STAR of the Northwest. Other programs are present in the state but are funded independently. The most notable independently-operated is the Chugiak School District. Chugiak started a residential program 20 years ago through grant and private sector corporate funding with tuition paid by the districts. Lower Kuskokwim's STEM Ready Program was also operating without state funding. The Bering Strait and Nome School Districts combined to create the Northwestern Alaska Career and Technical Center (NACTEC), which was operational without state funding until the current cycle. Six million dollars is being spent at the state level to support residential programs, not including Mt. Edgecumbe.

Statute and regulation changes resulting from the 28th legislative session allowed for stipend funding of both variable-length and in-district residential programs. Variable length programs are a semester or less in duration, typically two to four weeks, delivered by a school district. In terms of variable-length programs, Lower Kuskokwim's Ready Program has been operating for about four years and just applied for funding this year. Lower Kuskokwim is tied into the Rasmuson Alaska Native Science and Engineering Program (RANSEP) at the University of Alaska Anchorage to offer small village sophomores a four-week session at the university and the opportunity to spend the first semesters of their junior and senior years at Bethel Regional High School. The Iditarod School District is submitting an application to the Department of Education and Early Development for approval of a residential program. Iditarod and Lower Kuskokwim School Districts have been dramatically losing students for eight to ten years based on the high cost of living and lack of employment opportunities. The Copper River School District is in the planning phase of developing a proposal for a residential high school. The North Slope Borough School District is working on a similar proposal to augment the education in the small villages by bringing them to Barrow to access advanced academics and career technical education.

Changes in statute and regulation allow districts to qualify for stipend funding for a residential program open to in-district students only. Some residential programs are collaborating on course delivery and creating partnerships, effectively doubling or tripling the curriculum available. Most programs are running year round, and some are bringing in middle school students for two to three days in the summer to provide career information. The Bering Strait School District made a dramatic change to curriculum and graduation rate rose from 32-61%. Eighty-nine percent of the students in Bering Strait School District went to NACTEC with 77% attending more than once. The curriculum is

heavily focused on hands-on career and technical education. Local businesses, industry, government and organizations have been highly supportive of the program.

There are around 1,400 students currently in residential programs, and that number will rise based on the new approved programs. There is a significant demand for residential programs with several having a waiting list. Residential programs have better infrastructure and opportunities for students. Postsecondary training organizations require students to have a quality high school education to qualify. Local governments, rural employers, native corporations are looking for individuals who have a higher skill level than the small rural districts are able to deliver. The North Slope and Northwest Arctic are interested in residential programs to train for potential oil and gas industry employment, leading to a higher demand for residential programs. Commissioner Covey noted that in his experience students taken from small schools and placed in residential programs flourish as opportunities are increased. The lack of access to opportunity is the single biggest factor that impacts the success of students in small rural high schools.

Rural residents are concerned the residential programs will incent students to leave small villages. There are currently approximately 700 students in full-year residential programs and 700 in variable-length residential programs. The choice of residential program education is being made by parents, students and supported by the state to create better education opportunities for rural students. This shift is not requiring small school districts to shut down; the districts simply can't operate when attendance drops below a certain level. There are people who feel residential programs are killing small rural schools, however; the purpose of education is not to save villages or schools, it is to prepare young people for effective and productive lives as adults. Funding is administered on a per-student basis, meaning funding travels with the student. Residential programs offer students more benefits and opportunities than small rural schools. Data shows the more career and technical education courses a student takes in high school the higher their likelihood of graduating in four years. Students have access to stronger academic programs and job shadow opportunities, making them more prepared to enter the workforce.

SHAPING ALASKA'S FUTURE INITIATIVE

Dr. Dana Thomas, Vice President for Academic Affairs and Research, presented on the University of Alaska's (UA) Shaping Alaska's Future Initiative. It is university's Strategic Directions Initiative and is founded on two primary sources of information; an environmental scan, and listening sessions hosted by the university. Eighty listening sessions were held across the state to gather input from Alaskans both internal and external to the university, and five themes and 23 issue and effect statements were developed. The themes include student achievement and attainment, productive partnerships with Alaska's schools, research and development and scholarship to enhance Alaska's communities and economic growth, productive partnerships with public entities and private industries, and accountability to the people of Alaska.

The environmental scan identified a handful of pertinent major change agendas in higher education, first and foremost being the completion agenda. The draft bills reauthorizing the federal Higher Education Act are striving to connect federal funding to completion rates. The challenge is to achieve completion and maintain or improve quality. Alaska has one of the largest proportions of adults in the nation with some college but no degree. High schools are engaging more students in dual or concurrent enrollment programs and competency-based education. Competency-based education is part of the completion agenda and ensures students achieve a certain set of skills. Many institutions across the nation are pursuing competency-based education to promote learning outcomes rather than seat time. According to Georgetown Center 67% of Alaska's workforce will need postsecondary education by 2025, making completion critical for Alaska's workforce landscape.

The productivity agenda, or "evidence-based practice", assesses student learning through external validation. Various groups including the Lumina Foundation and the Association of Public and Land-grant Universities (APLU) have developed assessments. The Lumina Foundation developed a Degree of Qualification Profile and APLU developed the Voluntary System of Accountability. Assessment of Higher Education Learning Outcomes (AHELO) assesses higher education learning outcomes on a global level. About 10% of higher education institutions in the nation are utilizing a form of external assessment of student learning. The University of Alaska Fairbanks (UAF) is following suit by using the Educational Testing Service (ETS) Proficiency Profile. External validation is a big national trend to provide quality assurance.

The most well-known aspect of innovation in education is the continued expansion of online and blended courses. Both have grown at an exponential rate within the UA system with nearly 25% of students having taken an online course. National research suggests learning outcomes are better with blended learning outside the class with intensive meetings or short meeting periods of face-to-face connection and student interaction. The Carnegie Foundation is engaged in blending developmental and collegiate courses to allow students to begin at the developmental level but also earn the credential. There are many new providers in terms of course work and services; Kahn Academy, Straighter Line, DreamDegree, Insidetrack, SmartThinking. Dream Degree allows students to take courses on their iOS device and Insidetrack offers online student counseling and coaching. These are powerful new innovations education.

Forty-two states have adopted some form of performance funding, typically tied to completion rates. From 2008 to 2013, forty-six states significantly reduced state support, however; Alaska's remains relatively unchanged. The reality is that states are funding universities at lower rates leaving students to cover costs. As a result the federal government is funding more student loans and universities are forced to become lending institutions.

Alaska is one of the few states in which 44-50 year olds with some college attainment outnumber the 25-35 year olds with some college attainment. This is the wrong direction; national evidence suggests the need for a higher proportion of individuals with

college attainment in the state and nation to improve the economy. Alaska has made some progress in baccalaureate attainment, but remains a net importer of baccalaureates by a wide margin.

Alaska holds a 36% completion rate for four-year programs within six years, compared to 61% nationally. Two-year program completion is worse at 21%. The university proposed additional funding for academic advising, a proposition supported by the legislature. The university is already seeing increases in completion rates based on the investment. For the first time in history UAF will have a six-year completion rate of 40%, a result of advising and the implementation of minimum baccalaureate admission standards. All three UA campuses are considering adopting the minimum baccalaureate admission requirements based on the success of UAF. Improving two-year completion is believed to be more of a communication issue. Industry organizations are hiring workers before they complete their credential, leaving them ill-prepared to take the next step to management. Universities need to communicate with industry leaders to allow students to complete their program before hiring them. Workers with the full program credential will be better prepared for the next steps in their career. The ideal is to have a majority of full-time baccalaureate students finishing in a reasonable time period. A challenge the university faces is the majority of UA's students are part-time. Many Alaskan students take a job right out of high school and don't return to postsecondary education until later. Typically older students will only attend part-time because they have jobs or families to tend to. UA's student body is post-traditional with 59% attending part-time and 50% being 24 years or older.

Alaska has one of the lowest college-going rates in the nation. Only 55% of college-going students remain in-state compared to 83.2% nationally. Students attending out-of-state tend to be better prepared for postsecondary education which hurts UA's completion rates. Historically the most under prepared students have been the Pacific Islanders, Alaska Native, and Hispanic students; however, this is where the most growth is expected. The university wants graduates to reflect the diversity of Alaska. The university needs to raise its reputation and continue demonstrating quality programs to attract more students. The goal is to increase the portion attending in-state immediately after high school.

Each year Alaska school districts hire over 1,000 teachers; about 370 are hired from out-of-state. UA provides mentoring for new teachers in rural Alaska. The teacher turnover is very high in rural Alaska, but the mentoring helps decrease turnover rates. Unfortunately the state chose to reduce new teacher mentoring funding by 25%. Many graduating teachers are area committed and aren't interested in relocating to rural communities. The university wants to focus on how it can affect the teacher retention rate and support programs to increase the number of Alaskans teaching.

Forty-six percent of Alaska's recent high school graduates entering UA require developmental coursework. The top subject requiring developmental education is mathematics. The rates differ between students pursuing baccalaureate and associate degrees with 58% of two-year degree seekers requiring developmental courses. Alaska is

in the middle of the nation in terms of need for developmental courses. 70% of students enrolled in developmental courses are not recent high school graduates but rather working adults returning to postsecondary education. This group actually requires less developmental education than high school graduates, but there are so many returning adults the number seems large. The myth is that fixing K-12 education will eliminate the need for developmental education, but there is clear evidence this is not the case. The answer is twofold; improve college readiness within high schools and promote postsecondary education after graduation. The more developmental coursework needed the less chance of completion. The Alaska Performance Scholarship is helping and Dr. Thomas feels the new Alaska K-12 Standards will help, but the impact cannot yet be seen. The university needs to work to ensure high school graduation requirements and freshman placement requirements are well aligned.

The university compares itself to peers in research and development. The three universities are distinctly different when it comes to peers. UAF is highly competitive and compares itself to research-based universities—Washington State, University of Montana and Oregon State University. External funding is a large part of the university budget, upwards of \$140 million per year. The university has seen exponential growth in intellectual property in the last three years and it is hoped the trend will continue to improve the economy.

UA needs to be more flexible when approaching industry and creating productive partnerships. Faculty tends to lean towards semester-long courses for anything when only a few weeks of training may be needed. The university is successful in some aspects of this, such as mine safety training. UA performs 100% of the mine safety training in the state, most of which is performed on-site. The university needs to emulate that training model more often.

The university is accountable to the people of Alaska to support higher education in the state. The higher education appropriation per full-time student is approximately \$12,900, second in the nation. That is 212%, more than double the nation's average. Higher education is well supported by the state. The university provides prioritized access by having sixteen campuses across the state. A single location would be more efficient, but the university feels it is important to have higher education broadly accessible. Between 2008 and 2013, state funding to institutions decreased 23% on average, yet Alaska experienced almost no change. Ms. Barrans noted some states have reduced funding for public institutions while ramping up nonresident rates, essentially subsidizing resident students.

The university needs to improve efficiency, effectiveness and revenue generation. Deferred maintenance needs to be reduced to an acceptable level. At this point there is a backlog of around \$750 million that should be around \$300-400. It is the highest priority of the capital budget each year for the Regents. The quality of the infrastructure needs to be maintained to attract students and make continued gains toward the instate college going rate. There are hard choices to be made moving forward. Dr. Thomas hopes the state and the Commission share UA's agenda in terms of Shaping Alaska's Future.

LEGISLATIVE RECAP AND NEXT STEPS

Ms. Barrans referenced her written report noting Chair Johnson's request to provide a brief recap of the legislative session and plans for 2015. Notwithstanding Senate Joint Resolution 23's (SJR23, a resolution to seek general obligation bond authority) last minute failure, the last session was a good one for the organization. The agency budget was approved as requested, and received a capital budget appropriation in the fiscal note for Senate Bill 195 (SB195). Changes made through SB195 allow the Commission to encourage and incent students to increase their level of engagement with postsecondary education to improve their chances of completing their degrees timely. Changes resulting from the bill will be effective in the 2015-2016 academic year.

Other legislation of interest included the governor's House Bill 278 which proposed changes to the high school testing requirements. It will be important to ensure students understand the implications of which college or career readiness test they take relative to Alaska Performance Scholarship eligibility. A staff member from the Department of Education & Early Development (EED) will be attending the next ACPE/UA leadership meeting to discuss how the department plans to implement the change in secondary school testing.

In terms of dead legislation, although the failure of SJR23 created a big setback in missing the window for a constitutional amendment vote on the 2014 general election ballot, Senator Fairclough has expressed plans to pursue SJR23 in the next session. The resolution's failure wasn't due to lack of support, but rather a matter of timing as the legislature extended beyond the scheduled end of session. Another bill expected to resurface is House Bill 365 (HB365). Sponsored by Representative Seaton, the bill proposed to allow students to qualify for collegiate APS eligibility through their WorkKeys score. EED has concerns relating to WorkKeys testing for collegiate awards and students not being fully prepared for their program of choice, but it is on the radar of high school counselors. House Bill 17, intended to reduce state education loan debt for Alaska residents, failed to pass a second time. Minority House members will likely reintroduce a similar bill.

In the next several months Ms. Barrans will be engaging with the governor's legislative director and staff to discuss potential legislation. In addition to seeking general obligation bond authority, another legislative issue of interest to the Commission is to facilitate a change to the Department of Labor and Workforce Development's (DOLWD) statutes to allow the sharing of de-identified wage and income data within ANSWERS. DOLWD statutes narrowly specify how they can share data, and unless ANSWERS is a named recipient they are unable to share under current state law. As a member of the ANSWERS Executive Governance Board, DOLWD Commissioner Blumer is supportive of the statutory change. In 2014 Ms. Barrans worked with Commissioner Blumer to develop statutory language, but it was finalized too late in session to be successfully introduced. Ms. Barrans will be meeting with Commissioner Blumer regarding a proposal for the next session.

Ms. Barrans noted a few activities involving the senior management team in the last quarter. After the end of the legislative session the senior management team reengaged in strategic planning to focus on ACPE's values of service quality, innovation, empowerment and accountability. The group met for a full day to discuss at a higher level the alignment of programs and services to ACPE's mission. Management analyzed the organization's financial position and outlook within the state's fiscal environment. Because ACPE is substantially funded by non-general fund moneys the organization has a relatively smooth budget process compared to other general funds-dependent agencies. Nevertheless, ACPE has avoided operating increments for the last three to four years and has substantially absorbed annual merit increases, only receiving small increments to cover statewide changes to the overall pay scale and retirement and benefits. Going into fiscal year 2016 the organization has committed to supporting the ANSWERS program management office, an identified cost slightly in excess of \$1 million per year. The goal is to have sufficient internal savings to avoid an incremental request, or only request a fraction of the budget needed. Ms. Barrans has advised legislative budget committees that funding the management office will be a short-term commitment as it will be funded with Corporation receipts, making it an equity expense for the Corporation. The hope is after operating ANSWERS for the first few years the state will see the value in having it operate as a state-funded program. At this point ACPE is working to identify slightly less than 10% of the current budget to be reallocated to funding the ANSWERS program management office. A source of significant cost savings is the transition to a HELM.net platform for its loan servicing system. Moving off the state Mainframe will create an annual cost savings of approximately \$500,000. Less significant in terms of expected savings, but significant in terms of increased impact of existing resources is the development and better use of online and electronic communication tools for purposes of public outreach and awareness. The agency is backing away from paper methods and transitioning to more effective means of communication.

MANAGEMENT TEAM REPORTS

Finance: Ms. Morrison referenced her written report. She noted two changes to the Fiscal Year 2015 operating budget since the Commission last met; a funding source change to cover the software cost related to the new student aid management system and the creation of a new capital project for the Commission. The Commission received approval to spend \$460,000 of Higher Education Investment Fund money to replace its student aid management system to service grants and scholarships.

In terms of the ongoing Internal Revenue Service (IRS) examination, the Corporation is waiting for the IRS to disclose information that supports their concern for compliance issues in regards to recycling loan payments. The Corporation's bond counsel has engaged in conversations for nearly two years with the IRS but they have yet to explain their position. At this point Corporation staff have provided all requested information and await a response.

Not included in the written report is the recent reset of some interest rates for program years 2013 and 2014. While developing rates for the coming program year it was discovered the two previous program years' interest rates could be reduced. The information was brought before the Corporation and the board voted to reset the interest rates. The rates originally set by the Corporation were clearly in compliance with regulation and within the board's authority, however; they were not the lowest rates possible. As of July 1, 2014 the 2013 and 2014 program year interest rates were reduced from 7.2% and 7.3% to 6.5% for Alaska Supplemental Education Loans, Alternative Consolidation Loans and Family Education Loans. Two other loan programs were examined, the Teacher Education Loan and Professional Student Education Program, and were found to have the lowest interest rates possible so were not adjusted. There were about 1,600 loans adjusted, the financial impact on individual loans ranging from balance reductions of \$0.13 to \$870.00.

The Corporation set interest rates for program year 2015 and approved the borrower benefit package. Interest rates were set at 6.7% for loans originated as of July 1, 2014. The borrower benefit package remained unchanged and is anticipated to cost the Corporation approximately \$1 million. The Corporation also approved management's recommendation to set the origination fee to 0% contingent upon regulation changes going into effect July 25, 2014. The regulation changes grant the Corporation authority to annually set an origination fee not to exceed 5% but may be set as low as 0%.

Program Operations: Ms. Butler presented her newly-formatted written report. Relative to the narrative summary, she noted a large focus the past quarter was developing regulations to implement Senate Bill 195, postsecondary education loan/grants. Staff will convene statewide meetings of school partners to review the proposed regulations in detail to ensure a thorough understanding of the changes and to inform public comment relating to the impact on students. Staff is developing a Request for Proposal for a new grant and scholarship servicing system which is expected to be released at the end of the month. Ms. Butler continues to spend approximately 40% of her time on the ANSWERS project. In June the National Center for Education Statistics, the Commission's federal grant officers, visited and provided positive comments relative to the ANSWERS' project progress. Staff is still awaiting the final report but expects it to be positive.

Ms. Butler referenced the statistics provided in her written report. She reported loans are again down in volume. To date, Alaska Supplemental Educational Loan volume was down around 50% with 67 loans awarded at just over \$500,000. The number is expected to increase as the school year approaches. Operations staff has been working closely with Outreach & Early Awareness to deploy new methods to ensure Alaska students are aware of the loan availability and benefits. Loans offered through the Commission now boast a 0% origination fee and a 6.7% interest rate which can be lowered through borrower benefits. Another advantage to borrowers is the inability to over-borrow as schools must certify the loan covers legitimate academic costs.

Ms. Butler noted the Quality Assurance (QA) information highlighted in the report. QA is a relatively new unit within Operations which prompted a detailed report for the Commission. QA receives compliance questions from staff to determine the applicable rules and legal constraints. All documents produced in the agency are reviewed by the unit to ensure compliance with all applicable Truth-in-Lending Act rules. QA staff releases industry resources as they become available and perform potential breach investigations. Her written report offered detailed information about the newly implemented ACPE Referral Center, a result of the review by the Process Analysis System Team. A cross-divisional business team examined the process and created an automated system with existing agency software which saves considerable staff time and effort.

Outreach & Early Awareness: Ms. Matrosova referenced her written report. She noted the final application for the federal College Access Challenge Grant was submitted, meaning the division will have some big upcoming changes. The two primary legacy initiatives continue to be active, the Postsecondary Access and Completion Network and the Alaska College and Career sustainability workgroup.

Ms. Matrosova provided additional detail on the new awareness initiatives for ACPE's loan programs referenced in Ms. Butler's narrative. She noted the kickoff of the Higher Education E-mail Awareness Campaign, a cost-effective strategy to inform Alaska residents and interested non-residents of key higher education and financial aid topics. ACPE has been increasingly focused on efficiencies through the use of technology, and methods in which a larger cohort can be reached to provide critical information relating to postsecondary education and career training.

Information Support Services: Mr. Dodson reported the ISS team has been working hard on the ANSWERS project, of which he devotes a significant amount of time as the project's technical manager. Staffs' main focus has been the conversion to the new Higher Education Loan Management System (HELMS). The new system will move HELMS from the state Mainframe to a .net platform (HELM.net). The transition will create a significant cost savings for the agency.

ANSWERS/Internal Audit: Ms. Thomas reported the majority of her time has been focused on the ANSWERS project. The project recently passed year two of three, putting the project in the final stages of grant funding. ANSWERS contracted with Anchorage-based GeoNorth for ANSWERS system development. Staff have begun initial testing of the system and has been working on reporting outcomes on the public-facing side of the system. Recruitment is underway for two ANSWERS-related positions; one temporary position for the duration of the project and a Program Management Office staff to assist with project completion and transition to the program office post-grant.

Ms. Thomas continues to work with the Process Analysis System team to develop recommendations to improve agency processes. The team is in the final stages of

reviewing the Customer Service correspondence process and is preparing to deliver recommendations to increase efficiency and improve borrower and customer experiences.

Human Resources: Mr. Barthel provided an update to his written report and informed the group the performance evaluation template has not yet been published due to late feedback. He will be working to finalize the document and present the finished version at the next Commission meeting. Mr. Barthel has been working on the succession planning initiative under advisement from Chair Johnsen. Chair Johnsen provided senior managers with some valuable tools to utilize in the succession planning process.

Mr. Barthel noted the executive director performance evaluation is underway. He thanked members who had already taken the time to fill out the brief evaluation survey, and encouraged the rest of the members to participate in the process.

PUBLIC TESTIMONY

No public testimony was offered.

COMMISSIONER REPORTS

UA Board of Regents – Commissioner Heckman noted the UA Board of Regents met June 5-6 in Anchorage, Alaska. David Longanecker, President of the Western Interstate Commission on Higher Education, presented the Direction of American Higher Education. The regents viewed a video on Shaping Alaska’s Future, a visual representation of the initiative to be used by stakeholders, and approved future outcome metrics and key indicators based on the initiative. Regents accepted the appropriation for operating budget, capital budget, student government budget, and natural resource fund budget. Revisions to the UA Scholars Program were postponed to the next meeting pending additional information. A revision was made to the Prince William Sound Community College. A separately accredited institution, the college encountered a large burden due to the onslaught of recent federal regulation changes. Given its size, the Regents approved the college’s transition to a community campus of the University of Alaska Anchorage (UAA) rather than continuing as a separately accredited institution. Under the Academic and Student Affairs, the group approved a Graduate Certification in Supply Chain Management and the deletion of a Certificate in Computer Information and Office Systems at the UAA Kenai Peninsula Kodiak and Matsu Colleges. A resolution was approved in support of the Alaska Maritime Workforce Development Program, similar to an initiative where the university engages fisheries, seafood and maritime sectors for workforce purposes. President Gamble’s contract was also renewed for another two years.

ADJOURN

Commissioner Huggins moved to adjourn the summer 2014 Commission meeting. The motion was seconded by Commissioner Heckman. By roll call vote, all members present voted Aye. The motion carried. There being no further business to discuss, the meeting adjourned at approximately 12:35 p.m.

Jim Johnsen, Chair