

**ALASKA STUDENT LOAN CORPORATION**  
(a Component Unit of the State of Alaska)

Management's Discussion and Analysis and  
Financial Statements

June 30, 2019 and 2018

Together with Independent Auditor's Report

**ALASKA STUDENT LOAN CORPORATION**  
(a Component Unit of the State of Alaska)

**Table of Contents**

	<b>Pages</b>
Management's Discussion and Analysis	1 – 8
Independent Auditor's Report	9 – 10
Statements of Net Position	11 – 12
Statements of Revenue, Expenses and Changes in Net Position Statements of Cash Flows	13 – 15
Notes to Financial Statements	16 – 30

**ALASKA STUDENT LOAN CORPORATION**  
(a Component Unit of the State of Alaska)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of the Alaska Student Loan Corporation's (Corporation) history, financial position at, and financial performance for, the fiscal years ended June 30, 2019 and 2018 is being presented to assist readers in understanding the Corporation's structure, activities and significant financial issues. Fiscal year 2017 information is shown for comparative purposes.

This information is required supplementary information and should be read in conjunction with the Independent Auditor's Report and the audited financial statements and accompanying notes, all of which follow.

History

The State of Alaska (State) established its first loan program for undergraduate students studying at an accredited institution in 1968. The program was funded directly by the State and administered by the State's then-named Department of Education. This activity was considered a primary government function and financial reporting was included in the governmental fund section of the State's comprehensive annual financial report.

The Alaska Commission on Postsecondary Education (Commission) was created in 1974 to be the coordinating agency for postsecondary education, to administer student financial aid programs, to coordinate and plan for postsecondary education in the State, as well as to authorize and regulate postsecondary education institutions in Alaska. The education loan programs administered by the Commission were funded by the State. The Commission resides within the Department of Education and Early Development for budgetary purposes but is not subject to the direction of the Commissioner of Education and Early Development or the State Board of Education. The Commission's activity is considered a primary government function and financial activity is included in the governmental fund section of the State's comprehensive annual financial report.

The Corporation was created in 1987 as a public corporation and governmental instrumentality within the Department of Education and Early Development with a legal existence independent of and separate from the State. Therefore, the Corporation is not a part of the State's primary government. The financial activity related to the Corporation is reported as a discretely presented component unit in the State's comprehensive annual financial report.

The Corporation was created to raise alternative financing for education loans through the issuance of debt. The Corporation's goal is to provide low-cost education loans to Alaskans pursuing education and training at a postsecondary level and for other qualified individuals attending postsecondary institutions in the State. By statute the Corporation has one employee, the Executive Officer. The employees of the Commission serve as staff for the Corporation. In 1987, the Corporation entered into an agreement with the Commission for administrative services related to its loan programs. In April of 1988, the assets and liabilities of the State's existing education loan programs were transferred to the Corporation effective December 1987.

The Corporation cannot be terminated as long as it has debt outstanding. Upon termination, the Corporation's rights and property pass to the State.

**ALASKA STUDENT LOAN CORPORATION**  
(a Component Unit of the State of Alaska)  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

Under contract with the Corporation, the Commission awards and originates the Corporation’s education loans and services the Corporation’s education loan portfolio. Additional information is available at [acpe.alaska.gov](http://acpe.alaska.gov). The Corporation funds the Commission’s expenditures that relate to loan program administration.

The loan program includes various Federal Family Education Loan Program (FFELP) loans (Federal loans) governed by the Higher Education Act (HEA) and State Education loans (State loans) governed by State statutes. Loans are both fixed and variable rate loans.

The loan program was structured to provide eligible borrowers with low-cost financial aid options. Students are encouraged to maximize their grant and lowest cost loan options prior to tapping into alternative sources.

**Program Highlights**

- The Corporation continues to hold and administer its FFELP portfolio. Loans in that portfolio are guaranteed by Ascendium Education Solutions, Inc.
- The Corporation continues to originate State loans as well as administer its State loan portfolio. State loans are not supported by collateral nor are they guaranteed.
- The loan portfolio is changing because Federal loans are no longer being originated. At June 30, 2019, the Corporation’s gross loan portfolio was 78 percent State loans and 22 percent Federal loans.
- At June 30, 2019, loans were pledged to one indenture (restricted) or held by the Corporation free and clear (non-pledged).

**ALASKA STUDENT LOAN CORPORATION**  
(a Component Unit of the State of Alaska)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

- State loans were made to borrowers meeting the following credit criteria:

	Principal balance, gross	Principal balance as a percentage of total
FICO 650 - 679	\$ 1,092	1
FICO 680 - 719	33,446	20
FICO 720 - 779	20,589	12
FICO 780+	3,921	2
Good payment history	14,640	9
Credit ready	77,800	47
No credit criteria	14,945	9
Total	\$ <u>166,433</u>	<u>100</u>

FICO score requirements were implemented on all Alaska Supplemental Education Loans first disbursed on or after July 1, 2009 and on all Refinanced loans.

All State Consolidation Loans were made subject to credit criteria which included good repayment histories on the underlying loans for the eighteen months preceding consolidation or a FICO score of at least 680.

Credit-ready loans disbursed on or after July 1, 1998 and before July 1, 2009 were made to borrowers with no adverse credit history.

Financial Highlights

- Financing education loans

The Corporation last issued bonds, for the purpose of financing new education loans, in June 2007. From July 2007 through 2011, the Corporation used non-pledged loan payments and proceeds from a State loan to finance education loans. Since 2011, loan originations have been funded with non-pledged loan receipts.

- Loan Volume

Annual loan volume increased 18% and 52% in fiscal years 2019 and 2018, respectively. Absent significant increases in operating costs or material changes in the loan program, the Corporation anticipates continuing to meet loan demand with non-pledged loan payments for the next several years. When non-pledged loan payments are no longer sufficient, the Corporation anticipates issuing debt to meet loan demand.

- Loan portfolio reports are available at [acpe.alaska.gov/about\\_us/Investor/Investor\\_Relations](http://acpe.alaska.gov/about_us/Investor/Investor_Relations).

**ALASKA STUDENT LOAN CORPORATION**  
(a Component Unit of the State of Alaska)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Overview of the Financial Statements

The Corporation's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under the accrual method of accounting, the same method used by private sector businesses, revenues are recognized when earned and expenses when incurred. The basic financial statements of the Corporation are as follows:

Statement of Net Position – This statement presents information regarding the Corporation's assets, liabilities and net position at a point in time. Net position represents the total amount of assets less the total amount of liabilities. This statement reflects the Corporation's financial health at the end of the year. Over time, changes in net position serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

Assets and liabilities are classified as current or noncurrent on the Statements of Net Position. Current assets are those available and reasonably expected to be used to pay current liabilities or cover the cost of operations in the next fiscal year. Current liabilities are those expected to be satisfied in the next fiscal year. Assets and net position are further classified as either restricted or unrestricted. The restricted classification is used when constraints are imposed by external sources or enabling legislation. Restricted assets are classified as noncurrent unless the restriction is short-lived (less than a year).

Statement of Revenues, Expenses, and Changes in Net Position – This statement measures the activities of the Corporation's operations over the past year and presents the change in net position for the year. This statement can be used to determine whether the Corporation has successfully recovered its costs through education loan and investment income.

Statement of Cash Flows – This statement provides information about the sources and uses of the Corporation's cash and the change in the cash balance during the fiscal year.

Notes to Financial Statements provide information that is essential to a full understanding of the basic financial statements described above.

**ALASKA STUDENT LOAN CORPORATION**  
(a Component Unit of the State of Alaska)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial Analysis

- The Corporation's total assets at June 30, 2019, 2018, and 2017 were \$0.3, \$0.3, and \$0.3 billion, respectively. The change in assets from fiscal year 2018 to 2019 was a decrease of \$22 million or 8% and the change between fiscal year 2017 to 2018 was a decrease of \$25 million or 8%.
- The Corporation's net education loans receivable was \$170, \$195, and \$226 million, at June 30, 2019, 2018 and 2017, respectively. These balances represent a decrease in fiscal year 2019 of \$25 million or 13% and a decrease in fiscal year 2018 of \$31 million or 14%.
- The Corporation's debt at June 30, 2019, 2018, and 2017 was \$44, \$62, and \$84 million, respectively. The change in debt from fiscal year 2018 to 2019 was a decrease of \$18 million or 30% and the change in debt from fiscal year 2017 to 2018 was a decrease of \$22 million or 26%.
- The assets of the Corporation exceed its liabilities (reported as net position) at the close of fiscal year 2019, 2018 and 2017 by \$219, \$222, and \$223 million, respectively. These balances represent a decrease in fiscal year 2019 of \$3 million or 1% and a decrease in fiscal year 2018 of \$1 million or 0.4%.
- The Corporation's operating revenue was \$11, \$12, and \$12 million at June 30, 2019, 2018 and 2017, respectively. These balances represent a decrease in fiscal year 2019 of \$1 million or 8% and no change in fiscal year 2018.
- The Corporation's operating interest expense was \$1, \$1, and \$1 million during fiscal years 2019, 2018 and 2017, respectively. These balances represent no change in fiscal year 2019 and no change in fiscal year 2018.
- The Corporation's operating administration expense was \$12, \$12, and \$12 million during fiscal years 2019, 2018 and 2017. These balances represent no change in fiscal year 2019 and no change in fiscal year 2018.

**ALASKA STUDENT LOAN CORPORATION**  
(a Component Unit of the State of Alaska)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

- The following condensed financial information reflects changes during the fiscal year:

Statement of Net Position (in thousands)					
Assets:	2019	2018	\$ Change	% Change	2017
Current	\$ 27,960	30,592	(2,632)	(9)	31,751
Noncurrent	236,575	256,185	(19,610)	(8)	279,753
Total assets	<u>\$ 264,535</u>	<u>286,777</u>	<u>(22,242)</u>	(8)	<u>311,504</u>
Liabilities:					
Current	\$ 12,342	22,985	(10,643)	(46)	29,133
Noncurrent	32,764	41,944	(9,180)	(22)	59,550
Total liabilities	<u>45,106</u>	<u>64,929</u>	<u>(19,823)</u>	(31)	<u>88,683</u>
Net position:					
Unrestricted	213,059	196,114	16,945	9	199,124
Restricted	<u>6,370</u>	<u>25,734</u>	<u>(19,364)</u>	(75)	<u>23,697</u>
Total net position	<u>219,429</u>	<u>221,848</u>	<u>(2,419)</u>	(1)	<u>222,821</u>
Total liabilities and net position	<u>\$ 264,535</u>	<u>286,777</u>	<u>(22,242)</u>	(8)	<u>311,504</u>

The fiscal year 2019 and 2018 decreases in current assets was due to the decrease in current loans receivable and current investments. Loan balances classified as current are those expected to be paid in the next twelve months. Current loans receivable is declining due to the overall decline in the loan portfolio for the last several years. Investment balances classified as current are those expected to be consumed in the next twelve months. Current investments declined due to the decline in bond payments expected in the next twelve months.

The fiscal year 2019 and 2018 decreases in noncurrent assets was due to the decrease in noncurrent loans receivable. This decrease is the result of loan payments continuing to exceed loan originations. The decrease in noncurrent loans receivable for both years was offset with an increase in noncurrent investments. The increase in noncurrent investments is due to collections on loans exceeding investments utilized for loan originations and administrative costs. Current and noncurrent liabilities decreased in fiscal year 2019 and 2018 due to the decline in bonds payable. The Corporation has not issued bonds for loan originations since 2007 and debt service payments have continued to be made on existing debt. Unrestricted net position increased and restricted net position decreased in fiscal year 2019 because loans pledged to the 2012 indenture were reclassified from restricted assets to unrestricted assets when the 2012 bonds were paid-in-full at the end of fiscal year 2019. Unrestricted net position decreased in fiscal year 2018 because unrestricted expenditures exceeded unrestricted revenue. Restricted net position increased in fiscal year 2018 because restricted revenue exceeded restricted expenditures. Restricted expenditures are limited by the debt indentures.



**ALASKA STUDENT LOAN CORPORATION**  
(a Component Unit of the State of Alaska)  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Statements of Revenue, Expenses and Changes in Net Position (in thousands)

	2019	2018	\$ Change	% Change	2017
Operating revenue	\$ 10,660	12,356	(1,696)	(14)	12,442
Operating expense	(13,079)	(13,329)	250	(2)	(12,796)
Return of capital	-	-	-	-	(1,200)
Change in net position	(2,419)	(973)	(1,446)	149	(1,554)
Net position - beginning	221,848	222,821	(973)	(0)	224,375
Net position - ending	\$ <u>219,429</u>	<u>221,848</u>	<u>(2,419)</u>	(1)	<u>222,821</u>

Operating revenue represents interest on education loans, loan-related provisions, earnings on investments and other revenue. Interest on education loans continues to decline due to the decline in the loan portfolio. The gross education loan portfolio decreased 15% in fiscal year 2019 and 13% in 2018. The return on loans, prior to recording the change in the yield restriction payable, was 5.0%, 4.6% and 4.6% for fiscal years 2019, 2018 and 2017, respectively. The provision represents the current year change in estimated principal losses and interest losses on that principal. The provisions change as performance of the portfolio changes. The investment portfolio increased in fiscal year 2019 and 2018. The return on investments, prior to recording the change in the arbitrage rebate receivable, was 3.4%, 0.8% and 0.4% in fiscal years 2019, 2018 and 2017, respectively.

Operating expense represents interest on debt as well as administrative expenses. In fiscal year 2019, administrative costs decreased due to a decline in contractual costs associated with one-time projects in fiscal 2018, a decline in bond related costs due to the elimination of the 2012 debt and other changes that are not significant individually. Administrative costs increased in fiscal year 2018 for several reasons none of which was significant individually. The Corporation's outstanding debt is variable rate debt; therefore, interest expense increased due to the increasing rate environment in fiscal years 2019 and 2018. The average rate on outstanding debt was 2.79%, 1.97% and 1.18% for fiscal years 2019, 2018 and 2017, respectively.

The return of capital in fiscal year 2017 represents the dividend declared by the Board in November 2016 based on financial performance for the year ended June 30, 2016.

**ALASKA STUDENT LOAN CORPORATION**  
(a Component Unit of the State of Alaska)  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**

Rate Discounts

Borrower benefits are intended to lower borrowers’ interest costs. Rate discounts awarded in fiscal years 2019, 2018 and 2017 resulted in forgone interest on loans of approximately \$410, \$544, and \$693, respectively. The impact of these discounts is recorded as a reduction to interest on loans. Information related to borrower benefits can be found at [acpe.alaska.gov/myrate](http://acpe.alaska.gov/myrate).

Contacting the Corporation

This financial report is designed to provide borrowers, investors, creditors and other readers with a general overview of the Corporation’s finances. If you have questions about this report or need additional financial information, contact the Corporation at (907) 465-6740.



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Alaska Student Loan Corporation  
Juneau, Alaska

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Alaska Student Loan Corporation, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Alaska Student Loan Corporation's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Alaska Student Loan Corporation, as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2019 on our consideration of the Alaska Student Loan Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Alaska Student Loan Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alaska Student Loan Corporation's internal control over financial reporting and compliance.

*Elgee Rehfeld*

September 23, 2019

**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Statements of Net Position

June 30, 2019 and 2018

(in thousands)

	<u>2019</u>	<u>2018</u>
Assets:		
Current assets:		
Cash (note 3)	\$ 576	640
Other	198	221
Interest receivable on investments	485	399
Interest receivable on loans	1,531	1,502
Investments (note 3)	2,691	-
Loans receivable (note 4)	20,892	22,405
Arbitrage rebate receivable (notes 2 and 7)	229	229
Restricted:		
Investments (note 3)	1,332	5,171
Other	<u>26</u>	<u>25</u>
Total current assets	<u>27,960</u>	<u>30,592</u>
Noncurrent assets:		
Interest receivable on loans, net (note 5)	2,839	2,328
Loans receivable, net (notes 4 and 5)	101,913	92,229
Investments (note 3)	83,109	78,275
Restricted:		
Cash (note 3)	101	102
Interest receivable on investments	3	7
Interest receivable on loans, net (note 5)	1,629	2,577
Loans receivable, net (notes 4 and 5)	<u>46,981</u>	<u>80,667</u>
Total noncurrent assets	<u>236,575</u>	<u>256,185</u>
Total assets	<u>\$ 264,535</u>	<u>286,777</u>

See accompanying Notes to Financial Statements.

(continued)

**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Statements of Net Position

June 30, 2019 and 2018

(in thousands)

	<u>2019</u>	<u>2018</u>
Liabilities and Net Position:		
Liabilities:		
Current:		
Payable from unrestricted assets:		
Due to State of Alaska	\$ 1,337	1,454
Accounts payable	67	66
Payables from restricted assets:		
Due to U.S. Dept. of Education (note 8)	148	239
Accounts payable	-	7
Return of capital payable (note 9)	-	594
Yield restriction payable (notes 2 and 7)	-	305
Interest payable	-	7
Bonds payable (note 6)	<u>10,790</u>	<u>20,313</u>
Total current liabilities	12,342	22,985
Noncurrent - payable from restricted assets:		
Bonds payable (note 6)	<u>32,764</u>	<u>41,944</u>
Total liabilities	<u>45,106</u>	<u>64,929</u>
Net position:		
Unrestricted (note 2)	213,059	196,114
Restricted	<u>6,370</u>	<u>25,734</u>
Total net position	<u>219,429</u>	<u>221,848</u>
Total liabilities and net position	<u>\$ 264,535</u>	<u>286,777</u>

See accompanying Notes to Financial Statements.

**ALASKA STUDENT LOAN CORPORATION**

(A Component Unit of the State of Alaska)

## Statements of Revenue, Expense, and Changes in Net Position

Years Ended June 30, 2019 and 2018

(in thousands)

	<u>2019</u>	<u>2018</u>
Operating revenue:		
Interest on loans, net (note 2)	\$ 14,390	15,641
Provision (note 5)	(6,892)	(4,188)
Investment income, net (note 2)	3,036	703
Other	<u>126</u>	<u>200</u>
Total operating revenue	<u>10,660</u>	<u>12,356</u>
Operating expense:		
Interest	1,540	1,463
Administration	<u>11,539</u>	<u>11,866</u>
Total operating expense	<u>13,079</u>	<u>13,329</u>
Change in net position	(2,419)	(973)
Total net position - beginning	<u>221,848</u>	<u>222,821</u>
Total net position - ending	<u>\$ 219,429</u>	<u>221,848</u>

See accompanying Notes to Financial Statements.

**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Statements of Cash Flows  
Years Ended June 30, 2019 and 2018  
(in thousands)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Principal payments received on loans	\$ 39,276	46,712
Interest received on loans	8,826	9,236
Other receipts	98	211
Loans originated	(15,033)	(12,708)
Administration	<u>(11,655)</u>	<u>(11,758)</u>
Net cash provided by operating activities	<u>21,512</u>	<u>31,693</u>
Cash flows from noncapital financing activities:		
Interest paid on debt	(1,497)	(1,402)
Principal paid on debt	<u>(18,754)</u>	<u>(22,169)</u>
Net cash used for noncapital financing activities	<u>(20,251)</u>	<u>(23,571)</u>
Cash flows from capital activities:		
Dividend paid	-	(1,200)
Return of capital payments	<u>(594)</u>	<u>(44)</u>
Net cash used for capital activities	<u>(594)</u>	<u>(1,244)</u>
Cash flows from investing activities:		
Income received on investments	1,824	1,398
Investments matured or sold	177,326	123,800
Investments purchased	<u>(179,882)</u>	<u>(132,091)</u>
Net cash used for investing activities	<u>(732)</u>	<u>(6,893)</u>
Net decrease in cash	(65)	(15)
Cash at beginning of period	<u>742</u>	<u>757</u>
Cash at end of period	<u>\$ 677</u>	<u>742</u>

See accompanying Notes to Financial Statements.

(continued)



**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Statements of Cash Flows  
Years Ended June 30, 2019 and 2018  
(in thousands)

	<u>2019</u>	<u>2018</u>
Reconciliation of change in net position to cash flows from operating activities:		
Change in net position	\$ <u>(2,419)</u>	<u>(973)</u>
Adjustments to reconcile change in net position to net cash provided by operating activities:		
Provision	6,892	4,188
Income received on investments	(1,824)	(1,398)
Unrealized (gain) loss on investments	(1,130)	776
Interest paid on debt	1,490	1,399
Amortization of debt discount	50	64
Change in assets and liabilities:		
Decrease in other assets	22	14
Increase in interest receivable on investments	(82)	(81)
Increase in interest receivable on loans	(2,214)	(1,960)
Decrease in loans receivable	21,246	30,066
Decrease in due to U.S. Dept. of Education	(91)	(208)
Increase (decrease) in net due to State of Alaska	(117)	91
Increase (decrease) in accounts payable	(6)	2
Decrease in net yield restriction/arbitrage rebate payable	<u>(305)</u>	<u>(287)</u>
Total adjustments	<u>23,931</u>	<u>32,666</u>
Net cash provided by operating activities	<u>\$ 21,512</u>	<u>31,693</u>

See accompanying Notes to Financial Statements.

**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Notes to Financial Statements

**(1) Authorizing Legislation and Organization**

The Alaska Student Loan Corporation (Corporation), a component unit of the State of Alaska (State), was created in 1987 by an act of the State Legislature (Legislature). The purpose of the Corporation is to provide low-cost education loans to Alaskans pursuing education and training at a postsecondary level and for other qualified individuals attending postsecondary institutions in the State. The Corporation is authorized, with certain limitations, to issue debt necessary to carry out its purpose. The Corporation is governed by a Board of Directors (Board) appointed by the State Governor.

The Corporation contracts with the Alaska Commission on Postsecondary Education (Commission) to service its loan portfolio and to provide staff for the Corporation. The Commission, a part of the State's general government, is responsible for staff costs; therefore, the Corporation has no pension disclosure.

**(2) Summary of Significant Accounting Policies**

***(a) Fund Accounting***

The financial activities of the Corporation, which are restricted by the Corporation's debt instruments, are recorded in various funds as necessitated by sound fiscal management. The funds are combined for financial statement purposes and there are no significant interfund transactions. The Corporation is considered an enterprise type proprietary fund for financial reporting purposes with revenues recognized when earned and expenses when incurred.

***(b) Fiscal Year***

The Corporation's fiscal year begins July 1 and ends June 30, consistent with the State's fiscal year.

***(c) Operating Revenue and Expense***

The Corporation was created with the authority to issue debt in order to finance education loans to qualified borrowers. Operating revenue is derived from interest on education loans and earnings on investments. Operating revenue is offset by the loan and interest related provisions. The cost of financing and servicing education loans is considered operating activity.

***(d) Management Estimates***

To prepare financial statements in accordance with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect reported amounts. Actual amounts could differ from estimates. The significant accounting and reporting estimates applied in the preparation of the accompanying financial statements are discussed below.

# **ALASKA STUDENT LOAN CORPORATION**

(A Component Unit of the State of Alaska)

## Notes to Financial Statements

### **(2) Summary of Significant Accounting Policies (cont.)**

#### ***(e) Loans***

Loans represent education loans which include Supplemental Education, Alternative Consolidation, Refinanced (REFI), Teacher Education (TEL), Family Education (FEL), (collectively referred to as State loans), federally guaranteed Stafford (subsidized and unsubsidized), PLUS, and Consolidation (subsidized and unsubsidized) loans (collectively referred to as Federal loans). Loan terms vary depending on year of origination and type.

#### ***(f) Interest on Loans***

Interest on loans is accrued when earned at fixed and variable rates ranging from 2.63% to 9.00%.

Non-interest bearing loans were approximately \$377 and \$492 at June 30, 2019 and 2018, respectively.

The impact of borrower benefits awarded to eligible borrowers is recorded as a reduction in interest on loans.

The change in the yield restriction payable, if any, is recorded as an adjustment to interest on loans.

#### ***(g) Allowances and Provision***

The allowances represent management's estimate, based on experience, of loans and related accrued interest that will ultimately be uncollectible or forgiven. The Corporation writes off State loans upon death, total disability, bankruptcy discharge, or when payment activity is no longer anticipated. The Corporation writes off the portion of Federal loan balances not guaranteed and deemed uncollectible. Accrued unpaid interest is written off when the related loan is written off. A borrower of a TEL can obtain up to 100% forgiveness of loan principal and interest if the borrower teaches in rural Alaska for periods specified by the program.

The provision is the annual change in the allowances.

#### ***(h) Note Discount***

The Corporation uses the effective method of amortization to amortize the note discount over the life of the note. The effective method matches amortization with interest expense, maintaining a constant effective rate of interest over the life of the note.

# ALASKA STUDENT LOAN CORPORATION

(A Component Unit of the State of Alaska)

## Notes to Financial Statements

### (2) Summary of Significant Accounting Policies (cont.)

#### *(i) Income Taxes*

The Corporation, as a governmental instrumentality, is exempt from Federal and State income taxes.

#### *(j) Investments and Investment Income*

The Corporation invests in the State's internally managed General Fund and Other Non-segregated Investments Pool (GeFONSI). GeFONSI consists of investments in the State's internally managed Short-term, Short-term Liquidity and Intermediate-term Fixed Income Pools. Additional information with regard to the GeFONSI can be found in Treasury's *Invested Assets Under the Investment Authority of the Commissioner of Revenue's Independent Auditors' Report* (GeFONSI Report) at [treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx](https://treasury.dor.alaska.gov/Investments/Annual-Investment-Reports.aspx).

The Corporation also invests in specific securities and money market funds. Money market funds maintain a share price of \$1 and are reported at amortized cost. The Corporation's shares in money market funds fluctuate daily with contributions and withdrawals. Investments in specific securities are reported at fair value.

The change in the arbitrage rebate receivable, if any, is recorded as an adjustment to investment income.

#### *(k) Due to State of Alaska*

Amounts due to the State of Alaska represent the net difference between amounts held by the Corporation on behalf of the State, amounts paid by the Corporation on behalf of the Commission and amounts paid by the Commission on behalf of the Corporation.

#### *(l) Unrestricted Net Position*

Unrestricted net position represents net assets not pledged as collateral to secure payment of debt.

#### *(m) Standard Application, Debt Related Disclosures*

In March 2018, Governmental Accounting Standards Board (GASB) issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The Corporation implemented this pronouncement during the period ending June 30, 2019 resulting in the disclosure of finance-related consequences of specific debt agreement terms.

**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Notes to Financial Statements

**(2) Summary of Significant Accounting Policies (cont.)**

***(n) Reclassifications***

Reclassifications not affecting change in net position were made to the 2018 financial statements to conform to the 2019 presentation. Additional categories of cash flows were added to the Statements of Cash Flows and other revenue has been classified as operating revenue.

**(3) Cash and Investments**

***(a) Cash***

(1) Cash summarized by classification at June 30 follows:

	<u>2019</u>	<u>2018</u>
Current, unrestricted	\$ 576	640
Noncurrent, restricted	<u>101</u>	<u>102</u>
Total	<u>\$ 677</u>	<u>742</u>

**(2) Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, deposits may not be returned. The Corporation has not established a custodial credit risk policy for its deposits.

At June 30, 2019, the Corporation had no cash exposed to custodial credit risk.

***(b) Investments***

(1) The fair value at June 30, of the Corporation's investments, by classification, follows:

	<u>2019</u>	<u>2018</u>
Current:		
Restricted	\$ 1,332	5,171
Unrestricted	2,691	-
Noncurrent:		
Unrestricted	<u>83,109</u>	<u>78,275</u>
Total	<u>\$ 87,132</u>	<u>83,446</u>

# ALASKA STUDENT LOAN CORPORATION

(A Component Unit of the State of Alaska)

## Notes to Financial Statements

### (3) Cash and Investments (cont.)

#### *(b) Investments*

##### (2) Investment Policies

The Corporation utilizes different investment strategies depending upon the nature and intended use of the assets being invested.

Restricted funds are invested according to the terms outlined in trust documents which generally mandate the purchase of relatively short-term, high quality fixed income securities. Trust documents are accessible at [acpe.alaska.gov/financial\\_statements\\_Trust\\_documents](https://acpe.alaska.gov/financial_statements_Trust_documents).

Unrestricted funds may be invested in the various fixed-income pools managed by Treasury. Investments in Treasury's fixed-income investment pools are made in accordance with the State's General Investment Policy. These investments represent an ownership share of the pool's securities rather than ownership of specific securities. A complete description of the State's investment policy is at [treasury.dor.alaska.gov/investments](https://treasury.dor.alaska.gov/investments).

Unrestricted funds not managed by Treasury are managed by an external investment manager in compliance with the Corporation's investment policy which allows investments in:

- Direct obligations of the U.S. Treasury, obligations of federal agencies which represent the full faith and credit of the U.S. and also unconditionally guaranteed as to the timely payment of principal and interest by the U.S.
- Bonds, notes or other evidences of indebtedness rated no lower than current credit ratings on U.S. Treasury obligations and issued by federal agencies and instrumentalities of the United States which do not represent the full faith and credit of the U.S.
- Bonds, notes or other evidences of indebtedness rated "A" or better and issued by domestic municipalities.
- Corporate bonds and convertible securities rated "A" or better.
- Fixed income money or mutual funds if rated, rated "AAA", and if not rated, underlying holdings must be rated "AAA".

The highest rating of a nationally recognized rating agency is the rating used to determine compliance with this policy.

A complete description of the ASLC investment policy & procedure is at [https://acpe.alaska.gov/Investor\\_Relations](https://acpe.alaska.gov/Investor_Relations)

**ALASKA STUDENT LOAN CORPORATION**

(A Component Unit of the State of Alaska)

## Notes to Financial Statements

**(3) Cash and Investments (cont.)*****(b) Investments*****(3) Credit Risk**

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Corporation mitigates its credit risk by limiting investments to those permitted in the investment policy and diversifying the investment portfolio.

The fair value of the Corporation's investments by type and credit quality, using a nationally recognized statistical rating organization without modifiers, at June 30 are shown below:

<u>Investment Type</u>	<u>Ratings</u>	<u>2019</u>	<u>2018</u>
Mortgage-backed securities (agencies)	AAA	\$ 3,502	334
Money market funds	AAA	10,592	12,758
Corporate bonds	AAA	3,175	2,606
Corporate bonds	AA	18,539	16,174
Corporate bonds	A	27,881	31,369
GeFONSI	Not rated	4,010	9,196
U.S. Treasury notes	AAA	17,945	11,009
U.S. Treasury bills	Not rated	1,488	-
Total		<u>\$ 87,132</u>	<u>83,446</u>

The Corporation's ownership share of the GeFONSI was 0.20% and 0.54% at June 30, 2019 and 2018, respectively.

Credit risk information relative to investments in the GeFONSI can be found in the GeFONSI Report.

# ALASKA STUDENT LOAN CORPORATION

(A Component Unit of the State of Alaska)

## Notes to Financial Statements

### (3) Cash and Investments (cont.)

#### (b) Investments

##### (4) Concentration Risk

Concentration risk is the risk of loss attributed to the magnitude of investments in a single investment provider.

At June 30, 2019, the Corporation had investment balances greater than five percent of the Corporation's total investments with the following investment providers:

	<u>Fair Value</u>	<u>Percent of Total Investments</u>
Fidelity Institutional Money Market Fund	\$ 11,142	13
U.S. Treasury	19,433	22

Concentration risk information relative to investments in the GeFONSI can be found in the GeFONSI Report.

##### (5) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Corporation mitigates interest rate risk by structuring maturities to meet cash requirements.

#### *Duration*

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a portfolio is the average fair value weighted duration of each security in the portfolio taking into account all related cash flows.

The Corporation's investment manager uses industry-standard analytical software developed by CMS Bond Edge to calculate duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, call options and other variable cash flows for purposes of the duration calculation.



# ALASKA STUDENT LOAN CORPORATION

(A Component Unit of the State of Alaska)

## Notes to Financial Statements

### (3) Cash and Investments (cont.)

#### *(b) Investments*

##### (5) Interest Rate Risk

At June 30, 2019, the weighted average modified duration of investments, other than investments in money market funds and the GeFONSI, follows:

U.S. Treasury	1.36
Mortgage backed securities (agency)	0.50
Corporate bonds	1.23
Portfolio modified duration	1.23

The Corporation has not established an interest rate risk policy for such investments.

Interest rate risk information relative to the Corporation's investment in the GeFONSI can be found in the GeFONSI Report.

##### (6) Fair Value Measurements

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value. Level 1 inputs are quoted prices in active markets for identical assets. Mortgage-backed securities and U.S. Treasury holdings are valued using level 1 inputs. Level 2 inputs are significant other observable inputs. Corporate bonds are valued using level 2 inputs. Market and industry inputs include, benchmark yields, yield to maturity data, prepayment speeds, corporate action adjustments, reported trade data, etc.

Fair value measurements relative to investments in the GeFONSI can be found in the GeFONSI Report.

#### *(c) Other*

Unrestricted cash and unrestricted investments specifically designated for financing education loans include \$1,634 and \$1,436 at June 30, 2019 and 2018, respectively.

**ALASKA STUDENT LOAN CORPORATION**

(A Component Unit of the State of Alaska)

## Notes to Financial Statements

**(4) Loans Receivable**

(a) The loan portfolio summarized by classification at June 30 follows:

	<u>2019</u>	<u>2018</u>
State loans:		
Current, unrestricted	\$ 20,892	22,406
Noncurrent:		
Unrestricted	145,541	133,719
Restricted	<u>-</u>	<u>36,534</u>
Total, gross State loans	166,433	192,659
Federal loans:		
Noncurrent:		
Restricted	<u>47,434</u>	<u>58,407</u>
Total, gross loans	<u>213,867</u>	<u>251,066</u>
Allowance for doubtful loans	43,827	55,488
Allowance for principal forgiveness	<u>254</u>	<u>277</u>
Total allowance	<u>44,081</u>	<u>55,765</u>
Total, net loans	<u>\$ 169,786</u>	<u>195,301</u>
Current, unrestricted	\$ 20,892	22,405
Noncurrent:		
Unrestricted	101,913	92,229
Restricted	<u>46,981</u>	<u>80,667</u>
Total, net loans	<u>\$ 169,786</u>	<u>195,301</u>

**ALASKA STUDENT LOAN CORPORATION**

(A Component Unit of the State of Alaska)

Notes to Financial Statements

**(4) Loans receivable (cont.)**

**(b)** The loan portfolio summarized by program at June 30 follows:

	<u>2019</u>	<u>2018</u>
State Education Loans		
Supplemental	\$ 126,532	153,921
Consolidation	14,640	19,571
Refinanced	19,843	13,161
Teacher Education	3,311	4,070
Family Education	<u>2,107</u>	<u>1,936</u>
Total State Loans	<u>166,433</u>	<u>192,659</u>
Federal Family Education Loans		
Stafford	38,347	47,596
Consolidation	7,999	8,901
PLUS	<u>1,088</u>	<u>1,910</u>
Total Federal Loans	<u>47,434</u>	<u>58,407</u>
Total, gross loans	\$ <u><u>213,867</u></u>	<u><u>251,066</u></u>

**(c)** The loan portfolio summarized by status at June 30 follows:

	<u>2019</u>		<u>2018</u>	
	<u>State</u>	<u>Federal</u>	<u>State</u>	<u>Federal</u>
Enrollment	\$ 13,199	343	11,117	435
Grace	3,817	49	3,101	134
Repayment	138,558	37,944	164,266	45,956
Deferment	10,298	4,829	13,728	6,379
Forbearance	<u>561</u>	<u>4,269</u>	<u>447</u>	<u>5,503</u>
Total	\$ <u><u>166,433</u></u>	<u><u>47,434</u></u>	<u><u>192,659</u></u>	<u><u>58,407</u></u>

**(d)** Loans awarded not disbursed at June 30 follows:

	<u>2019</u>	<u>2018</u>
State Education Loans		
Supplemental	\$ 1,218	945
Refinanced	398	466
Family Education	<u>18</u>	<u>25</u>
Total State Loans	\$ <u><u>1,634</u></u>	<u><u>1,436</u></u>

**ALASKA STUDENT LOAN CORPORATION**

(A Component Unit of the State of Alaska)

## Notes to Financial Statements

**(5) Allowances and Provision**

A summary of activity in the allowances at June 30 follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of period	\$ 73,756	79,652
Provision	6,892	4,188
Balances charged off	<u>(22,826)</u>	<u>(10,084)</u>
Balance, end of period	<u>\$ 57,822</u>	<u>73,756</u>

	<u>2019</u>	<u>2018</u>
Allowance for:		
doubtful loans	\$ 43,827	55,488
principal forgiveness	254	277
doubtful interest	13,720	17,948
interest forgiveness	<u>21</u>	<u>43</u>
Total	<u>\$ 57,822</u>	<u>73,756</u>

**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Notes to Financial Statements

**(6) Bonds Payable**

(a) Bonds payable at June 30 follows:

	Type	Original Amount	Outstanding Amount	
			2019	2018
2012B Trust Indenture, Education Loan Revenue, Refunding Bonds, Senior Series 2012B-1, due 2043	Variable	\$ 78,435	-	6,935
2013 Trust Indenture, Education Loan Revenue, Refunding Note, Series 2013, due 2031	Variable	<u>144,730</u>	<u>43,705</u>	<u>55,524</u>
Total Bonds/Note Payable		<u>\$ 223,165</u>	43,705	62,459
Unamortized discount net			(151)	(202)
Net Debt Payable			<u>\$ 43,554</u>	<u>62,257</u>
Current			10,790	20,313
Noncurrent			32,764	41,944
Total			<u>\$ 43,554</u>	<u>62,257</u>
Debt Payable, beginning of period			\$ 62,459	84,628
Issued			-	-
Retired			<u>(18,754)</u>	<u>(22,169)</u>
Debt Payable, end of period			<u>\$ 43,705</u>	<u>62,459</u>

**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Notes to Financial Statements

**(6) Bonds Payable (cont.)**

(b) The 2013 Refunding Note bears interest at a rate equal to the one-month London Interbank Offered Rate (LIBOR) plus 50 basis points. There is no maximum rate. The rate at June 30, 2019 and 2018 was 2.90% and 2.59%, respectively.

(c) The minimum payments projected subsequent to June 30, 2019, are as follows:

<u>Period Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 10,790	1,126	11,916
2021	9,900	825	10,725
2022	9,104	548	9,652
2023	8,394	293	8,687
2024	<u>5,517</u>	<u>64</u>	<u>5,581</u>
Total	<u>\$ 43,705</u>	<u>2,856</u>	<u>46,561</u>

(d) The 2013 Refunding Note was issued at a discount which is being amortized using the effective method. The effective rate is 60 basis points over LIBOR.

(e) The Master Indenture represents a limited obligation trust which secures payment for the 2013 Refunding Note. Note holder interest earnings are taxable. Principal and Interest are payable monthly from assets pledged as collateral to the respective indenture which includes cash, investments and loans (restricted assets). The debt does not constitute a general obligation of the Corporation or of the State. The indentures contain covenants relative to restrictions on additional indebtedness and provisions that, in the event of default, provide the Trustee with the authority to declare the entire principal amount of the debt, including accrued interest, due and payable. The Trustee would also have the authority to sell or otherwise dispose of pledged assets to protect the rights of debt owners. The debt is private activity revenue debt.

**(7) Yield Restriction and Arbitrage Rebate**

Education loans financed with proceeds of tax-exempt bonds issued by the Corporation are subject to interest rate yield restrictions of no more than 2% over the bond yield. Earnings on non-loan investments pledged to bond indentures are subject to rebate provisions which restrict earnings to the related bond yield. These restrictions are in effect over the life of the bonds. Loan and investment yields are calculated and analyzed annually. These analyses are used to determine both compliance with Internal Revenue Service (IRS) provisions and the amount of arbitrage rebate and yield restriction receivable/payable amounts, if any. The yield restriction payable represents the amount due to the IRS for earnings in excess of allowable yields. The arbitrage rebate receivable represents amounts paid to the IRS in past years that is refundable due to cumulative investment earnings no longer being in excess of those allowable.

**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Notes to Financial Statements

**(8) Federal Family Education Loan Program**

Ascendium Education Solutions, Inc., formally Northwest Education Loan Association (NELA), is the guarantor for the Corporation's FFELP portfolio.

As a holder of Federal loans, the Corporation receives claim, special allowance and interest subsidy payments and pays excess interest and rebate fees on federally guaranteed loans as specified in the Higher Education Act (HEA).

Claim payments are received from the guarantor when a borrower dies, becomes totally and permanently disabled, or defaults on a Federal loan. The Corporation is eligible for these payments provided compliance with servicing requirements outlined in the HEA. Failure to fulfill the requirements may result in an interest penalty or loss of guarantee. In the case of a default claim, unpaid principal and interest are guaranteed at 98% if the loan was first originated prior to July 1, 2006, and 97% if the loan was first originated after June 30, 2006. Claims as a result of a borrower's death or becoming totally and permanently disabled are guaranteed at 100%.

Special allowance payment rates are calculated quarterly, by the Department, based on the quarter's daily average one-month LIBOR, plus a predetermined factor that varies according to loan type, disbursement date, loan status, and not-for-profit eligibility of the lender less the loan's applicable interest rate. When the calculated rate is positive, special allowance payments are received from the Department; when the calculated rate is negative, the Corporation pays excess interest to the Department on loans first disbursed after April 1, 2006.

Interest subsidies are received quarterly from the Department on behalf of qualified subsidized Stafford or subsidized Consolidation loan borrowers during enrollment, grace, deferment and eligible income-based repayment periods.

A rebate fee, equal to 0.09% of the unpaid principal and interest on consolidation loans, is paid monthly to the Department.

**(9) Commitments and Contingencies**

***(a) Operations***

The Corporation will fund approximately \$11,648 and \$38 of the Commission's fiscal year 2020 and 2019 operating budgets, respectively, for loan servicing and staff support. The Corporation's and the Commission's budgets are subject to review and approval from both the executive and legislative branches of the State. The Commission's costs funded by the Corporation are based on expenditures incurred by the Commission.

**ALASKA STUDENT LOAN CORPORATION**  
(A Component Unit of the State of Alaska)

Notes to Financial Statements

**(9) Commitments and Contingencies (cont.)**

***(b) Return of Capital***

State statutes indicate that the Board may elect to pay the State a return of contributed capital or dividend based on net income. If the Board elects to pay a dividend, the amount may not be less than 10%, or greater than 35%, of the Corporation's income when it equals or exceeds \$2,000 for the Base Fiscal Year. The Base Fiscal Year is defined as the fiscal year ending two years before the end of the fiscal year in which the payment is made.

Income in fiscal year 2018 and 2017 did not exceed \$2,000; therefore, no capital will be returned to the State in fiscal year 2020 and 2019.

As an additional means of returning capital, the Corporation issued bonds to finance State capital projects. No bonds have been issued since 2005 for this purpose. The Corporation reimburses the State for expenditures related to projects funded with Corporation capital project bond proceeds. At June 30, 2019 all capital project bond proceeds had been used to reimburse the State for funded capital project costs. Restricted investments include amounts specifically designated for financing State capital projects totaling \$594 at June 30, 2018.

***(c) State Permanent Fund Dividend Garnishment***

The Alaska Permanent Fund (Permanent Fund), established in the State Constitution in 1976, is held and managed by the State. The State deposits a percentage of oil and gas royalties into the Permanent Fund. By statute, the State pays a portion of the earnings of the Permanent Fund annually to individuals who apply and meet certain residency requirements, provided that sufficient funds are available for payment. Permanent Fund Dividend (PFD) payments could be eliminated or reduced by an amendment to State statutes. The Commission may garnish a borrower's PFD payment, if any, to satisfy the balance of a defaulted loan pursuant to State statutes. The Commission has garnishment priority over all other executors except State child support enforcement and any court ordered restitution. There is no assurance that any particular borrower will apply or qualify for a PFD payment.

PFD garnishments were approximately \$2,070 and \$1,773 for the years ended June 30, 2019 and 2018, respectively.

***(d) Legislation***

The Corporation's State education loan programs have been the subject of legislative action by the State legislature. The laws governing the programs have been amended from time to time and will continue to be the subject of legislative proposals calling for further amendment. The effect, if any, on the Corporation's State programs cannot be determined.